

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **Putin Appoints Former Spy To Anti-Terror Post**

• Russian President Vladimir PUTIN has appointed Anatoly SAFONOV, a senior former intelligence officer, to the post of deputy foreign minister overseeing international cooperation in the fight against terrorism. In 1994 to 1997, SAFONOV served as first deputy director of the Federal Security Service (FSB) once run by PUTIN. He will become one of around a dozen deputies to Foreign Minister Igor IVANOV. The new post is part of Moscow's campaign to fight terrorism or what it calls the greatest "evil of the 21<sup>st</sup> century." SAFONOV is the second ranking FSB officer in the Foreign Ministry after first deputy Foreign Minister TRUBINKOV. He is also a Lieutenant General, demonstrating the militarization of the Foreign Ministry. Since coming to power two years ago, PUTIN has named a number of intelligence and security officials to senior posts in his administration, notably Defense Minister Sergei IVANOV, Reuters reported. IVANOV has been PUTIN's point-man on coordinating Russia's contribution to the global fight against terrorism. It was not immediately clear how SAFONOV's new job would dovetail with IVANOV's responsibilities.

#### **U.S. Supports Russia's Interest In CA**

• U.S. National Security Adviser Condoleezza RICE, in an interview published in *Izvestia*, assured Russia that Washington did not aim to use its military operations against Afghanistan to reduce Russian influence in Central Asia. RICE said, "I want to stress this: our policy is not aimed against the interests of Russia. We do not harbor any plans aimed at squeezing Russia out of there. We know that the Russian leadership has serious interests in this region." Uzbekistan and Tajikistan, both allies of

Moscow through the Russia-led Commonwealth of Independent States (CIS), are among the Central Asian states which have committed their air space and offered facilities to U.S. forces. RICE said she expected a meeting between U.S. President George W. BUSH and Russia's President Vladimir PUTIN, scheduled for later this month in Shanghai, to focus on the fight against international "terrorism," Reuters reported. RICE praised Russia's contribution to the U.S.-led "anti-terrorist coalition," but obliquely suggested Washington hoped for even more help in the future. Russia is sharing intelligence, opened its airspace for humanitarian aid and offered help in search and rescue operations in Afghanistan.

### Economy

#### **Moscow Accepts Bids For Eurobonds**

• The Moscow City government is accepting bids today for its 300 million euro three-year bond, the first international debt issue by a Russian entity since the 1998 economic crisis. "We are now taking bids. The lead managers are doing it. In principle, we are hoping for quite a narrow spread," Sergei PAKHOMOV, chairman of the Moscow Credit Committee, told Reuters. He said Moscow was using the sovereign 2004 mark-denominated Eurobond as its benchmark. He also said pricing of the bond was to be announced by mid-day on Tuesday. *ING Barings* and *UBS Warburg* are acting as lead-managers for the issue, which is structured as a credit from Germany's *BHF-Bank* in which Moscow will issue partici-

pation certificates.

**Ruble = 29.05/\$1.00 (NY rate)**

**Ruble = 29.51/\$1.00 (CB rate)**

**Ruble = 26.81/1 euro (CB rate)**

## **Business**

### **Perm Motors Holding To Be Approved**

• Russian President Vladimir PUTIN will soon finalize the almost year-long process of the transforming Perm aircraft engines manufacturing complex into a *Perm Motors* holding. A high-level official at the *Rosaviacosmos* aerospace agency has told Itar-Tass that drafts of a Presidential decree and of a government resolution will be referred to the Cabinet before the end of this month for finalizing. "We seek to complete the drawing up of the necessary documents as quickly as possible," the specialist pointed out. It is planned that the state will have an equity of not less than 51 percent of shares in the future holding, which will make it possible to enhance state influence on the development of the high-technology sector. The remaining shares will be distributed among private stockholders. Mentioned among the latter are Russian *Interros*, *Gazprom*, and the American *Pratt and Whitney*. The *Rosaviacosmos* official said the state will pay for its equity share in the holding, "by the results of intellectual activity" as regards the PS-90A aircraft engine. Until recently, the unresolved nature of the intellectual property issue prevented the aircraft engine makers from exporting their products. The PS-90A aircraft engine, which meets present-day technical requirements, is referred to by experts at one of the most promising engines for Russia. The cargo airliners IL-76 and the passenger ones, the TU-134, are to be provided with these engines. The point is that these airliners with their present-day equipment may not fly over the territory of Europe from April 1, 2002, when ICAO's new, stricter eco-

## **EUROPEAN REPUBLICS**

### **Belarus Foreign Credits Total \$2.13 Billion**

• In the past ten years, Belarus has received \$2.13 billion in foreign credits against government guarantees, ITAR-TASS reported. The main creditors are Russia (34.5 percent of the total), Germany (17.6 percent), the International Monetary Fund (IMF) (1.4 percent), the European Bank for Reconstruction and Development (EBRD) (7.4 percent), accord-

ing to the Belarus Foreign Ministry. Belarus hopes that Germany, the World Bank, the EBRD, and Turkey will be its main creditors in 2002. Germany has announced its decision to open a credit line of 100 million deutsche marks to finance investment projects, such as purchasing machinery for the company. Belarus is quite optimistic about the future of relations with the Kuwaiti Fund for Arab Economic Development. In this context, preparations are under way for the implementation of a project to modernize the company *Khimvolkno* in Svetlogorsk. The project is valued at \$19.7 million.

