

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **Russia To Arm Afghan Opposition**

□ Russian President Vladimir PUTIN said that Russia will help arm Afghanistan's anti-Taliban opposition, the Northern Alliance, and open an air route for humanitarian aid, if the US attacks the country accused of hiding suspect Osama BIN LADEN. PUTIN has made no concrete military offer to the US. Defense Minister Sergei IVANOV has pledged that Russian troops will not step foot in Afghanistan, the site of a devastating retreat in 1989. He, "absolutely ruled out," Russian ground troops. PUTIN said, "We will expand cooperation with the internationally recognized government of Afghanistan...and offer its armed forces additional help in the form of arms and military equipment." The Northern Alliance is a coalition backing the government of Burhanuddin RABBANI, whom the Taliban overthrew in 1996. PUTIN also offered to share information on the bases and operations of the people it dubs, "international terrorists" and take part in any search and rescue operations that were part of a united global effort to eradicate them. PUTIN noted, "The depth and quality of this cooperation will be directly dependent on the general level and quality of our relations with these [partner] countries and on mutual understanding in the battle with international terrorism." US Secretary of State Colin POWELL welcomed Russia arming Afghanistan's opposition. However, he told Reuters that the US will not reward Moscow's support for a global anti-terrorism coalition by silencing its criticism of Russia's military campaign against Muslim separatists in Chechnya.

#### **Putin Gives Chechens 72 Hours To Surrender**

□ Russian President Vladimir PUTIN called on Chechen rebels to, "immediately halt all contacts

with international terrorists," and gave them 72 hours to discuss surrender and disarmament with his representative in southern Russia, Viktor KAZANTSEV. Russia has claimed that the Chechen rebels receive support from Osama BIN LADEN, named by the BUSH administration as the prime suspect in the September 11<sup>th</sup> terrorist attacks. Defense Minister Sergei IVANOV said that Afghanistan and Chechnya, "are branches of the same tree the roots of which are in Afghanistan." He told journalists on Monday that, "the branches of this tree have spread as far as the Philippines, Afghanistan and Chechnya, as well as some CIS countries." PUTIN said, "The events in Chechnya cannot be considered outside the context of the fight with international terrorism. Today, when the civilized world has defined its position on the fight with terrorism, everybody must define his position. PUTIN did not elaborate on what will happen to the Chechen rebels after 72 hours. In a document distributed today on the Chechen press website, Aslan MASKHADOV in a September 1<sup>st</sup> order (Ukaz) specifically prohibited a tax on Russian civilians. It also warned, "their special services were trying in everyway possible to involve Chechens in internecine conflict with fraternal peoples through Chechen military units hiding from Russian persecution on the territory of Georgia, Azerbaijan, etc." **Intercon** reached the Chechen representative in Washington, who claimed no knowledge of the order. Others fear that this will be used as confirmation and justification for future Russian military strikes into Georgia.

In another development, Russian security service claimed to have seized a computer disk which contained *Boeing* aircraft manuals and a map showing directions of strikes at the World Trade Center in New York City, the site of the September 11<sup>th</sup> terrorist attacks. This appears to be a further step in linking Chechen fighters with Osama BIN LADEN to justify unilateral cross-border operations

### **Moscow Choral Synagogue Vandalized**

□ The Moscow Choral Synagogue was vandalized early Sunday, with graffiti and swastikas. Chief Rabbi Adolf SHAYEVICH said this is the first attack on the building in several years. The graffiti on the outer columns and walls of the Moscow Choral Synagogue appeared before services, but some guards and personnel were inside at the time. SHAYEVICH said, "Our security is very good, but perhaps they lost some vigilance because it has been peaceful recently," the Associated Press reported. He blamed the incident on "hooligans" and said it was not connected to religious tension worldwide following the terrorist attacks in the US. Russian law permits the practicing of Judaism, Orthodox Christianity, and Islam.

### **Economy**

**Ruble = 29.42/\$1.00 (NY rate)**

**Ruble = 29.42/\$1.00 (CB rate)**

**Ruble = 27.10/1 euro (CB rate)**

### **Government Approves 2002 Draft Budget**

□ Russia's government approved the 2002 draft budget, which included a rise in estimated revenues of 127 billion rubles and in the planned budget surplus, Finance Minister and Deputy Prime Minister Alexei KUDRIN said. The budget will now be submitted to the Russian State Duma, which will hold its first reading of the bill on Friday. The budget is the first to be drawn up with a surplus. The surplus had been set at 1.63 percent of gross domestic product (GDP) compared with an earlier forecast of 1.19 percent of GDP. Revenues were set at 2.13 trillion rubles (\$72.40 billion) and spending at 1.95 trillion rubles versus earlier targets of 1.995 trillion rubles and 1.869 trillion rubles. KUDRIN also told Reuters that the government had reserved the right to borrow up to \$2 billion on world markets next year, reaffirming earlier government statements. He said the government wanted to set aside 109.8

billion rubles next year as a reserve fund to help it meet debt repayments in 2003, a peak year.

