

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Duma Accuses Georgia Of Terrorisü

• The Russian State Duma has accused the Georgian government of supporting the terrorists. A joint statement "On Russian-Georgian Relations" was made at a Duma meeting today, in a vote of 292 to one with one abstention. The document, prepared by the Duma CIS Committee, states that the actions of the Georgian government, "are not aimed at restoring the neighborly cooperation between these [Russia and Georgia] countries." "Despite numerous proposals of the Russian side to unite the actions for a decisive war against the Chechen terrorists, the Georgian government stays aloof from the joint actions. The Georgian government conducts the policy of supporting the Chechen terrorists and refuses to implement severe measures against the bandits who are trained in Georgia," the statement noted. According lenta.ru, Duma deputies are confident that due to the support of the Georgian government the Chechen and Georgian gunmen invaded the Kodori Gorge. However, the deputies expressed hope Georgia will join Russia's efforts to settle the Georgian-Abkhaz conflict.

Federation Council Passes Land Bill

• Russia's Federation Council Wednesday, in a vote of 103 to 29 with nine abstentions, approved a bill permitting limited sales of land. The Russian State Duma voted 257 to 130 on September 20th for the new land code in the last of three readings. Russian President Vladimir PUTIN must now sign the bill into law. The bill overturns Soviet-era land sale restrictions. Land purchases are currently regulated by many complex laws and regulations approved by local legislatures. The absence of coherent land legislation has also been a deterrent to foreign investors and slowed Russia's economic develop-

ment, the Associated Press reported. The code, which applies to sales of nonagricultural land, was strongly pushed by PUTIN but faced stiff resistance from Communists and their allies, who insisted the legislation would destroy Russia by putting its land in the hands of foreigners and mobsters. Most land remains government property. The government left the more difficult issue of farmland to a separate bill to be considered later.

Ivanov Rules Out US Warplanes Overflight

• Russian Defense Minister Sergei IVANOV reaffirmed Wednesday Russia's policy of refusing U.S. warplanes airspace to attack Afghanistan, despite its strong support for the U.S.-led strikes against the Taliban. IVANOV told the Federation Council that only aircraft carrying relief supplies to zones would be granted air corridors. "Russia is ready to make air corridors available only to transport aircraft, I would like to stress this. There is not, and cannot be, any question of warplanes," IVANOV said in remarks carried by state-run *RTR Television*. He ruled out granting flight rights to US and NATO combat jets and bombers. The Federation Council Wednesday passed a resolution branding international terrorism "one of the greatest threats to the world community." Reuters reports that a group of senior Russian generals left for the Uzbek capital Tashkent and Dushanbe, capital of Tajikistan. *RTR* reported that the "high ranking" generals were sent for interaction and to coordinate action in the U.S.-led operation. IVANOV stated that the generals had been tasked

with making on-the-spot decisions in coordination with the neighbors and "other participants." He denied the presence of Russian military advisors in northern Afghanistan. He called mastermind terrorist Osama BIN LADEN and the Taliban militia, "two sides of the same coin."

Economy

<p>Ruble = 29.53/\$1.00 (NY rate) Ruble = 29.53/\$1.00 (CB rate) Ruble = 26.61/1 euro (CB rate)</p>
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Russia To Pay IMF Ahead Of Schedule

- Russian President Vladimir PUTIN announced today in a meeting with International Monetary Fund (IMF) Managing Director Horst KOEHLER that Russia will repay \$2.7 billion to the Fund ahead of schedule. He noted that Russian household incomes and central bank reserves had grown due to the nation's positive economic situation. He said, "The \$4.8 billion loan, which is due to be paid in 2003, part of it—\$2.7 billion—we shall start repaying this year and next," Reuters reported. KOEHLER, who is on a three-day visit to Moscow, welcomed the advance repayment. He said, "This will further strengthen trust and confidence in this country." The IMF extended the \$4.8 billion loan to the Central Bank in July 1998 to help support the failing ruble, but the currency crashed a month later. The Central Bank gave \$1 billion out of this loan to the Finance Ministry. Russia has no program with the IMF and does not plan to borrow from it in the immediate future. First Deputy Prime Minister and Finance Minister Alexei KUDRIN said the government might seek IMF loans, if oil prices fell below \$18.50 per barrel. PUTIN said, "Russia is starting to work out a program on its own without loans, but this does not mean that Russia is not looking for cooperation with the IMF."

