

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Russia Indirectly Links Bin Laden To Attacks

□ Interfax news agency reported that Russian intelligence services have handed over to the US "upon their request" possible indirect evidence linking Saudi-born terrorist suspect Osama BIN LADEN to the September 11th terrorist attacks in New York and Washington DC. It noted that the Russian intelligence possessed no "direct evidence" confirming BIN LADEN's connection with the attacks that left more than 5,000 people dead or missing, including nearly 100 Russian citizens. The evidence was not described. According to various reports the Russian Secret Services have been working to pinpoint BIN LADEN's location. Sergei IVANCHENKO, the spokesman for Russia's Federal Border Guard Service said, "Judging by the operative data, Osama BIN LADEN is likely to be in the area of the Afghan city of Kandahar." However other prominent ex Soviet Intelligence officers have been offering others views that appear to be clouding the waters. Former Soviet Foreign Ministry employee stationed in Pakistan and later KGB intelligence chief Leonid SHEBARSHIN believes that the pursuit of BIN LADEN could mislead the investigation, United Press International reported. There can be no argument with this statement but his other speculations appear as disinformation to distract attention from some old Soviet clients. In an interview with [Argumenty I Fakty](#), SHEBARSHIN said, "I think that a new, so far unknown terrorist organization stands behind the US tragedy. And, most likely, it is not an Islamic one." He added that a Latin American lead, possibly Columbian mafia, should not be ruled out. This incredulous statement, from a man who was first a Soviet co-optee in the Foreign Ministry and then a KGB officer in India and Iran, climbing to the top of the service under the tutelage of Vladimir KRYUCHKOV can

only contribute to the speculations concerning Iraqi involvement. One of the more recent outrageous remarks of SHEBASHIN was his statement on Russian television that Retired KGB General now living in the US Oleg KALUGIN was a traitor and that former officers of the KGB would take care of his treason themselves without any court involvement. Other stories appearing in the mainstream press include accusations that right wing forces in the US were behind the attacks to rid the country of blacks and Arabs. It should be noted that of the nearly 2,000 people from more than 60 different countries who have either lost their lives or remain missing from the terrorist attack at the World Trade Center and Pentagon, 208 are from Columbia and not one Iraqi or Afghani lost their lives, as compared to 200 Pakistani citizens.

Now Russia Not Opposed To CA Assistance

□ A Senior US State Department Official on Wednesday said that Russia is not opposed to Central Asian states of the former Soviet Union cooperating with the US in its plans to combat terrorism following the attacks on the World Trade Center in New York City and the Pentagon in Washington DC. This viewpoint was presented in talks between Secretary of State Colin POWELL and Russian Foreign Minister Igor IVANOV in Washington, and between Deputy Secretary of State Richard ARMITAGE and his counterpart in Moscow. The State Department officials said that Russian representatives, "did not link or express any reservations about the kind of

cooperation that we might want to have with Central Asian states against terrorism," Reuters reported. Former Soviet republics in Central Asia, specifically Turkmenistan, Uzbekistan, and Tajikistan, border Afghanistan, whose people are fleeing in fearing US military strikes and where suspected terrorist Osama BIN LADEN is believed to be in hiding.

Chechen Rebels Continue Attacks

□ The Russian military has launched large-scale "special operations" in every part of Chechnya and used fighter helicopters to fire on rebel positions in the mountains. The military's actions are in response to Monday's rebel assault on Gudermes. Chechen rebels were able to capture part of the Gudermes and Argun. Troops had to use armor and artillery to flush out the attackers. At least six servicemen were killed. Itar-Tass quoted local police as saying the situation in both towns remained "difficult but controllable." *Kommersant Daily* reported that in Argun, troops blew up a disused three-story building to stop rebels holed up inside from firing on them. It said that 20 to 30 rebels were buried in the rubble, when the building collapsed. In the worst attack of the day, four Russian troops were killed and five wounded when their armored vehicle came under fire at the border with the neighboring region of Ingushetia, Interfax news agency reported. RIA news agency reported two deaths among Russian policemen, slain in overnight attacks on checkpoints. It said another six had been wounded. Rebels also report killing district police head and close ally of pro-Moscow administrator Akhmad KADYROV, Salman ABUYEV, along with his six bodyguards. Itar-Tass said six rebels had been killed when they tried to overrun a checkpoint in Grozny, where severe travel restrictions remain in force.

