

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

U.S.-Russian Summit Opens

• U.S. President George W. BUSH and Russian President Vladimir PUTIN opened three days of summit talks this morning at the White House. The two leaders discussed bilateral issues and the retreat of the Taliban from Kabul, Afghanistan. Russia has been working with the U.S. coalition to fight the international terrorism and is involved in negotiations on the creation of a broad-based ethnic government to stabilize Afghanistan. In the last two months, PUTIN has thrown his political weight behind U.S. military operations in Afghanistan, despite internal pressures within the military and security elite. He has also shared Russian intelligence with the U.S. on Afghanistan's ruling Taliban and the al-Qaeda network of Saudi-born Islamic militant Osama BIN LADEN.

The two leaders also discussed slashing nuclear weapon stockpiles and U.S. plans to develop a national missile defense shield. The latter would require scrapping the 1972 Anti-Ballistic Missile Treaty (ABM). PUTIN has signaled he is ready to agree to a formula that will allow the U.S. to go ahead with the missile defense tests, which White House officials say are more vital than ever with the intensification of a terrorism threat. BUSH said that ABM talks will continue so that they can work on reframing their strategic relationship to meet the true threats of the 21st century. BUSH announced at a White House press conference that over the next 10 years, the U.S. will reduce its long-range warheads between 2,200 and 1,700. Russia is considering a cut of warheads from 6,000 to 2,000 or 1,500 for each country. This appears to be a level that Russia can afford to keep. The U.S. has 10,500 nuclear weapons, Russia has 20,000,

as well as more than 900 tons of weapons-grade nuclear material that the two leaders want to keep secure and out of the hands of terrorists and hostile nations. This threat was underlined in The Washington Post article concerning a, "major incident involving the attempted theft of nuclear materials in the past two years." This incident was revealed in Vienna at a conference hosted by the International Atomic Agency by Yuri VOLODIN, head of the Safety Department of the Russian Nuclear Regulatory Agency. PUTIN proposed establishing a new mechanism with NATO for joint discussions on security and stability. This would be short of full membership in the organization, but would allow for cooperation concerning agreed upon world crises. The warming of U.S.-Russian relations following the September 11th attacks has opened the door to a potential breakthrough of historic proportions in U.S.-Russia relations. At the very least, PUTIN's bold approach can build a common understanding on other longstanding strategic issues. On Wednesday, PUTIN and BUSH will fly separately to Texas where the summit will continue in the more relaxed environment of the BUSH Ranch. BUSH told Russian reporters on Monday that he and PUTIN were on the verge of forging a relationship that "will outlive our presidencies." PUTIN's brave initiative matched with BUSH's warmth and openness may ultimately surprise the skeptics in both countries.

Russia To Reduce Troops In Chechnya

• Russian Military Commander General Gennady TROSHEV said that most federal troops

will be withdrawn from Chechnya in Spring 2002. Interfax new agency reported that the cuts are part of a plan to reduce the military presence in Chechnya. Similar troop withdrawals have been announced in the past, but not put into effect. TROSHEV said that only units stationed in Chechnya on a permanent basis will remain. Those units are the Defense Ministry's 42nd motor-rifle division and the Interior Ministry's 46th brigade. Speaking Monday to armed forces commanders in the Kremlin, Russian President Vladimir PUTIN said the campaign in Chechnya, "has been correct, on time and well-founded." He called the return to peace "irreversible," and said the federal troops permanently stationed in Chechnya must, "become an important factor in the security of local residents and regional stability." Fighting continues in Chechnya and around its capital Grozny. Russian army engineers reported finding and defusing 20 bombs on about 60 miles of rail tracks across Chechnya, ITAR-TASS reported.

Economy

Ruble = 29.71/\$1.00 (NY rate)

Ruble = 29.72/\$1.00 (CB rate)

Ruble = 26.22/1 euro (CB rate)

Russia May Cut Dollar Sales

- First Deputy Finance Minister Sergei IGNATYEV said today that Russia may cut the volume of hard currency exporters are obliged to sell from 50 percent to 30-35 percent in one or two years. "I think in the next year or two we shall cut the volume of obligatory sales to 30-35 percent," IGNATYEV told Expert magazine in an interview. However, he said he was against a full abolition of obligatory sales. Russia ordered exporters, mainly oil, gas and metals firms, to sell 75 percent of their hard currency returns to prop up the failing ruble and replenish Central Bank's hard currency reserves in the wake of the 1998 economic crisis, Reuters reported. The Central Bank's gold and hard currency reserves now stand at \$38.5 billion. Central Bank chief Viktor GERASHCHENKO said the reserves should amount to \$40-45 billion for the country to be safe and objected strongly when parliament this summer cut the volume of the sales to 50 percent. The Economic Development and Trade Ministry has worked out a new bill on hard currency controls, which provides for a full abolition of obligatory sales

from 2004. IGNATYEV said the country, which is strongly dependent on export revenues, was not yet ready for the abolition. "An immediate and full end to export revenue obligatory sales is too much of a risk," he said.

