

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Racist Riot Leaves Two Dead In Moscow

• Approximately 300 youths dressed in black, wielding metal pipes went on a racist rampage in Moscow market outside the Tsaritsino metro station. The youths attacked dark-skinned vendors from the Caucasus region, particularly Azeri. Policemen told television stations they had fired into the air to keep the rioters at bay, many with shaved heads and wearing paramilitary insignia. Police said vendors Vardan KULIDZANYAN and Kumar SARMA PROVID were killed and 22 other people injured in the riot. An estimated 25 people were detained. Officer Denis YAKOVLEV told *RTR*, "We got out of our car and saw a man from the Caucasus region [southern Russia] lying on the ground, while three men were beating him. When we detained them the crowds saw us and went for us, so we had to shoot into the air. That calmed some of them down, but made others more aggressive. Many ran for the metro." Moscow city prosecutor Mikhail AVDYUKOV set up a special headquarters to, "investigate the murders and identify those who organized and inspired the criminal action," a spokesman said, according to Interfax news agency. The news agency reported that the mob was organized by members of the ultranationalist Russian National Unity party. Right-wingers smashed up stalls at another market in south Moscow last April to mark Adolf HITLER's birthday and five people were charged, Reuters noted.

Meanwhile, the Russian Prosecutor's office released crime statistics to the Russian State Duma today. First Deputy Prosecutor General Yuri BIRYUKOV said that the police had uncovered more than 20,000 service crimes. As a result, 15,000 civil servants of various rank were indicted,

he said. Corrupt groups control up to 60 percent of Russian businesses' cash flows, which are funneled offshore for laundering, BIRYUKOV said. He believes that more than \$20 billion leave Russia through money laundering activities every year. The deputy prosecutor general said the investigators had handed over to court the case of a criminal group in the State Statistics Committee in 1996-1998. The then State Statistics Committee chief Yuri YURKOV is charged with bribe-taking. This year, 2 million criminal offenses have been exposed so far. Grave crimes were up 25 percent on the year and murders up 11 percent. BIRYUKOV dismissed speculations that the Prosecutor General's Office cracks-down on corruption were sporadic time-serving campaigns. He said the prosecutors had long conducted, "systematic, scrupulous inquiries into complicated corruption cases." BIRYUKOV conceded there had been unlawful actions against civilians in Chechnya. He said a total of 104 criminal cases had been opened against those suspected of power abuse in Chechnya. About 40 military soldiers have already been put on trial.

Duma Rejects Controversial Resolution

• The Russian State Duma has refused to discuss a draft resolution critical of Georgian President Eduard SHEVARDNADZE. The Duma removed the controversial draft resolution, proposed by Liberal Democrat Alexei MITROFANOV, from today's agenda by a majority vote. The chairman of the Duma Committee for the Commonwealth of Independent

States (CIS) affairs, Boris PASTUKHOV, had warned the Duma against discussing the resolution, because its adoption, "would harm relations with Georgia and the Russian-Georgian inter-parliamentary dialogue," which started recently with the Georgian parliamentary speaker Zurab ZHVANIA's visit to Moscow. PASTUKHOV said another Duma committee for international affairs had also found the resolution's wording to be inaccurate and contain factual mistakes, ITAR-TASS reported. The draft was sharply critical of the Georgian leader's policies in the Georgian-Abkhazian conflict.

Putin Pledged To Reform Weapons Industry

- On Tuesday, Russian President Vladimir PUTIN pledged to reform Russia's weapons industries, which are plagued by inefficiency and saddled with outdated facilities from the Soviet era, the Associated Press reported. PUTIN told a meeting of military and security officials and local governors in the Kremlin that the state would no longer buy obsolete products from military plants. He said, "The structure of the military industrial complex has remained archaic and doesn't answer today's military and political needs...Many people have retained an illusion that the state would continue to claim their outdated products, and the military plants would be able to exist beyond such economic criteria as efficiency and competitiveness." PUTIN said the military-industrial complex had been operating at 20 percent of capacity since the end of the Cold War. Most Russian defense plants are de facto subsidized by a handful of companies earning money from exports. PUTIN said officials had to look abroad for clues about how to turn the industry around and make it profitable. He said introducing market reforms in the sector was the way to attract private and foreign investment as long as it did not harm national security. "It is simply the only way to go. It serves both the interests of national security and the overall development of the country's economy," Reuters quoted PUTIN as saying.

