

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Russian Forces Down Their Own Helicopter?

• Novaya Gazeta reporter Anna POLITKOVS-KAYA, now living in Vienna following death threats, witnessed stunning events from Grozny. In an interview with Ichkeria.org, she describes the events of September 17th, when a military helicopter with the General Headquarters Commission headed by General Anatoly POZDNYAKOV was shot down above Grozny. Prior to his fateful helicopter ride, POZDNYAKOV told POLITKOVSKAYA that the commission's task was to collect facts about military crimes, systematize them and prepare a report for Russian President Vladimir PUTIN. This had been the first investigation ordered by the President. All commission members aboard the helicopter died and their documentation destroyed. She noted that the Defense Ministry pressed the newspaper not to publish her article in its entirety. POLITKOVS-KAYA revealed that she omitted from the article the crucial fact that the commission's helicopter was shot down by the Russian military. She said, "The details—of great importance in such material—which proved that the helicopter with the commission onboard was shot down by the military. That was the most important point, which entailed all subsequent troubles. The Defense Ministry was absolutely not interested, they openly said to the editor-in-chief [of Novaya Gazeta]: if these details are published, that would be it." She added that there were other eyewitnesses including members of the Chechen police, *Grozenergo's* employees, and *Unified Energy System (UES)* first deputy General PLATONOV, who also serves as Deputy Director of the Federal Security Service (FSB). In the interview, she noted that there is infighting in the military establishment. She said, "Even though FSB is in charge, the military are too powerful."

Comment: Her story has so far not been verified, but there have been widespread reports of corruption, kidnapping for ransom, torture, sale of Chechen oil, scrap, and gasoline from the military. Some say the military has no real incentive to leave Chechnya, but President PUTIN does. Chechnya is a drain on the budget and the ability to strengthen the military.

China-Russia Support Afghan Coalition Gov't

• In a series of telephone calls on Tuesday, Chinese Foreign Minister TANG Jiaxuan outlined China's positions on Afghanistan, terrorism and Islam with counterparts from Russia, Qatar, India and Thailand, according to Chinese State Media. China and Russia support the formation of a coalition government in Afghanistan and share a common stance on a campaign against terrorism. According to The People's Daily, TANG said the Afghan coalition government, "able to cooperate with neighboring countries in a friendly manner," would benefit the Afghan people and regional peace and stability. China and Russia have both backed a U.S.-led war against terrorism following the September 11th attacks on the U.S. due in large part to their own concerns about Islamic extremist groups. Analysts say Moscow and Beijing want Western support for their campaigns against groups they view as terrorists instead of criticism over human rights abuses. The People's Daily quoted Russian Foreign Minister Igor IVANOV as saying the U.N. should play a greater role in the campaign against terrorism and military

strikes should have clear targets and not spread to other countries.

Rus-Uzbek Presidents Discuss Situation

- The presidents of Russia and Uzbekistan held a half-hour telephone conversation today. ITAR-TASS reported that the presidents, "exchanged opinions and assessments of the situation in Afghanistan in connection with the anti-terrorist operation being carried out and, in this context, discussed in detail the developments in the Central Asian region." Both sides "expressed satisfaction over a high level of coordination between Russia and Uzbekistan which assumes special importance in the present conditions." Uzbek President Islam KARIMOV, "noted the closeness of the approaches of the two countries to the tasks and aims of the operation to eliminate the hotbeds of terrorism and extremism in Afghanistan and to the settlement after the conflict." The presidents also discussed a number of practical questions of bilateral relations.

Russian Muslim Chairman Against US Action

- Mufti Ravil GAINUTDIN, chairman of the Muslim administration for the European part of Russia, announced at a round-table meeting "Russia, Islam and globalization" today that the U.S. military action in Afghanistan is a direct threat to Russia's national security. He said that the U.S. has abused the right to act on behalf of the world community against terrorism, which he believes will inevitably lead to the destabilization of Central Asia. RosBusiness Consulting reported GAINUTDIN said the deployment of U.S. military bases in Uzbekistan, Tajikistan, and Kazakhstan contradicts geographical and political interests of Russia. He called the policies of the U.S. and other western countries that participate in the military campaign in Afghanistan "the state terrorism." He noted that western values that Americans are trying to impose on the world have nothing in common with the human civilization.

The Muslim leader stressed that the U.S., Great Britain, and Israel are greater terrorists than Afghanistan and Palestine. GAINUTDIN added his surprise at Russia's support for, "the dictatorship regime of Uzbekistan where more than 50,000 people accused of Islamism are kept in prisons."