EUROPEAN REPUBLICS

Ukraine Appoints New Defense Minister

- Ukrainian President Leonid KUCHMA signed a decree Monday appointing General Volodymyr SHKIDCHENKO as Defense Minister. He will replace Alexander KUZMUK, who stepped down last month after his troops accidentally shot down a Russian airliner during missile exercises, killing all 78 people on board. Ukraine's Chief of General Staff, had been acting defense minister after KUZMUK resigned. KUCHMA rejected the resignation, saying an investigation must be completed first. Subsequent investigations confirmed a misfired S-200 missile by Ukraine's air defense forces downed the jet. KUZMUK offered to quit once again on October 24th. KUCHMA accepted the minister's resignation and fired several other senior Defense Ministry officials the same day.

Russia Finalizing Transdniestra Withdrawal

- Four trains filled with armaments from Transdniestra left Tiraspol on Friday, marking the beginning of the Russia's final withdrawal. Commander of the Russian force in Transdniestra Lieutenant General Valery YEVNEVICH told ITAR-TASS, "Armored personnel carriers, artillery guns and other materiel are being loaded onto freight cars and sent away to plants in the Urals for repairs. We hope to send away all the four trains before the end of this week." Military observers from various countries are watching the pullout, acting under the Organization for Security and Cooperation in Europe (OSCE) aegis. The pullout of armaments will be over ahead of time, before December 1st. The pullout resumed after Russia agreed on paying a \$100 million compensation to Transdniestra. The payment was done in the form of an offset of the Transdniestra gas debt. Russian Defense Minister Vladimir ISAKOV has signed a protocol in Tiraspol, and the Parliament of the non-recognized Transdniestra Republic has adopted a resolution, which pledges no obstacles to Russia's withdrawal

of armaments and material starting from November 5th. All in all, the Russian force in Transdniestra had 108 tanks, seven helicopters, 214 armored personnel carriers and 125 pieces of heavy artillery. About 42,000 tons of ammunition, 50,000 pieces of firearms and other equipment are being stored in Kolbasna Village near Rybnitsa. The current strength of the Russian force is 2,500 men. The force will soon be reduced by 1,000.

SOUTH CAUCASUS & CENTRAL ASIA

Abkhaz Call For Peacekeepers To Remain

- Following meetings with the Russian Foreign Ministry in Moscow, Abkhaz Prime Minister Anri DZHERGENIA called for the prolongation of the mandate of the Commonwealth of Independent States (CIS) collective peacekeeping forces in the Georgian-Abkhaz conflict zone, ITAR-TASS reported. The participants in the meeting noted the latest flare-up of hostilities in early October in the Kodori Gorge resulting from a large formation of Chechen rebels. The Abkhaz reiterated its high assessment of the role of CIS peacekeepers. The Abkhaz Prime Minister said these forces prevent large-scale conflicts between Tbilisi and Sukhumi and ensure stability in the region. Both sides confirmed the interest in regular consultations, the Russian Foreign Ministry reported.

U.S. To Give \$50 Million For TRACECA Projects

- The U.S. is ready to allocate \$50 million for the development of transport and communication corridors within the GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova) regional organization, Prime News Agency reported. According to Georgy GOGIASHVILI, the Georgian representative to TRACECA (Transportation Corridor Europe-Caucasus-Asia) Permanent Secretariat, this was announced by the U.S. State Department officials the on the sidelines of the GUUAM meeting in Baku on November 7th to 8th. According to the U.S. officials, the BUSH administration supports GUUAM, "as a democratic rim along Russia's southern borders." GOGIASHVILI stressed that the meeting was focused on preventing use of transport corridors for terrorist, extremist, and criminal purposes, preventing illegal migration, modernizing transport and communication infrastructure, and improving of the customs information exchange

systems. An agreement has been reached to establish special experts groups working on relevant legislative proposals among the GUUAM members for the realization of the joint projects. GOGIASHVILI added that participants of the meeting also agreed to coordinate the plans on the revival of the Great Silk Road according to a GUUAM document signed in Baku in September 1998. GUUAM was established in 1997 with Georgia, Ukraine, Azerbaijan, and Moldova. In 1999, Uzbekistan joined the organization.