Economy

Ruble = 29.45/\$1.00 (NY rate)

Ruble = 29.42/\$1.00 (CB rate)

Ruble = 27.28/1 euro (CB rate)

CB Predicts 2002 Economic Indicators

□ ~~Central Bank First Deputy Chairman~~ Tatiana PARAMONOVA said at a news conference today that the inflation rate was estimated to reach 12 to 14 percent next year. The government-prepared budget draft earmarks inflation at a rate of 11 to

13 percent. In her opinion, the government and the Central Bank have different estimations due to the fact that the Central Bank had made a greater consideration of possible changes in Russia's export product prices. The Central Bank and the government have often disagreed on main economic forecasts in previous years. According to PARAMONOVA, the country will have a surplus in 2002 despite the volatility of foreign markets. It will enable the Central Bank to increase gold and currency reserves, maintain the floating currency exchange rate, and reduce interest rates on the money markets. Gold reserves rose from \$37 billion to \$37.5 billion by August 31st. She also stressed that the Central Bank would not allow for the fast ruble strengthening next year. The latest official forecasts for annual inflation in 2001 stood at 17 percent to 18 percent, up from the original target of 12 percent, set in the 2001 budget. PARAMONOVA said the Central Bank forecast growth of 4.3 percent for the gross domestic product in 2002, in line with the government forecasts, Reuters reported.

Russian 2001 GDP Beating Expectations

□ Russian Prime Minister Mikhail KASYANOV today said the nation is likely to post gross domestic product (GDP) growth of 5.5 percent this year, slightly higher than has been expected. Russia's GDP rise last year was a post-Soviet record of 8.3 percent. Agencies also quoted the Prime Minister as telling a Cabinet meeting that 2001 industrial output was likely to rise 5.8 percent on 2000 levels. "When forecasting 2001 GDP at the start of the year we thought the four percent figure was optimistic. Now we have made the conclusion that the figure will rise by 5.5 percent," Prime-Tass news agency quoted KASYANOV as saying. Interfax quoted him as saying that investment growth in August was six percent and oil output was also up. "The rates of industrial production continue growing," KASYANOV said. "August industrial output was up five percent and it allows us to estimate industrial output growth for the year at 5.8 percent."

Business

2002 Chechen Oil Production Estimates

□ According to the staff of the Chechen Administration, approximately 1.4 million tons of oil will be produced in Chechnya in 2002. All Chechen oil revenues are being channeled to the restoration

of the local economy. Presently, the oil industry is the most profitable branch in the Chechen Republic, RosBusinessConsulting reported. About 2,000 people are engaged in oil production, with the prospect of increasing the number of jobs to 5,000.

EUROPEAN REPUBLICS

White House Says Lukashenko Stole Election

□ US White House spokesman Ari FLEISCHER in a written statement condemned Belarus' Presidential election earlier this month. It said, "Not only did Alexander LUKASHENKO, Europe's last dictator, steal the elections from the Belarus people □ for the moment, he also stole their opportunity to return to a path towards democracy and free market economy...This was a sadly missed opportunity and a sad moment for a brave people who suffer under a climate of fear." The statement called the election, "severely flawed." The White House said it supported the findings of election observers from the Organization for Security and Cooperation in Europe (OSCE), who said the voting was marred by a host of factors, including a climate of fear, a campaign of intimidation against opposition leaders and biased state-controlled media. On Wednesday, the Belarus Foreign Ministry declared that the US would have, "to put up with" the electoral vote. It said, "The people of Belarus made their choice, displaying wisdom and maturity. European states and the United States must put up with this decision." Official figures showed incumbent Belarus President Alexander LUKASHENKO of garnering 75.6 percent of the vote. The Foreign Ministry statement added, Washington's intention...to thrust on the European community a policy of refusing cooperation with the Belarus government is just additional proof that the US aims to change the state order in Belarus."

Ukraine Headed For Economic Growth

□ Ukrainian analysts predicted that the economy will continue its double-digit growth in the first eight months of the year. From January to August, Ukraine's gross domestic product (GDP) grew by 10.8 percent, compared to a rise of only 5.3 percent in the same period of 2000. GDP was worth almost 133 billion hryvnias (\$25 billion) in the first eight months. Ukraine's industrial output

rose by 16.9 percent in the same period. "These are incredible figures. They are achieved mainly due to unexpected growth in the agricultural sector and rising purchasing power," said Alexander PECHERYTSA, head of research at *Alfa Capital* investment house. Ukraine is on course for its best grain crop since independence in 1991, helped by good weather, improving machinery and a larger area under cultivation. The harvest is expected to total some 40 million tons after only 24.4 million last year, the worst crop since 1945. Andrei DMITRENKO, analyst at *Dragon Capital* investment bank, attributed much of the economic growth to reforms started by former prime minister Viktor YUSHCHENKO, whose government was toppled in April. Prime Minister Anatoly KINAKH's government has continued YUSHCHENKO's reforms and reached an agreement with the International Monetary Fund (IMF) on restoring lending, frozen in March due to slow reforms and political turmoil which has since subsided. An IMF mission said earlier this month it would recommend resuming a \$2.6 billion lending program. The IMF board is due to decide on the aid today. Analysts said growth was likely to slow later this year due to problems with exports, including anti-dumping probes, Russian quotas on Ukrainian goods and lower world prices for steel and chemicals, the country's main exports. Ukrainian exporters account for about 60 percent of the GDP.