PUTIN also signed an order to establish the Sukhoi Aviation Holding Company for the production and export of Sukhoi jet fighters. The new holding company merges the renowned Moscow-based Sukhoi design bureau with production plants in Komsomolsk-on-Amur, Novosibirsk and Irkutsk, which manufacture the Sukhoi jets. Russia exports billions of dollars worth of Sukhoi fighters to China,

India and other countries.

Economy

Ruble = 29.68/\$1.00 (NY rate)

Ruble = 29.72/\$1.00 (CB rate)

Ruble = 26.79/1 euro (CB rate)

Business

Gazprom Begins Arctic Production

- Gazprom* held a ceremony today marking the commencement of the development of the Zapolyaroye gas-field, Russia's largest inland field, located in the Yamal-Nenets autonomous district. Russia hopes the gas field will reverse the gas production decline. A *Gazprom* official told ITAR-TASS that, in terms of gas reserves, Zapolyaroye ranks the 5th in international rating of gas-fields. The complex comprises 104 gas-wells, tens of kilometers of intra-field gas pipelines and the Zapolyaroye-Novy Urengoi gas pipeline. Its rated capacity is 100 billion cubic meters (bcm) of gas a year. The first gas-production complex is to produce 35 bcm of natural gas in the next 12 months, with 6.7 bcm of gas by the end of 2001. *Gazprom* produced 523.2 bcm of gas in 2000 and is aiming for the same volume this year. It supplies western Europe with 26 percent of its gas and is aiming to increase that figure. The designers of the gas-production complex maintain that it has no analogues in the world. Russian President Vladimir PUTIN in a telegram to ceremony participants said, "The start of commercial operations at the field is a big event for all those who took part in the geological prospecting and development of the field and for the entire Russian gas industry." *Gazprom's* chief executive officer Alexei MILLER did not attend the ceremony, further fueling rumors that his resignation is imminent. *Gazprom* has explained MILLER's absence at recent key events, such as a board meeting last Thursday, by saying he was ill. However, daily newspaper *Izvestia* quoted a source close the Kremlin as saying the search was on for a new CEO.

Transneft's Accounts Payable

- The total volume of accounts payable of the *Transneft* oil transporting company amounted to \$360 million, the company's president Semyon VAINSHTOK announced at a press conference in Moscow today. He noted that *Transneft* received

\$192 million from *Sberbank* for the construction of a pipeline bypassing Ukraine and \$150 million from *Raiffeisenbank Austria Moscow* for the construction of the Baltic pipeline system. *Transneft* also reached an agreement on receiving a \$20-million credit from the *Russian Bank For Reconstruction and Development*. VAINSHOK stated that *Transneft* is going to continue attracting credits in the future and did not exclude the possibility of further partnership with *Raiffeisenbank Austria Moscow*.

SOUTH CAUCASUS & CENTRAL ASIA

Abkhazia Prepared To Join Russia

- The vice president of Abkhazia Valery ARSHBA reported that the government of the republic has begun collecting documents in support of their wish to officially join the Russian Federation. According to the representative of Abkhazia in Russia, Igor AHBA, Abkhazia had never been part of Georgia, but was always a republic and a part of the USSR. He noted that only by Joseph STALIN's decision was it made a part of Georgia in 1931.

IMF To Resume Programs In Georgia

- The International Monetary Fund (IMF) Board of Directors has decided to resume programs in Georgia, Prime News Agency reported. According to Georgian President Eduard SHEVARDNADZE, Georgia is expecting \$12 million as a part of the Fund's \$141 million program on poverty reduction and promotion of the economic growth. The President expressed his gratitude to the parliament's deputies who voted last week to cut the 2002 state budget expenditure part by over 164 million lari, an IMF condition to resume funding. SHEVARDNADZE stated that in the nearest future Georgia will receive 11.2 million lari from the European Union (EU), and 65 million lari from the World Bank. The EU has already provided 5 million euros to Georgia. SHEVARDNADZE concluded that the decision of the IMF board, "turned on a green light" for Georgia's other donors. Today, SHEVARDNADZE is scheduled to meet with the Finance Minister of the Netherlands to discuss the basic directions of the

assistance program to Georgia from the Netherlands' government.