U.S. Forces To Be Based In Azerbaijan

- The Jamestown Foundation has cited unofficial reports that U.S. President George W. BUSH and Secretary of State Colin POWELL have received Azeri President Geydar ALIYEV's consent for U.S. forces to be based in the Caucasus state. ALIYEV's military adviser, Lieutenant-General Tofiq AGAHUSEINOV, indirectly confirmed those reports by declaring that Azerbaijan has no political objections to establishing U.S. Air Force bases in the country. It is believed that the base would operate in a logistical manner, with refueling and servicing of U.S. planes and the storing of military supplies for the U.S. and allied ground troops in Afghanistan. ALIYEV said on national television, "we are with you, the [United States], in the same alliance and coalition and have offered our help." Early in the campaign, Azerbaijan granted the U.S. with permission to cross over Azeri air space. Numerous U.S. flights have crossed Azeri air space en route to Central Asia, Afghanistan, and Pakistan from bases in NATO Europe. Some of the planes, variously carrying humanitarian and military supplies, made refueling stops in Azerbaijan. Looking beyond the current antiterrorist operation, Azeri officials undoubtedly view the U.S. military entry as a guarantee of stability and security for the entire South Caucasus-Caspian region. Now that construction work on oil and gas pipelines via Azerbaijan and Georgia is set to begin, providing security for them has become a matter of some urgency. Azerbaijan for the first time is hosting a NATO exercise. "Cooperative Determination 2001," a command and staff exercise being held in Baku from November 5th to November 16th, involves 350 officers from nine NATO member countries, as well as representatives of NATO partner countries including Azerbaijan and Georgia.

N. Afghanistan Aid Through Turkmenistan

- Turkmenistan has become a reliable route for aid to northern Afghanistan. While it has remained neutral, Turkmenistan has opened its borders for deliveries of humanitarian aid to Afghanistan. The Turkmen Foreign Ministry told Reuters, "Turkmenistan, as a neutral state, is actively working toward organizing humanitarian aid, with the co-operation of international agencies working within the framework of the United Nations." Andrew NATSIOS, Administrator for the U.S. Agency for International Development (USAID) during a brief visit to Turkmenistan Sunday said, "Turkmenistan and Uzbekistan will be the two principal means [for aid shipments], but right now in Uzbekistan the bridge [into Afghanistan] isn't open yet. So the principal means over the next few weeks will be Turkmenistan." He noted that seven air cargoes of humanitarian aid had arrived at Turkmen airports between November 5th and 9th, and so far 7,000 tons had moved across the border.

In addition, Turkmenistan's national airline, *Turkmenhovayellari*, is participating in the deliveries of humanitarian aid, dispatched by the organization Medecins Sans Frontieres (Doctors Without Borders) to the Afghan people. A Turkmen jet that arrived in Ashgabat with a consignment of relief supplies from Denmark Monday is due to take off for Turkmenabat, a town on the border with Afghanistan, later today, ITAR-TASS reported.

U.S. Forces To Use Tajik Bases?

- The U.S. Department of Defense has decided to move U.S. military aircraft into Tajikistan, Reuters reported. An unidentified official on Monday said the aircraft will occupy one airfield after Tajikistan offered the U.S. forces three bases from which to fight international terrorism. The three bases, Kulyab, Khojand, and Turgan-Tiube, were inspected by a team of experts. It was not clear which base or bases might be used or whether improvements would have to be made at the airports for either air strikes into Afghanistan or increased delivery of

humanitarian aid to thousands of displaced refugees inside Afghanistan. The bases could provide the advantage of shorter attack missions. A Tajik Foreign Ministry official said, "I have no information of any concrete agreement on the use of Tajik airfields by U.S. forces." U.S. Defense Secretary Donald RUMSFELD earlier this month visited Central Asia and met with Tajik President Emomali RAKHMONOV. The U.S. military already is using one airfield in Uzbekistan, where at least 1,000 soldiers from the U.S. Army's 10th Mountain Division are based.

Afghan Aid From Uzbek To Be Distributed

- Humanitarian aid bound for Afghanistan, piled up in Uzbek warehouses for days, will start moving today across the border. World Food Program (WFP) spokesman Michael HUGGINS told Reuters that for the first time since 1998, barges carrying much-needed food and other humanitarian supplies would move across the Amu Darya River to northern Afghanistan. Today's shipment will be a trial run. If successful a full shipment is expected to cross the river on Wednesday.

Last month, the Uzbek government said it would allow the U.N. to use Termez River port to move aid by barge to Afghanistan. Aid agencies including the WFP, the U.N. Children's Fund UNICEF and the office of the U.N. High Commissioner for Refugees have been stockpiling aid in warehouses here ever since, awaiting the green light from the Uzbek authorities to move supplies into the war-torn country. The capture by the Northern Alliance of Mazar-i-Sharif on Friday has provided the opening of a land route between Afghanistan and Uzbekistan. Humanitarian agencies say that, whether by land or river, deliveries through Uzbekistan will prove to be a vital source of aid for the people of northern Afghanistan.

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