Ukraine's Budget Surplus Falls

□ Ukraine's Finance Ministry announced on Wednesday that the nation posted a budget surplus of 53.2 million hryvnias (\$10 million) in the first eight months of the year compared to a surplus of 992 million hryvnias in the same period a year ago. The budget surplus from January to August is equivalent to 0.4 percent of gross domestic product. The Finance Ministry said in a statement budget revenues totaled 24.55 billion hryvnias in the first eight months of the year or 95.9 percent of the government's target. Strict budgeting is one of the key conditions required to unlock financing from the International Monetary Fund (IMF). An IMF mission said earlier this month it would recommend resuming a \$2.6 billion three-year program. The IMF board is due to decide on the aid today. Parliament approved what it calls a zero-deficit budget for this year, although this includes projected revenues from

privatization, which are excluded from revenues under the IMF's methodology. The state budget totals 42 billion grynias, Reuters reported.

SOUTH CAUCASUS & CENTRAL ASIA

President Accepts Saakashvili's Resignation

□ Today, Georgian Justice Minister Misha SAAKASHVILI made an official statement announcing his resignation to Georgian President Eduard SHEVARDNADZE. According to the current legislation, the President must make a decision within a month, however, SHEVARDNADZE promised to decide whether to accept the resignation within two hours. Along with SAAKASHVILI, Deputy Justice Minister Irakli OKRUASHVILI also resigned. According to a Justice Ministry source, SAAKASHVILI will run in the October 21st parliamentary elections from Vake District. The deadline for the candidates to register expires on September 21st.

According to the First Channel of the Georgian television, SHEVARDNADZE declined SAAKASHVILI's resignation and asked to provide some clarifications. However, when advised by his aides that SAAKASHVILI might miss the deadline for the parliamentary elections registration, SHEVARDNADZE accepted SAAKASHVILI's resignation, Presidential Press Secretary Kakha IMNADZE told Prime News Agency. SAAKASHVILI made a public statement on Wednesday saying that he "does not want to work for the corrupt government." SAAKASHVILI was appointed Justice Minister in October, 2000.

Georgia-Azerbaijan Fail To Reach Agreement

□ Georgia and Azerbaijan failed to reach an agreement on transit fees for a planned gas pipeline from the Caspian Sea to eastern Turkey at talks in London last week. Georgian International Oil Corporation (GIOC) president Gia CHANTURIA hopes the two sides would reach an accord soon. "Our recent negotiations in London did not resolve the tariff problem finally but brought our views closer," CHANTURIA told Reuters. Georgia initially

agreed to transport Azeri gas across its territory for \$2 per 1,000 cubic meters, but back-pedaled after the World Bank advised that the tariff was too low. Georgia then asked for \$5 to \$10 per 1,000 cubic meters. CHANTURIA explained, "We did not just discuss figures, but some alternative proposals of getting transit fees such as partly money and partly gas at a fixed price." He added an element of the initial agreement giving Georgia the right to purchase a fixed amount of gas from the pipeline at a fixed price would be retained. Another round of talks will take place in Baku next week. Georgian President Eduard SHEVARDNADZE was likely to travel to Azerbaijan to sign an inter-governmental agreement by the end of September. The proposed pipeline would ship gas from Azerbaijan's offshore Shakh Deniz field operated by BP. Earlier this year, Azerbaijan signed an agreement to supply Turkey with 2.0 billion cubic meters (bcm) of gas from 2004 to 2005, rising to 6.6 bcm by around 2006.

Kazakh Wants NATO Stability Suggestions

□ Kazakh Deputy Foreign Minister Kairat ABUSEITOV, addressing an international seminar on regional security, said that Kazakhstan is interested in NATO recommendations to ensure stability and prevent conflicts and crises in Central Asia. Delegates from NATO, security experts and analysts from countries of the Commonwealth of Independent States (CIS), from the Baltic republics and other European countries are attending the conference. ABUSEITOV said, "the world public was recently troubled by such news challenges and menaces as ethnic intolerance, international terrorism, religious extremism, organized crime, drug trafficking, and illegal weapons trade, which are particularly obvious in Central Asia. They can be opposed only by joint efforts and only multilateral actions will yield the necessary effect." He believes that the, "tragedy in the United States is definitely a challenge to all the world community and calls for united and concrete practical steps to fight international terrorism."

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