### **Ukraine's Jan-Sept. GDP Misses Target**

• Ukraine's economic growth in the first nine months of the year failed to meet government forecasts, with gross domestic product (GDP) rising by 9.3 percent, Economic Minister Alexander SHLAPAK said today. Prime Minister Anatoly KINAKH expected GDP to have grown by around 10 percent in January to September compared to the same period in 2000. SHLAPAK told Interfax-Ukraine news agency that GDP grew by 0.1 percent in September compared to the same month a year ago. Ukraine's GDP grew by 10.8 percent in January to August from a year earlier, albeit from a low base. This compares with a 5.3 percent rise in the same period in 2000. SHLAPAK declined to explain why GDP growth slowed. Economists said Ukraine's economic growth was set to slow in the last months of the 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. Exports account for about 60 percent of the GDP. The government expects GDP to grow by 7.3 percent this year after 5.8 percent in 2000, Reuters reported.

## **SOUTH CAUCASUS & CENTRAL ASIA**

### **NEWSFLASH**

#### **Rebels Seize Sukhumi?**

• Prime News Agency is reporting that Georgian gunmen have seized Sukhumi, the capital of Abkhazia. According to a source closely associated with one of the fighting groups, the Abkhaz army suffered great casualties as a result of skirmishes on the streets of Sukhumi. At this point, Sukhumi television is under the control of the Georgian gunmen. The source stated that the Abkhaz officials plan to

use artillery. However, an official from the Abkhaz Foreign Ministry, Batal TARKIL, told Prime News Agency that the situation in Sukhumi is stable and nobody has seized the television station. According to Abkhaz Foreign Minister Sergei SHAMBA, military skirmishes are under way near Lake Amtkel, where the Abkhaz Army is using military aircraft and artillery to attack the Chechen and Georgian gunmen. High Georgian government sources cannot confirm these reports. Some believe these reports could be an attempt to escalate the situation.

### **Russia Supports Georgia's Territorial Integrity**

- Russian President Vladimir PUTIN confirmed on Friday that Russia stands for territorial integrity of Georgia, ITAR-TASS reported. He said, "Russia's position remains invariable: territorial integrity of Georgia must be guaranteed." He stressed, "this position of Russia is permanent and will never be changed." The Russian President called relations between Georgia and Abkhazia, "an internal political issue," and noted that, "Russia does not intend to be drawn into this conflict." In general, Russia does not want to be drawn into conflicts on territories of third countries, "we have enough our own problems," the head of state elaborated. He added that Russia will not insist or pressure Georgia to remain a member of the Commonwealth of Independent States (CIS). He said, "Russia does not force anyone to be a CIS member." PUTIN added that Russia will continue its economic support to Georgia. He cited that Russia sells gas for \$110 to the West, \$80 to Ukraine, \$53 to Armenia, and \$50 to Georgia. Russia has also helped Georgia to settle problems in its relations with the IMF and other international organizations, PUTIN said. As for Georgia's call for the withdrawal of the Russian peacekeeping force serving under the CIS aegis in Abkhazia, PUTIN noted that these are "not our peacekeepers." Rather, they are the peacekeepers of the CIS. The Russian President stressed that Russia looks forward to "constructive" work in solving all the conflicts of the Southern Caucasus, especially with Georgian President Eduard SHEVARDNADZE, RFE\RL Newline reported. Abkhaz Prime Minister Anri JERGENIA said that CIS peacekeepers should not be withdrawn, instead their mandate should be expanded. Abkhaz Defense Minister Vladimir MIKANBA predicted that

the peacekeepers' withdrawal, "will inevitably lead to a large-scale war," Interfax reported. On Saturday, Georgian parliament's Committee for Defense and Security Chairman Giorgi BARAMIDZE said Tbilisi should ask NATO to send a peacekeeping force to replace the CIS contingent, Caucasus Press reported.

### **Shevardnadze On Relations With Rus-Abkhazia**

- At a press conference today, Georgian President Eduard SHEVARDNADZE stated he is ready to meet with Russian President Vladimir PUTIN anytime and anywhere to discuss the top issues of the Georgian-Russian cooperation. He said the current state of the Georgian-Russian relations is "absolutely abnormal." SHEVARDNADZE stated a new framework agreement is needed to raise bilateral relations to a new level. He expressed hope that during his and PUTIN's presidency, a historic turn in the Georgian-Russian relations will occur.