U.N. Sees Damage To Georgian Peace

- U.N. Secretary-General Kofi ANNAN on Monday said the downing of a U.N. observer helicopter earlier this month dealt a blow to the Georgian-Abkhaz peace process, Reuters reported. The attackers have not been identified. ANNAN, in a report to the 15-nation U.N. Security Council, branded the attack an outrage that underlined the failure of both sides to adequately protect U.N. personnel, which he called "the cornerstone of any United Nations involvement." Renewed fighting in the Kodori Gorge, along with the downing of the helicopter, "represent a serious deterioration of the situation and a setback in efforts to achieve a political settlement," he said. "The latest events are a painful demonstration of the fact that, in the absence of meaningful negotiations on the future political status of Abkhazia within the state of Georgia, the entire peace process can be jeopardized," ANNAN said. He added that both sides contributed, "to the present deplorable state of affairs," by neglecting their obligations under the peace process, disregarding existing agreements and failing to take steps to head off a situation, "with a clear potential for armed clashes." ANNAN, however, singled out Georgia, blaming it for failing to curb the activities of armed gangs in areas under governmental control.

Caucasus Nations Fear Neglect

- The Foreign Ministers of Georgia, Armenia, and Azerbaijan, during talks in Luxembourg with European Union (EU) officials, expressed concern that the U.S. anti-terrorist campaign in Afghanistan had diverted the world's attention from potentially-explosive conflicts in their own area, Reuters reported. Georgian Foreign Minister Irakli MENAGARISHVILI accused Russia of talking advantage of the current world situation to further its own interests. He said, "Al-Qaeda is not the only evil embodiment of terrorism." Belgian Deputy Foreign Minister Annemie NEYTS said, "We want the incursions to stop," referring to the violations of Georgian airspace and bombings in the Kodori Gorge. However, she stopped short of naming Russia as being responsible for those raids. Moscow accuses Georgia of sheltering rebels from the adjacent breakaway Russian republic of

Chechnya, a charge Tbilisi rejects. Azeri Foreign Minister Vilayat GULIYEV told Reuters, "The great powers should devote more attention to our region." Despite pledges to boost bilateral and regional economic and political ties, long-running tensions between Armenia and Azerbaijan and between Georgia and Russia were clearly visible. Armenian Foreign Minister Vartan OSKANYAN said, "we are concerned about the exploitation by our adversaries, especially Azerbaijan, of the terrorism issue and trying to put the Karabakh conflict in that context...in the hope of gaining the sympathy of the international community," RFE\RL Newline reported. He said that approach is "wrong" and could "become a self-fulfilling prophecy" for Azerbaijan. Last week, Azeri President Geidar ALIYEV said his country could go to war with Armenia over Karabakh, if Europe did not take a stand against the region's ethnic Armenian separatists. The EU urged Georgia to tackle rampant corruption, pressed Armenia to close down its Medzamor nuclear plant and expressed concern about press freedoms in Azerbaijan. Asked whether the three Caucasus republics might one day realize their dream of joining the EU, NEYTS said, "My personal answer is that, ultimately, yes they should...but that would be in the long-term, if not the very long-term."

Uzbek Refuses U.S. Troops Deployment

- Uzbekistan has turned down a request from the U.S. Armed Forces to provide an opportunity for the deployment of U.S. army units on its territory as part of the anti-terrorist operation in Afghanistan. An ITAR-TASS source said this was discussed by U.S. General Tommy FRANKS of the U.S. Armed Forces Central Command in his meeting with Uzbek President Islam KARIMOV on Tuesday. FRANKS had requested permission to deploy U.S. Troops, including crack units, at military bases in Uzbekistan. The U.S. military command had planned to use the forces in the later phases of the operation against the Taliban. KARIMOV was unwilling to permit the U.S. Army presence in his country. "He said resolutely that the Uzbek territory may be used only for humanitarian purposes, as well as for search and rescue operations," the source said. KARIMOV's position fully complies with the Uzbek-U.S. agreement