### **Russia Raises Oil Concerns, Predicts Volumes**

□ Russian Prime Minister Mikhail KASYANOV expressed concerns today over the sharp decline of world oil prices by 15 percent. He said that the declines could eat into budget revenues. The price of Russian oil had fallen to \$19 a barrel from a recent level of \$29 a barrel. The government has said its finances next year will hold together even if the oil price falls as low as \$18.5 a barrel. Well-known Russian economist Alexander LIVSHITS predicts that oil prices will stabilize within the range of \$20 to \$26 per barrel in the near future. He thinks that oil exporters will not make money on the US tragedy. At the same time, the economist believes that the recent fall in oil prices is for the short-term.

A government panel which sets Russia's trade tariffs has recommended raising the fuel oil export tariff from 20 euros per ton to 32 euros, a deputy economic development and trade minister Dmitry SUKHOPAROV said on Monday. The commission also recommended lowering gas, oil, and motor gasoline tariffs from 39 euros per ton to 32 euros. The commission earlier on Monday recommended lowering the natural gas export tariff to five percent of the customs value from 10 percent. No exact time frame for implementing the changes has been announced. Russia regulates fuel oil exports in the winter to ensure domestic needs are met. Last winter, the fuel oil export tariff hit a high of 31 euros a ton. Russia exported 27.7 million tons of fuel oil and 22.8 million tons of gas oil in 2000, Reuters reported. Deputy Prime Minister Viktor KHRISTENKO said that in October the commission will monitor fuel oil supplies in order to either extend the quotas further or to adjust fuel oil export tariffs. Export quotas on fuel oil had been in place since March 1<sup>st</sup>. Russia's Economic and Trade Ministry reported at a Cabinet meeting today that the volume of oil exports from Russia is expected to reach 160 million tons in 2002. In particular, 141 million tons will be exported to faraway foreign countries, RosBusiness Consulting reported. According to the ministry's estimates, the volume of oil and gas production amounted to 227.5 million tons in the first eight months of this year, which is 7.4 percent more than during the corresponding period last

year. The volume of oil exports for 2001 is expected to reach 155.3 million tons, including 136.8 million tons to faraway foreign countries.

### **Business**

#### **UES Negotiates Stakes For Debt Deal**

□ The Russian government has commissioned *Unified Energy Systems of Russia (UES)* to negotiate the purchase of the *Razdansky Power Station* as a repayment of Armenia's debts to Russia. Head of the public relations department of *UES* Andrei TRAPEZNIKOV announced these talks to journalists today, RosBusiness Consulting reported. He stressed that the company also intends to participate in a tender for privatization of 75 percent stakes in four Armenian gas networks that may be sold as one lot. The state debt of Armenia to Russia reaches \$93.76 million, ARKA information agency reported to RosBusiness Consulting.

#### **Rosneft To Invest In Oil Tankers**

□ Russian oil company *Rosneft* ships will operate on the Northern sea-shipping route and in the Far East this year. *Rosneft* annually transports by sea about 10 million tons of oil. In near future, *Rosneft* will invest \$200 million in construction of the tanker fleet. The fleet will consist of tankers of 3 thousand, 5 thousand, and 20 thousand tons displacement. *Rosneft* has already signed a contract for construction of the first tanker of 20 thousand tons displacement with the state unitary enterprise *Admiralteiskiye Verfi* in St. Petersburg.

### **EUROPEAN REPUBLICS**

#### **Ukraine Opens Airspace To US**

□ Ukraine has agreed to permit US military cargo aircraft to fly over the country. The National Security and Defense Council made the decision. Council's Secretary Yevgeny MARCHUK met with President Leonid KUCHMA and legislators Monday to discuss the issue. The decision was Ukraine's first sign of support for the US military campaign against terrorism. Viktor MEDVEDCHUK, deputy speaker of Ukraine's parliament, said the decision was made at Washington's request, the Associated Press reported. It is unclear whether the decision would require parliamentary approval. The Defense Ministry said it would, but MEDVEDCHUK said a

presidential decree would suffice for military cargo planes.

#### **Lithuania Detains 20 Afghans At The Border**

□ Lithuanian border guards on Tuesday detained a group of 20 people from Afghanistan trying to enter the country illegally from neighboring Belarus. "They said that they left Afghanistan about three or four months ago because of economic reasons, not because of the American attack," Rokas PUKINSKAS, a state border guard spokesman, told Reuters. He said they were being held temporarily in a border guard station and would later be transported to the country's holding facility for illegal migrants in Pabrade, near the capital Vilnius. "The Lithuanian migration department will decide whether to let them stay in Lithuania or send them back," PUKINSKAS said. Of the 99 people apprehended by border guards for entering Lithuania illegally this year, including the 20 stopped today, 53 were from Afghanistan.

