

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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Daily intelligence briefing on the
former Soviet Union

Wednesday, October 3, 2001

Published every business day
since 1993

RUSSIAN FEDERATION

Politics

Putin Backs US Action Against Terrorism

• Russian President Vladimir PUTIN voiced strong support on Tuesday for a US-led military action against international terrorism. He said, "Russia's special services do not need any additional proof to participate in the struggle against terror acts." While on an official visit in Belgium for talks with the European Union, PUTIN slammed Saudi Arabia for its reluctance to allow US forces to launch strikes on suspected terrorist networks in Afghanistan from its territory. He said, "I think this is a cardinal error. It's not a question of soldiers preparing strikes against Muslims but rather of soldiers preparing strikes against terrorists." PUTIN compared international terrorism to a bacteria, "which adapts to the organism bearing it" and said such groups exploited Western ideas of freedom of speech to achieve their ends, Reuters reported.

Russian Satellites To Spy On Afghanistan

• Russia plans to launch a series of extra spy satellites to gather intelligence over Afghanistan, Interfax news agency reported. Head of Russia's Space Forces General-Colonel Anatoly PERMINOV said that given a possible strike led by the US on Afghanistan, Russia needed to deploy extra satellites. He did not give details. "So far we see all that we need to see, but soon we need to bring a series of space satellites from battle reserves," PERMINOV stated. He added that the US did not need to strengthen its network of intelligence-gathering satellites in the region, Reuters reported. PERMINOV noted the proposal would need the approval of the Defense Ministry and government leaders. The US blames Afghan-based militant Osama BIN LADEN for masterminding the September 11th ter-

rorist attacks. Afghanistan's ruling Taliban has failed to hand over BIN LADEN.

Putin Calls For New NATO Tone

• Russian President Vladimir PUTIN said today that Russia would reconsider its opposition to further NATO expansion, if Moscow were more involved in the process. Russia has until now been fiercely opposed to the inclusion of the Baltic states in the 19-nation Western alliance when NATO considers its next wave of enlargement next year. "As for NATO expansion, one can take another, an entirely new look at this...if NATO takes on a different tone and is becoming a political organization. Of course we would reconsider our position with regard to such expansion, if we were to feel involved in such processes," PUTIN said. He added it was essential to find a joint mechanism for Moscow and the 19-nation Western alliance to fight the common threat of terrorism. "They keep saying that NATO is becoming more political than military. We are looking at this [and] watching this process. If this is to be so, it would change things considerably," he told a news conference in Belgium.

Putin Meets With EU Leadership

• Russian President Vladimir PUTIN met with heads of the European Union (EU), pledging to take Russia's cooperation to a new level in the fight against international terrorism. EU External Relations Commissioner Chris PATTEN said Tuesday in a speech to European business leaders, "Russia has impressed

many by her willingness to set history aside and to align herself solidly with the international coalition against terrorism." The new spirit of friendship between Russia and Western Europe was likely to be further enhanced by a joint statement on terrorism due to be released after PUTIN's meeting with Romano PRODI, head of the European Commission, and Belgian Prime Minister Guy VERHOFSTADT, whose country holds the EU's rotating presidency. EU leaders are expected to tone down their previous criticism of Russian military actions in Chechnya, despite appeals from human rights campaigners not to turn a blind eye to abuses by troops there. The EU and Russia agreed to hold monthly consultations on foreign and defense policy in a major boost to their political cooperation. Reuters quoted VERHOFSTADT saying, "We have decided now that this should be a structured dialogue with monthly meetings between the (EU) Political and Security Committee and the Russian Federation."