The IMF, meanwhile, is urging Russia to implement badly needed bank reforms. KOEHLER said state-owned bank *Sberbank* also needed to be restructured and commercialized. He praised Russia's economic performance and reforms. He pointed out that the IMF supports PUTIN's plans for reforms. "It is remarkable that Russia can expect for this year, 2001, a growth rate of more than five percent," KOEHLER stressed.

CB Predicts 2001 CPI At 17 Percent

- Russian consumer price inflation (CPI) for 2001 will be 17 percent or less, compared with 20.2 percent last year, Central Bank Chairman Viktor GERASHCHENKO predicted today. "Inflation will be close to 17 percent, maybe even less by the end of the year," he told an investment conference. By July, year-on-year inflation was running at 22.1 percent, Reuters reported. The government's initial inflation target was 12 percent to 14 percent, the figure included into the 2001 budget, but later officials had to revise their forecast to 17 percent to 18 percent. GERASHCHENKO explained the higher than expected inflation by the fact that left-over revenues for 2000 had been injected into the economy in 2001 too quickly. The Central Bank is calling on the government to get budget funds to their receivers, without letting them accumulate in state coffers. GERASHCHENKO expects the country's economy in 2001 to end on a healthy note, despite a slowdown of the world economy and lower oil prices. "I think our economic situation will be normal and stable this year," he said.

Business

Allgon Awarded Communication Contract

- Allgon*, a leading supplier of radio-based infrastructure solutions for cellular communications, has signed a \$6 million agreement to provide a coverage solution for the subway network in Moscow. "The cellular market in Russia is growing rapidly, and the new Russian coverage solution contract gives us an excellent opportunity to increase *Allgon's* market share in this strategic important market," said Jeff BORK, chief executive officer of *Allgon*. According to the agreement, *Allgon* will provide a repeater-based coverage solution for the Russian mobile operator *Beeline-Vimpelcom*. The coverage solution, which will be supplied and integrated in cooperation with the Russian system integrator *Socintec Comlog*, will provide GSM coverage to parts of the Moscow subway network, often referred to as the world's most extensive subway network. The integration phase, which has already begun, will take place during a two-year period. "This new agreement with *Beeline-Vimpelcom* strengthens *Allgon's* position as mobile infrastructure supplier in Russia. The possibility to win similar contracts in the future increases substantially," BORK added.

EUROPEAN REPUBLICS

Rus-Ukraine To Strengthen Relations

- A special Ukrainian delegation arrived in Moscow today to meet with deputy counterparts. Ukrainian Ambassador in Moscow Nikolai BELOBLOTSKY noted that mistrust between Russia and Ukraine that built up over the last 10 years is waning. He said that Ukrainian-Russian ties are characterized by a, "good atmosphere of interaction in the political and economic spheres, as well as in the sphere of humanitarian and scientific activities." "A stable systemic dialogue is going on not only at the level of heads of state but also at the intergovernmental and regional levels," he added. Ukraine would like to build, "mutually advantageous stable and good-neighborly relations with Russia which will base on the economy." Trade turnover between the two countries increased by \$1.5 billion last year to \$11.6 billion. Russia ranks first among Ukraine's foreign trade partners. Ukraine consumes 35 percent of Russian exports. Kiev has reduced the negative balance of trade with Russia from \$1.2 billion to \$800 million largely owing to, "the restructuring of the gas debt."

Lithuanian Deficit Falls In September

- Lithuania's Finance Ministry announced today the country's financial budget deficit at the end of September fell to 507 million litas (\$127 million), but revenues for the nine-month period were still below target. The ministry said the nine-month state budget revenues were 4.666 million litas, some 3.4 percent less than the 4.829 million litas planned for the period. Lithuania's financial deficit was 536.6 million litas at the end of August. The deficit figure was seven percent below a preliminary figure released at the start of the month, Reuters reported. Revenues from value-added tax (VAT) in nine months totaled 2.524 billion litas, some 7.8 percent less than planned for the period, partially shoring up an 8.6 percent VAT gap at the end of August. September revenues alone were 511.4 million litas, 5.5 percent less than planned and some 18.2 million litas less than what was collected in August, as the state saw a 30.1 percent monthly drop in its intake from excise taxes. According to the revised 2001 budget, revenues are set at 6.5 billion litas and expenditures at 7.4 billion litas, leaving a 906 million litas' shortfall. Lithuania has

pledged to the International Monetary Fund (IMF) it will cut its fiscal deficit, which includes the deficits of all extra-budgetary funds, to 1.4 percent of gross domestic product (GDP) this year from 2.8 percent in 2000. It also committed to the IMF to revise the country's expenditure downwards if the country misses its revenue collection target. The country's municipalities collected 2.08 billion litas, some 83.7 million litas less than planned for the period.