SPECIAL REPORT

Rustavi-2 Ignites Fire Of People's Protest

- Tuesday's two-hour raid of Rustavi-2 television station by State Security Ministry officials has sparked street protests, political turmoil and calls for resignations. State Security Ministry official Malkhaz SALAKAYA said the raid was prompted by the suspicion that the station withheld some 1 million lari (\$480,000) in taxes. However, it appears to some analysts that this incident is being twisted and used by political forces to call for the removal of the government. In the aftermath of the incident at the Georgian Rustavi-2 television, the Georgian National Security Council convened today, Prime News Agency reported. Georgian President Eduard SHEVARDNADZE chaired the meeting. State Security Minister Vakhtang KUTATELADZE addressed the audience and announced his resignation. He explained his resignation was due to, "the very dangerous trends" in Georgia and warned that an, "irreversible process" might begin. He stated that the State Security Ministry's demand to see the financial documents of the Rustavi-2 television was not unlawful. This will be proven when the Prosecutor General's office makes its statement on the incident at the Rustavi-2, KUTATELADZE stated. According to KUTATELADZE, some political forces, which seek to destabilize the country, have been defined. The outcome of their activity might be the same as it was ten years ago, KUTATELADZE stated. He believes that these destabilizing forces are using the State Security Ministry and its leadership to fulfill their aims. Interior Minister Kakha TARGAMADZE stated that he was also ready to resign over, "the current situation in the country." SHEVARDNADZE has accepted KUTATELADZE's resignation and said that under the current circumstances it was the right move. SHEVARDNADZE did not comment on TARGAMADZE's possible resignation. The President said, however, that the Interior Minister was not involved in the incident at the Rustavi-2 television. According to SHEVARDNADZE, the next meeting of the National Security Council will convene on Thursday. At that time, Prosecutor General Georgy MAPARISHVILI is expected to report on the situation at the Rustavi-2 television, SHEVARDNADZE said.

Meanwhile, a protest rally in support of freedom and democracy in Georgia broke out in front of the State Chancellery. The protesters demanded the resignation of SHEVARDNADZE and the entire government. The participants of the rally, representatives of the oppositional political parties, political movements, and NGOs, accused the government of the incident at the Rustavi-2 television and implementing anti-people policies in general. Irakli TSERETELI, leader of National Freedom of Georgia political party, said that the ten years of SHEVARDNADZE's presidency became, "the years of loss and no achievements." Abkhazia and South Ossetia have been lost, Georgia is periodically bombed by the Russian aviation, he said. According to TSERETELI, these losses happened because the incumbent government of Georgia is weak and helpless. The protest rally at the State Chancellery continued in front of the Georgian parliament. Some 2,000 students joined the protestors condemning the "government's attacks" on the Rustavi-2 television, Prime News Agency reported.

Chairman of the Georgian Parliament Zurab ZHVANIA at today's meeting of the highest legislative body expressed his concern over the protests. According to ZHVANIA, these incidents may cause the political situation in Georgia go overboard. He said, "only parliament decisions may prove to people that the street protests are not needed." ZHVANIA has called on the deputies to do everything they can to keep the situation under control. Moreover, he said, the parliament should prove to people that nothing will restrict the freedom of speech in Georgia. ZHVANIA was urged to call an emergency session of parliament on November 1st with President SHEVARDNADZE to discuss the Rustavi-2 television raid. According to the Constitution, if the President does not schedule the parliament meeting within 48 hours, the parliament can convene without the President. ZHVANIA noted that the move against Rustavi-2 presages a coup d'etat that would render the parliament superfluous, the Caucasus Press reported. He said official campaigns against corruption had been turned into, "a struggle against a civil society and a struggle against free speech and generally freedom in our country." Head of the parliament human rights committee Elena TEVDORADZE stated that the situation in Georgia is developing by a scenario of some "power forces." She compared the situation at the Rustavi-2 to the state take over of the NTV television in Russia earlier this year. According to TEVDORADZE, what happened in Russia is not possible in Georgia because freedom of speech is one of the very few achievements that the Georgians are proud of. SHEVARDNADZE tried to assure the Georgian people on national television that, "as long as I remain president, freedom of speech in Georgia will not be in danger," Reuters and the Caucasus Press reported. TEVDORADZE also warned that probably the voices of the radical extremists are the loudest among those who rally on the streets. These include the Zviadists, Mehedrioni, and Communists. This situation might be used by those "power forces" which try to instigate a military coup, state of the military alert, and the dismissal of the parliament. TEVDORADZE expressed concern that people of Georgia may become hostage of these political games.

Comment: President SHEVARDNADZE in a public statement to the press has expressed his willingness to step down, if the parliament requests that he and certain minister be removed. **Intercon** sources close to SHEVARDNADZE indicate that the President, increasingly weary over internal political infighting and external aggression and psychological warfare, is very near to resigning. Under the current conditions, any such decision could very well lead to the chaos Georgian experienced in the early 1990s. With political forces divided and blind ambition fueling much of the current tensions, the prospects of the collapse of the SHEVARDNADZE government has never been more real. This would have disastrous international implications, especially for Azerbaijan and Turkey.

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