Economy

<p>Ruble = 29.45/\$1.00 (NY rate) Ruble = 29.49/\$1.00 (CB rate) Ruble = 27.10/1 euro (CB rate)</p>
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Russia To Work Closely With OPEC

- Russia's Fuel and Energy Minister Igor YUSUFOV said Tuesday that Russia will work with the Organization for Petroleum Exporting Countries (OPEC) by forming a special consultation body. The new body will be made up of oil companies and government officials. He said, "We are creating a special working group, which will start consultations with OPEC. This group will work on the price and size of (Russian export) coordination as well as on investments in Russia. The question of price is very important for us. I think we can come up with some restrictions in order to keep prices [high] and gain maximum profits." He declined to say whether Russia would cut its output if the cartel decides to do so. Russia is not a member of OPEC despite being one of the world's leading exporters of oil. It has attended several OPEC meetings as an observer, including the summit in Vienna last week. At that meeting the final announcement of the group's agreement to leave its output unchanged was delayed by discussion intended to draw non-OPEC observers into the final statement, OPEC delegates said. Russia produced 323 million tons

of oil last year, the equivalent of 6.5 million barrels per day, and exported up to 140 million tons. Forecasts for this year put output at 340 million tons to 350 million tons and exports at 155 million tons. YUSUFOV said he had told OPEC in Vienna that Russia would not pump additional volumes of crude over the next few months as winter was set to begin and more energy was needed for heating, Reuters reported.

IMF Supports Russian Reforms

- International Monetary Fund's (IMF) representative in Russia, Paul THOMPSON, said that the Fund approves of the reforms being pursued under Russian President Vladimir PUTIN. He said that the economic gains made by Russia in recent years are not at risk due to falling oil prices. He said, "Clearly the low oil price means that the balance of payments will be less strong, but it is still fundamentally strong." He told Reuters, "I do not think the decline in oil prices we have seen in any way threatens the macroeconomic stability that has been achieved." THOMPSON added, "So far I do not see anything that would be a cause for major alarm." Oil price fluctuations tend to cause alarm among Russia watchers as the country depends for three quarters of its export revenues on oil, gas and metals. Global oil prices have slipped by around 20 percent since the September 11th attacks. The government has said its finances are on target, including next year's budget, a tough package which includes the first planned budget surplus. It also includes the building of a reserve to meet a 2003 peak of \$19 billion of debt repayments. IMF chief Horst KOEHLER is to visit Moscow next week to discuss the economy, although no definite date has yet been put on the arrival of a mission to carry a full assessment. Reforms have included tax cuts, a land reform bill, efforts to join the World Trade Organization (WTO) and promises to level the playing field for foreign and domestic business.

Business

LUKoil Considers Buying US Refinery

- Russia's biggest oil producer, *LUKoil*, is holding preliminary talks on acquiring a refinery in the US. *LUKoil's* press service said the final decision might be made before May, 2002. *LUKoil's* vice-president Vagit SHARIFOV told journalists, "We are working on the issue. We have filling stations [in the US],

so we need a refinery." *LUKoil* last year bought a 1,300-outlet filling station network in the US, which it operates under the *Getty Petroleum* brand. The company is currently buying oil products on the US market as well as trying to provide feedstock for *Getty* from South America and Europe. *LUKoil* produces annually up to 80 millions tons (1.6 million barrels per day) of crude oil and has three refineries in Russia, one in Ukraine, the *Neftochim Refinery* in Bulgaria and the *Petrotel Refinery* in Romania, the [Russia Journal](#) reported.

EUROPEAN REPUBLICS

Belarus TO Join UN Peacekeeping Operations

- Belarus has signed an agreement with the UN paving the way for it to join UN peacekeeping operations. The Foreign Ministry said the agreement, initialed in New York on Monday, envisioned Belarus supplying 32 police and other civilian personnel to nonmilitary operations. "This is only the first step on Belarus' practical participation in nonmilitary UN peacekeeping operations," the ministry added in a statement. Belarus President Alexander LUKASHENKO, in power since 1994, was re-elected last month in a landslide election victory condemned as fraudulent by the West, opposition parties, and independent poll monitors. The victory called into question the West's policy of isolating Belarus. Human rights groups, including the Organization for Security and Cooperation in Europe (OSCE), have urged a move towards greater accommodation and encouraging grassroots civil and democratic movements.

Ukraine To Support Small Business Program

- The government of Ukraine proposed to allocate 48.126 Ukrainian hryvnias (about \$9 million) from the state budget for rendering support to small businesses in the country according to a corresponding national program. The government is working out measures to improve legislation on entrepreneurship. In particular, these measures will stipulate reduction in expenditures necessary for starting a business and simplification of registering small businesses. In addition, the Ukrainian government is going to work out bills on responsibility for illegal actions against businessmen, the Ukrainian Financial Server reported.