### **SOUTH CAUCASUS & CENTRAL ASIA**

#### **Russia Should Invade Georgia!**

□ According to an article in *Vek*, Valeri SOLOVEI said the US plans to attack terrorists wherever they are found regardless of national borders provide a justification for Russia to do the same and cross into Georgia. He has called on Russia to extend the fight against Chechens and invade Georgia. Russia has accused Georgia of harboring and assisting Chechen militants, which Russia believes are terrorists and supported by the US' prime suspect Osama BIN LADEN. Russian media has been condemning Georgia for failing to allow Russian forces to clear out the Pankisi Gorge, located in Georgia, where Russia believes many Chechen rebels are hiding. Russia has also demanded the extradition of Chechen rebels, it accuses of criminal acts. Russia requests these extraditions, even though the prosecutor's general office fails to provide Georgian authorities with proper evidence.

#### **Georgian Priest Launches Religious Campaign**

□ Father Basil MZEKALASHVILI, whose followers have systematically assaulted Jehovah's Witnesses in Tbilisi and other Georgian towns, staged a march in the capital today, RFE\RL Newline reported.

The march was intended to mark the beginning of a new campaign against all non-Orthodox religious groups in Georgia, Caucasus Press reported. MZEKALASHVILI and his followers forcibly broke up a meeting of evangelists in Tbilisi on Sunday, according to [Rezonansi](#).

### **Baku-Tbilisi-Erzerum Pipeline Talks To End**

□ Georgia and Azerbaijan are expected to sign an agreement on the construction of a gas pipeline from Azerbaijan to Turkey via the territory of Georgia before October 5<sup>th</sup>, Prime News Agency reported. According to the press service of the *State Oil Company of Azerbaijan (Socar)*, the final round of negotiations between the two countries' working groups is being held today in Baku. In his traditional address to the nation on Monday, Georgian President Eduard SHEVARDNADZE stated that the talks are on the "final stage." "The pipeline will go through the territory of Georgia and it will play an important role to ensure energy security for the country," the President stressed. Today's talks are focused on the transit tariffs and the amount of transit gas. The talks have been stalled over the transit fees disagreements between Baku and Tbilisi. Azerbaijan offers to pay Georgia \$2 per one thousand cubic meters of gas in the first five years, \$2.75 – the next five years, \$3.50 – in the following five years, and \$4.25 afterwards. Georgia with the support of the World Bank suggests raising the transit fees to \$5 to \$10 per one thousand cubic meters. The total cost of the project is \$2.9 billion. Approximately, 80 billion cubic meters of natural gas is expected to be shipped via the pipeline by the year 2018.

### **GUUAM To Fight Terrorism**

□ According to a statement released by the GUUAM (Georgia, Azerbaijan, Ukraine, Uzbekistan, and Moldova) press service on Tuesday, all members of GUUAM are ready to consolidate their efforts and fight against terrorism with the world community. The statement said the GUUAM members condemn the tragic events in the US on

September 11<sup>th</sup> and believe that the forces behind these terrorist acts deserve severe punishment. "Not only the US but the entire world community was challenged," the statement underlined. The tragic events in the US have proven the necessity to raise the international relations into the level that will eradicate any possibility for these tragedies to happen again, the statement added. On September 18<sup>th</sup> the GUUAM national coordinators met in Baku to discuss further steps to formally make GUUAM a full-fledge regional organization. Initially, they planned to meet on September 5<sup>th</sup> to 6<sup>th</sup>, but at the request of Azerbaijan it was postponed. GUUAM was established in 1997 with Georgia, Ukraine, Azerbaijan, and Moldova. In 1999, Uzbekistan joined the organization.

### **US Issues Travel Warnings In Central Asia**

□ The US State Department on Wednesday authorized the voluntary evacuation of some personnel and relatives of diplomats from the US embassy in Turkmenistan in the wake of the September 11<sup>th</sup> attacks on New York and Washington, citing the country's proximity to Afghanistan. It also warned US citizens not to travel to Turkmenistan. Turkmenistan, which borders Afghanistan where suspect Osama BIN LADEN is believed to be hiding, has taken serious measures to increase security around its borders. Turkmenistan would support the creation of an "anti-terrorist coalition," provided that it acted under the aegis of the UN, Reuters reported.

On Friday, the US State Department issued a travel warning for US citizens going to Kyrgyzstan. The next day, it added a travel warnings for Uzbekistan, citing potential dangers. "Americans who decide to remain in or visit Uzbekistan should exercise maximum caution and take prudent measures," the State Department said. These steps include avoiding crowds, varying travel times and routes, and "keeping a low profile," it said. A warning about travel to Tajikistan was issued on June 29<sup>th</sup> because of domestic political unrest.

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