According to SHEVARDNADZE, PUTIN's predecessor Boris YELTSIN made many mistakes affecting the Abkhaz conflict. However, PUTIN is a different type of a politician and he will not afford making the same mistakes, SHEVARDNADZE said. He believes that the Abkhaz problem cannot be solved without improving the Georgian-Russian relations. "The keys to cooperation between the two countries [Russia and Georgia] are in Abkhazia," SHEVARDNADZE stressed. The President believes PUTIN and his administration sincerely acknowledge the territorial integrity of Georgia. However, the Georgian President stated, he does not understand the stance of the Russian U.N. delegation which has been impeding the U.N. Security Council resolution over Abkhazia's status within the united Georgia.

If PUTIN seeks international political recognition, he will have to fulfill his pledges, SHEVARDNADZE said commenting on last week PUTIN's promises on the Russian military withdrawal from the Gudauta base and non-interference in the Georgian-Abkhaz conflict. The process of the Russian military withdrawal from the Gudauta base could be lengthy because there are about thousands of troops plus all the military and technical equipment, SHEVARDNADZE added. He said that if all peaceful means fail to settle the Georgian-Abkhaz conflict, then Georgia might consider use of force to return Abkhazia to Georgia's jurisdiction. In such case, he noted, the

state might employ the use of force, or the situation will develop chaotically. The Georgians will never accept losing Abkhazia, SHEVARDNADZE stressed. Thus, he said, the only way to save the people of Abkhazia is to conduct peaceful negotiations. SHEVARDNADZE stressed he is ready to meet with Abkhaz Prime Minister Anri JERGENIA in Tbilisi or in Sukhumi. The Georgian-Abkhaz peace dialogue is the main element of the conflict resolution, he concluded.

#### Abkhazia Seeks To Join Russia

- Abkhaz Prime Minister Anri JERGENIA made an official statement on the Russian TV-6 television stating that Abkhazia's ultimate goal is to join the Russian Federation as an associate member. Abkhazia hopes to share the same legislation, currency, border and customs services with Russia, he stated. "Basically, we are talking about joining Russia," JERGENIA stated. Head of Information and Public Relations department of the Georgian Foreign Ministry Kakha SIKHARULIDZE called JERGENIA's statements "not serious." He said some deputies of the Russian State Duma might respond to these statements, but officially Moscow will not even react. Georgian President Eduard SHEVARDNADZE stated at a press conference today that Russia will not accept Abkhazia into its jurisdiction. In this respect, he called "foolish" the calls of Abkhaz officials to join Russia. On Friday, Russian President Vladimir PUTIN said that the Kremlin regarded Abkhazia as part of a sovereign Georgia. PUTIN's statement signaled Russia's determination to distance itself from the conflict after Georgia accused it of assisting Abkhazia.

#### Azerbaijan Extradites Terrorist

- Azerbaijan authorities on Thursday extradited an Egyptian national suspected of links to the terrorist attacks on the U.S. The National Security Ministry has refused to confirm this or release the suspect's name. Azeri President Geidar ALIYEV has condemned the September 11<sup>th</sup> attacks and told U.S. Secretary of State Colin POWELL that his

country absolutely supports the U.S. war on terrorism, *BBC News* reported. The U.S. Congress has cited Azerbaijan as one of 34 countries with links to the Al-Qaeda network of Osama BIN LADEN. The new agency also reported the Egyptian Islamic Jihad group, which has close ties to al-Qaeda, has operated in Azerbaijan. In August, the Azeri Security Ministry also arrested members of another fundamentalist Islamic group, Hizb ut-Tahrir, which was acting against Azerbaijan's national security.

#### Trial Tanker Loads Kazakh Oil

- The long awaited first trial tanker of Kazakh oil, chartered by the *Tengizchevroil* company, was loaded at a new terminal of the *Caspian Pipeline Consortium (CPC)* near Novorossiisk on the Black Sea. A CPC representative said that the consortium is continuing its work with controlling and regulatory agencies to organize regular tanker operations. Oil is supplied to CPC's terminal from the Tengiz oil field in Western Kazakhstan. The pipeline is the first to be completed since the fall of the Soviet Union to ship oil to Western markets from the Caspian Sea. Pumping of oil into CPC's pipeline begun in Atyrau (Kazakhstan) on March 26<sup>th</sup>. It took about 1 million tons of crude to fill it. After a number of enhancements, the maximum capacity of the pipeline will reach 67 million tons a year. Eleven companies from 6 countries participate in this investment project worth \$2.6 billion. CPC is led by U.S. oil major *Chevron*. It also unites the governments of Russia, Kazakhstan and Oman with oil firms *LUKArco*, *Rosneft-Shell Caspian Ventures*, and *Kazakhstan Pipeline Ventures LLC Mobil Caspian Pipeline Company*. CPC General Director Sergei GNATCHENKO said in a statement, "Trial tanker loading is an extremely significant milestone of the CPC project development... The *Caspian Pipeline Consortium* will ship one million tons of oil by the end of this year, and next year CPC plans to ship 20 million tons." The first oil had been expected to flow in June, but customs and technical problems caused a delay.

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