Economy

<p>Ruble = 29.41/\$1.00 (NY rate) Ruble = 29.54/\$1.00 (CB rate) Ruble = 26.99/1 euro (CB rate)</p>

Business

Gazprom-Rosneft To Invest In Offshore Oil

- Russian gas giant *Gazprom* and state-owned oil firm *Rosneft* will invest up to \$700 million in an offshore oil project in Russia's far north over the next three years, *Rosneft* spokesman told RosBusiness Consulting. The two agreed in September to set up a 50/50 joint venture to develop the Prirazlomnoye oilfield, after German *Wintershall* stopped investments in the field the same month. "As we will have an equal partnership in the joint venture, we will have to put in an equal investment share of \$350 million," *Rosneft's* spokesman said. *Wintershall*, part of the *BASF* group, said in September it had halted for at least a year plans to develop Prirazlomnoye after it failed to agree on a matching production-sharing agreement (PSA) for the \$1 billion project.

A *Rosneft* spokesman added that his company and *Gazprom* had also preliminarily agreed last week to develop four other big fields in Russia's north, one of them belonging to *Rosneft* and having some 154 million tons of oil and 751 billion cubic meters of gas in reserves, the *Russia Journal* reported.

EUROPEAN REPUBLICS

Ukraine's GDP To Rise By 10 Percent

- Ukrainian Prime Minister Anatoly KINAKH said today the economy would keep up its fast pace of growth in January to September, with gross domestic product (GDP) rising by about 10 percent. "We forecast GDP growth in the first nine months of the year at the levels recorded previously—at about 10 percent," KINAKH told a government meeting. Ukraine's GDP grew by 10.8 percent in January to August from a year earlier. This compares with a 5.3 percent rise in the same period in 2000. The government expects GDP to grow by 7.3 percent this year after 5.8 percent in 2000.

SOUTH CAUCASUS & CENTRAL ASIA

Russia To Increase Gudauta Contingent?

- If the situation in Abkhazia aggravates, Russia is likely to increase its military contingent in the Gudauta military base, stated the Prime News Agency referring to the Russian media. The Russian source provided three reasons for sending additional troops to the Gudauta. First, Russia has to fulfill its pledge to Georgia and ensure safety of the infrastructure and equipment on the base. "Under Tbilisi's pressure, the security on the base fell below the reasonable limits which makes it unrealistic to ensure the base security during a crisis." Second, Moscow is concerned about the safety of Russian peacekeepers in Abkhazia. Finally, "this new terrorist enclave near the Russian border in the North Caucasus threatens the security of Russia," the source concluded.

However, Russian representatives of the Organization for Security and Cooperation in Europe (OSCE) told Georgian Ambassador to the OSCE Levan MIKHALADZE that Russian military personnel will be permanently withdrawn from the Gudauta base shortly. According to the Chairman of CUG Parliamentary faction Revaz ADAMIA, Georgia will exert maximum pressure on Russia demanding the withdrawal of the Gudauta base. He also added, that during this turmoil in Abkhazia, the Russian peacekeepers at the Gudauta base might provide arms and military supplies to the Abkhaz army. The Abkhaz separatists received help from the Russian troops in Gudauta during the 1992 to 1993 Georgian-Abkhaz war, ADAMIA said. By the decision of the OSCE summit in Istanbul of 1999, the Russian military base in Gudauta was supposed to be withdrawn by July 1, 2001.

Georgia Calls For An Anti-Corruption Campaign

- At a government meeting today, Georgian President Eduard SHEVARDNADZE called on all ministers, governors, and heads of the regional administrations to develop plans to fight corruption and the shadow economy. The President called the anti-corruption campaign, "a primary national goal." According to SHEVARDNADZE, the shadow economy accounts for over a half of the entire nation's economy. Under these conditions, it's impossible to meet the budget goals. SHEVARDNADZE

stressed that during his visit to the U.S. he met with Vice President Dick CHENEY who emphasized the necessity to fight corruption in Georgia, Prime News Agency reported.

UN Blames Georgia-Abkhazia For Crash

- Special envoy of the U.N. Secretary General Dieter BODEN told Interfax in Abkhaz capital Sukhumi that both Georgia and Abkhazia were responsible for Monday's crash of a U.N. monitoring helicopter. He explained that both sides had failed to honor their September 27 understanding to withdraw armed groups from the Kodori Gorge along agreed routes. The Gorge is a region known to be inhabited by various fighting gangs. The self-declared Abkhaz authorities said the helicopter was shot down by Chechen and Georgian militants in the Kodori Gorge. Abkhazia has also accused Georgia of bombing three villages and provoking skirmishes. Georgian Defense Minister David TEVZADZE denied the accusation, saying unidentified military aircraft bombed the area. He described such allegation as, "a deliberate provocation," explaining that all Georgian military planes were at permanent locations and had made no flights, which can be confirmed by documentary evidence. Georgian State Security Minister Vakhtang KUTATELADZE said that Georgian intelligence had intercepted radio transmissions which proved that two Russian helicopters and four planes had entered Abkhazia from Russia and dropped bombs.