SOUTH CAUCASUS & CENTRAL ASIA

Shevardnadze Begins US Visit

- Georgian President Eduard SHEVARDNADZE arrived in the US late Tuesday, at the invitation of US President George W. BUSH. The President addressed a packed crowd at Harvard University's John F. Kennedy School of Government today. Georgian television aired a simultaneous broadcast of the President's remarks (see special report). From Boston, SHEVARDNADZE will travel to New York City to view the devastating destruction of the World Trade Center, first hand. In Washington, SHEVARDNADZE will meet with World Bank President James WOLFENSOHN and IMF First Deputy Managing Director Anne KRUEGER, as well as, Congressional representatives and business leaders. He will speak at an event co-sponsored by the Central Asian-Caucasus Institute and the Georgian Business Council. On Friday, SHEVARDNADZE will meet with Pentagon officials, US Secretary of State Colin POWELL, Vice President Richard CHENEY and then with BUSH. The Georgian President has pledged cooperation with the US in the campaign against terrorism and has offered its airspace and bases for operations. SHEVARDNADZE will also conduct interviews with [The New York Times](#), [The Washington Post](#), and [CNN](#).

New Georgian Alliance Forms

- Today, parliamentary factions Traditionalists, Industrialists, and New Abkhazia-Christian-Democrats announced the establishment of a new alliance called Center. The leader of Traditionalists, Akaki ASATIANI, announced that the alliance will build its cooperation based on five pillars: to restore Georgia's territorial integrity, to solve the conflicts in Abkhazia and South Ossetia by political means through negotiations, to liberalize tax legislation, to reform territorial administrative structures in the country, and to streamline local election legislation. According to ASATIANI, in the future the alliance might be transformed into a coalition.

**The Daily Report on Russia and The FSU
will not be published
on Monday October 8th
in observance of Columbus Day.**

SPECIAL REPORT**Shevardnadze Speaks At Harvard University**

- Georgian President Eduard SHEVARDNADZE addressed an overflowing crowd at Harvard University's John F. Kennedy School of Government in Cambridge, Massachusetts. SHEVARDNADZE fondly recalled his last address at Harvard University 10 years ago, when he was awarded an honorary doctorate. Graham ALLISON of Harvard University was the master of ceremonies for the event. The President addressed the unprecedented evil which manifested itself in the terrorist attacks in the US on September 11th. He referred to these attacks as a historical watershed. He noted that while many things remain unclear, only one thing is certain — that the world shook on September 11th. He has made an appeal to the UN for a summit to address the means to fight terrorism in all its manifestations: aggressive separatism, fanaticism, bigotry etc.

SHEVARDNADZE supports the need for an anti-terrorist coalition. He believes the coalition is more short term than the needs of the world's community. It is addressing the apparatus, not the conditions that produce terrorism. He repeated what President George W. BUSH said in his national address — the world will be divided by those who choose to join the coalition and those who do not. President SHEVARDNADZE stressed that unity is the key. He said the use of force cannot be avoided, but authorization is needed from the UN Security Council. He said this can happen only if reforms occur within the UN Security Council because right now it is nothing but a resolution generator. The Georgian President called for a moral response as well as a physical military response to these attacks. He said bridges need to be built between cultures, individuals, and societies. He noted that while the global village has made the world smaller, a division between people exists and is sometimes increasing. He stated that only with collective action will we free ourselves from the yoke of prejudice and bigotry.

SHEVARDNADZE reviewed the situation of the past 10 years since the collapse of the Soviet Union. He noted that he and former US Secretary of State James BAKER laid the groundwork for a relationship between the Soviet Union and US, which was a partnership. However, he said much has changed since then. The President pointed out that the process of transforming from Communism to Democracy has been far more difficult than anyone expected. In the early 1990s, SHEVARDNADZE said he observed the return of the old ways of thinking — nostalgia for empire and anti-NATO sentiment, exemplified by questioning why NATO should exist when the Warsaw Pact has declined. He said it is wrong to compare NATO with the Warsaw Pact because democratic governments established NATO to defend freedom and its values. He said because of its values NATO should not be disbanded. He believes NATO membership should be open to all nations and that no nation has the right to draw a red line that says the countries within this redline should not join.