SOUTH CAUCASUS & CENTRAL ASIA

Update

Parliament Passes Peacekeeper Resolution

- After hours of debate, the Georgian parliament, in a vote of 163 to one with no abstentions, approved a resolution calling for the withdrawal of Russian peacekeepers from the zone of the Georgian-Abkhaz conflict. It should be noted that the parliament has a total of 234 seats. The resolution acknowledges that the maintaining the Russian peacekeepers is not worthwhile. Prime News Agency reported that the parliament called on Georgian President Eduard SHEVARDNADZE to take all possible measures supported by the Constitution and legislation of Georgia as well as the norms of international law to irrevocably and immediately withdraw the Commonwealth of Independent States (CIS) peacekeepers from the territory of Georgia. The parliament also called on the President to address the UN, Organization for Security and Cooperation in Europe (OSCE), and the UN Secretary General's Friends of Georgia to provide peacekeepers from their organizations to the conflict zone. The parliament called on Georgia's law enforcement agencies to provide increased security in the areas adjacent to the zone of conflict. The parliament is asking the President to use all his political tools to ensure the implementation of the 1999 OSCE summit agreement on the withdrawal of Russian troops from the Gudauta base in Abkhazia. According to the parliamentary statement, the decision on the withdrawal of the Russian peacekeepers was taken after Russia issued an increasing number of aggressive statements against Georgia. Russia represents, according to the statement, a party participating in the Georgian-Abkhaz conflict, but not a guarantor of peace in the region. Without any coordination with the Georgian government, Russia is sending additional troops and military

supplies to the zone of conflict. Georgia's airspace has been violated several times in the last few days. Russian peacekeepers' mandate began in 1994. The current number of the Russian military contingent is 2,000 troops in the zone of conflict. The Georgian parliament reiterated its firm stance for a peaceful settlement to the Georgian-Abkhaz conflict. According to the statement, Georgia will guarantee peace and stability to Abkhazia after granting the region autonomy within the Republic of Georgia and providing for the return of Abkhaz refugees. The parliament has expressed its readiness to hold consultations with Russia's legislative and executive bodies aimed at relieving political tensions between Russia and Georgia.

Georgian Troops Move To Kodori Gorge

- Following an increase in fighting near Kodori Gorge and word that the Russian military was reinforcing troops on the border with the break-away region of Abkhazia, Georgia has sent troops to the Kodori Gorge, "in order to protect the local population," according to Georgian Defense Minister David TEVZADZE. Abkhaz officials have also announced the partial deployment of military reserves. Georgia's Deputy Defense Minister Gela BEZHUASHVILI said the situation in the region is stable. However, Georgia will take all possible measures to stop the conflict. Georgian Intelligence Service head Avtandil IOSELIANI said Georgia will not use force in Abkhazia unless a threat arises to the Georgian population of Kodori Gorge, Interfax reported. BEZHUASHVILI noted that since the October 9th missile strikes and bombings in the Kodori Gorge, Georgia plans on shooting down any aircraft and helicopters illegally passing the air space of Georgia. This policy was supported by TEVZADZE and President Eduard SHEVARDNADZE. Abkhaz Defense Minister Vladimir MIKANBA called Georgia's actions, "a step toward the start of wide-ranging military actions, a step toward war." One Sukhumi official said the movement of troops could be interpreted as Georgia's declaration of war.

SHEVARDNADZE addressed a crowd of nearly 1,000 supporters and refugees who demanded that the government back Georgian gunmen fighting to regain control of Abkhazia. The protestors also demanded the withdrawal of Russian peacekeepers, who are monitoring the area under the orders

of the Commonwealth of Independent States (CIS). The President said he will support the parliament of Georgia if it passes a resolution calling for the withdrawal of the Russian peacekeeping troops. He stressed that the peacekeepers fail to fulfill their mission. Representatives of a number of factions declared that, "these forces are not performing the functions entrusted to them." SHEVARDNADZE said he will do everything for the fast implementation of such a resolution, Prime News Agency reported. The President stated, "Georgia is not what it used to be in 1993... It has the army, interior forces, strong police, international recognition and support." He noted that Georgia also has a good will of the Abkhaz population, which gives hope that Georgia will be able to restore its jurisdiction in Abkhazia. Parliamentarians will also discuss whether Georgia should withdrawal from the CIS. The protestors after hearing the President's call for calm continued their protest in front of the Russian embassy.