Georgian Foreign Ministry said later in a tough statement that the bombing by "unidentified planes" was a violation of Georgia's sovereignty and an attempt of "certain forces" to foil the peaceful settlement of the Abkhaz conflict. Georgian President Eduard SHEVARDNADZE warned that while Georgia had overlooked the bombing of the village of Shatili by Russian helicopters, this time its response will be "severe," RFE\RL Newline reported. Russian Prime Minister Mikhail KASYANOV said that Russia will provide any support to stabilize the situation in Abkhazia and other territories in Georgia.

Socar Downplays Turkmen Gas Pipeline

- Head of *State Oil Company of Azerbaijan (Socar)* Natic ALIYEV said that the Trans-Caspian gas pipeline from Turkmenistan to eastern Turkey will most likely never be implemented. He noted that the U.S. consortium leading the pipeline closed their local offices last year due to the plan's uncertain

future. ALIYEV said, "Turkmenistan has pulled out of the project of the Trans-Caspian pipeline and in my understanding this project will never be implemented," Azeri newspaper *Azadlig* reported. The proposed pipeline was seen as a new outlet for Azerbaijan's gas from its giant offshore Shakh Deniz field, operated by British major *BP*. It was to run from Turkmenistan, across the Caspian to Azerbaijan and then into Turkey. But the project stalled when Turkmenistan failed to strike an accord with Azerbaijan, which was seeking equal rights to run the pipeline, Reuters summarized. Earlier this year, Azerbaijan signed an agreement to supply Turkey with two billion cubic meters (bcm) of gas from 2004-2005 and opted instead for a new South Caucasus gas pipeline that would link it with Turkey through Georgia. Licenses to start the construction for the new Baku-Tbilisi-Erzurum pipeline are expected to be in place at the start of next year. "The price for Azeri gas for Turkey will be no lower than \$70 per 1,000 cubic meters of gas and no higher than \$120 per 1,000 cubic meters, depending on the situation on the gas market," *Socar* President ALIYEV added.

Afghan Conflict Could Jeopardize Caspian Oil

- Oil analysts have stated that the spread of the Afghan conflict could jeopardize existing Caspian oil and gas projects. While oil majors which have invested billions of dollars in the Caspian area have pledged to continue their involvement, security concerns on a prolonged Afghan conflict may consign Central Asia to the limbo it has occupied since Britain and Russia fought over it in the 19th century, Reuters reported. Russia and its Central Asian neighbors have always been jittery about Afghanistan, fearing an influx of fundamentalist fighters from across the border, but the issue has not so far deterred investments into the main oil producing areas. Eric KRAUS, chief strategist at *Nikoil* brokerage, said, "If there's a reasonably clean outcome, then Caspian oil will be at a premium...If

there's a messy outcome there will be fear of contagion." Caspian oil and gas reserves, the majority of which are controlled by Kazakhstan, Turkmenistan and Azerbaijan, have never really been exploited to the full partly because the region is distant from major dollar-paying markets. Security concerns could affect pipeline projects aimed at transiting the oil and gas. Sergei GLASER, an analyst with *Alfa Bank* in London said, "Widespread military operations in the region will definitely put pipeline projects on hold...The situation is really very unstable and volatile, nobody in any sector can make long-term or even medium-term plans." The Caspian's littoral states still must reach an agreement on the status of the Caspian Sea with territorial dividing lines.

Rakhmanov Meets Ousted Afghan President

- Tajik President Emomali RAKHMANOV today will meet ousted Afghan President Burhanuddin RABBANI to discuss U.S.-led military strikes on Afghanistan. According to Tajik presidential spokesman Zafar SAIDOV, "The leaders will consider the latest developments in Afghanistan, including the beginning of America's military campaign and ways to regulate the Afghanistan conflict." RABBANI, president when the purist Islamic Taliban seized Afghanistan's capital Kabul in 1996, is still recognized by the U.N., though the Northern Alliance opposition he leads controls only about five percent of Afghan territory. RAKHMANOV has hosted security chiefs from other former Soviet states to discuss adopting common stands on issues in the region. Tajikistan has said it had no plans to allow U.S. troops on its soil. But a top Russian security official suggested cooperation between former Soviet states and countries lined up against Afghanistan's Taliban might go beyond humanitarian aid, Reuters reported. Tajikistan, poorest of the former Soviet republics, hosts up to 20,000 Russian troops to maintain stability after its civil war pitting the government against Islamic opponents.

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