Regarding the dispute between Russia and the US on the 1972 Anti-Ballistic Missile Treaty (ABM), SHEVARDNADZE stated that he supports the US position. He believes that the events of September 11th may invigorate the pro-missile defense position. He noted that Russia's cooperation, of course, is needed in reforming ABM and the anti-terrorist coalition. He supports the US' position on ABM because he believes in "America's moral compass" and because the usefulness of the ABM Treaty has outlived itself. "The sooner the national Missile Defense System is created in the US, the better because the world will gain from a safer America," SHEVARDNADZE stated. He added, "Military progress must be matched with moral development and this includes toleration, magnanimity, forgiveness, and that is what we've seen in Georgia with the acceptance of the Chechen refugees from the second Chechen war, because the Chechens engaged in the most notorious atrocities against the Georgian civilians in Abkhazia."

SHEVARDNADZE described the great loss of thousands of people who were executed during the Georgian-Abkhazian conflict. Approximately, 300,000 ethnic Georgians were displaced. At that time he warned Russia

that its covert war, using Chechens and other mercenaries to fight against Georgia, would boomerang against them. He noted that the Chechens were the most ruthless of the fighters. After warning Russia, the Chechen War of 1992-1994 occurred. Since the beginning of Russia's second military offensive in Chechnya, nearly 8,000 Chechens have fled the fighting over Georgia's 9,000 feet tall mountains. The President emphasized that even though the Georgians were filled with tremendous moral outrage toward the Chechens, they did not seek revenge when refugees fled to their territory. Instead, Georgia accepted the Chechen refugees and even the Abkhaz displaced people did not object. Georgia has refused to have the Russian military operations against the Chechens on their territory; this has led to greater tensions between Georgia and Russia. The Georgian President said, "Now Russia seeks to use the presence of these Chechens to justify a military attack in Georgia." He pointed out that it was the Russian military that planned and carried out military operations against Georgia in Abkhazia. Today, Georgia and Abkhazia are in direct negotiations attempting to find ways to live together. SHEVARDNADZE noted that unfortunately, this comes without help from Russia.

While many problems exist between Russia and Georgia he believes they can be solved. Accusations, however, have sharply increased in the Russian media, by politicians, military, and government officials, he noted. Russia has intensified its efforts to paint Georgia as a state which harbors terrorists and this is all being undertaken to justify a strike on Georgia. SHEVARDNADZE said that Russia must stop creating centers of opposition to existing governments in the former Soviet Republics, referring to Georgia. He pointed out that the chief organizer of two terrorist attacks against him, Igor GIORGADZE, lives comfortably in Moscow and appears frequently on Russian television pointing his fingers and lecturing Georgia.

He pointed out that America is responsible for Georgia's survival. He noted that the US alone created the Georgian Border Guard Service and that many US experts urge Georgia to do more to fight corruption and produce results. He said they are right and "quicker results are needed by us. But we have some successes. We have created a free society." The President finished his address by saying that on September 11th terrorists carried out an attack against freedom. SHEVARDNADZE said, as President BUSH said in his speech, we will respond by creating an age of liberty across the world. At the end of the address, Paul M. JOYAL from **Intercon** asked SHEVARDNADZE whether he will ask the US and the UN to require Russia to deliver GIORGADZE, stating that this is a moral requirement for the global anti-terrorist coalition? The Georgian President responded all countries must end their protection of terrorist wherever they are. He does not expect Russia to give up GIORGADZE. SHEVARDNADZE said it is very difficult in a country like Russia to get the truth from them on many things, especially the whereabouts of GIORGADZE. The

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Daily Report on Russia is published Monday-Friday (excluding holidays), by Intercon International, USA. Subscription price for Washington, D.C. Metro area: \$950.00 per year. A discount is available for non-profit institutions.

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