Valery ARSHBA, Vice-President of Abkhazia stated that the presence of Russian peacekeepers in the Gudauta base is a security guarantee for the local population. He said that at this point of the Georgian-Abkhaz conflict, the peacekeepers stay aloof from the military operations. However, they are "constantly being provoked by the military strikes," and "the patience of the peacekeepers in not endless." He added that the Abkhaz side will not get back to the negotiations table until, "the UN Security Council passes a resolution condemning the Georgian government for supporting the terrorists." The U.S. is calling on Russia and Georgia to remain patient during the escalation of the Georgian-Abkhaz conflict. An unnamed US State Department official told Itar-Tass that the U.S. administration, "is following the developments of the conflict and is in close contact with the Russian and Georgian governments." He stressed that, "the US supports Georgia's sovereignty and territorial integrity." U.S. President George W. BUSH made this clear during a last week's meeting with SHEVARDNADZE, the official added. Georgian Foreign Minister Irkali MENAGARISHVILI and his Russian counterpart Igor IVANOV have agreed to hold a joint investigation and on other unspecified measures to reduce tensions in Abkhazia, RFE\RL Newsline reported.

Uzbekistan Sees No Danger In Helping The US

- Uzbek President Islam KARIMOV dismissed claims that the nation's cooperation with the U.S. would likely increase threats by Islamic fundamentalists. Officials from Afghanistan's ruling Taliban had threatened to attack Uzbekistan if it allowed its territory to be used for any strike on the country. In an interview with Uzbek language daily *Khalk Suzi*, the President said, "There are those who worry our closeness to the international anti-terrorist coalition will bring a jihad (holy war) on us. But we well know that threats, fear and libel are terrorist weapons." The President urged Uzbeks to be vigilant and keep from spreading rumors linked to the U.S.-led strikes on Afghanistan.

Uzbekistan, which shares an 84-mile border with Afghanistan, agreed last week to allow U.S. forces to use an air base, but only for humanitarian and rescue operations. Some media have reported a plane carrying 1,000 U.S. troops has arrived in the country, but the defense ministry has refused to comment on the issue. Uzbekistan has firmly closed its borders.

SPECIAL INTERCON ANALYSIS

Georgia-Russian Relations, Abkhaz Conflict

- The global war against terrorism is having many ramifications around the world but none is more pronounced than the accusations being traded by the Russian and Georgian governments. Since the inception of the second Chechen conflict, Georgia has been steadfast in resisting Russian pressure to expand the war into Georgian territory. Charges that Georgia actively aids Chechen resistance and harbors terrorists in Georgia's Pankisi valley immediately followed and have grow in intensity since the tragic events of September 11th. Today, the Russian State Duma passed a resolution condemning Georgia and the Georgian parliament called for the removal of Russian peacekeepers

in Abkhazia.

Recent events in Abkhazia and the apparent Russian aircraft bombing of the Georgian controlled Kodori section of Abkhazia, have inflamed the Georgian population. Georgia has over 250,000 displaced citizens from Abkhazia still separated from their homes, living under terrible conditions many in Tbilisi. These refugees are now demanding arms to fight in Abkhazia for their homes. Eight years have produced nothing but a frozen conflict that much of the population blames on Russia and its peacekeepers. Yesterday and today, in statements made to the protestors, President Eduard SHEVARDNADZE made clear this can no longer continue and he was ready to ask the Russian peacekeepers to withdraw.

Frustration over the Russian military refusal to vacate the Gudauta military base in Abkhazia by July according to an OSCE agreement, has significantly contributed to the tension. SHEVARDNADZE made clear if the Parliament requests the removal he will comply. That is precisely what happened today when the Parliament of Georgia requested the termination of the Russian peacekeeper's mandate in an overwhelming vote of 163 to one. This decision was guaranteed by the totality of actions and accusations that have made Georgia the whipping-boy by Russia for everything from Chechnya to fighting in Abkhazia and even the downing of a UN helicopter.

Irrespective of these details, the political winds have changed and Georgia has clearly decided to break from the policies of the past. In attempting to untie the Abkhazian knot without the continued presence of Russian "peacekeepers," one can only hope that a political solution can be found between the Abkhaz separatists and the Georgian government, without further bloodshed.

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