

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Putin Meets Congressional Leaders

• Before leaving for U.S. President George W. BUSH's Texas ranch, Russian President Vladimir PUTIN met with congressional leaders on Capital Hill Tuesday. Senate Majority Leader Tom DASH-CLE (Dem.-SD) expressed gratitude for Russia's support, "in these critical weeks in our effort in Afghanistan. We are extremely grateful for your friendship and your partnership." Representative Tom LANTOS (Dem.-CA) said the closed-door meeting was devoid of small talk. The subjects ranged from the Anti-Ballistic Missile Treaty to the Jackson-Vanick amendment, which makes trade concessions contingent on Russia's human rights performance. In an interview with the Associated Press, Senator Joseph LIEBERMAN (Dem.-CT), a member of the Armed Services Committee said he generally supports reductions in nuclear warheads. However, he said, "I'm a bit surprised at the number, because the last time we went through this, the military made a very strong case...that the numbers ought not to go below 2,500 to 3,000." BUSH said his plan was consistent with U.S. security needs. Senator John WARNER (Rep.-VA) the committee's top Republican, endorsed the plan. "This decision has been very carefully thought through by the administration, and I expect that the Congress will very willingly show support for it," he said.

No Deal On U.N. Sanctions Against Iraq

• After holding talks in the U.N. with Russian Foreign Minister Igor IVANOV, British Foreign Secretary Jack STRAW said he failed to reach a compromise on overhauling U.N. sanctions on Iraq. He said, "there is not yet agreement with Russia." The talks took place on the sidelines of the annual general debate of the 189-nation U.N. General

Assembly, which began on Saturday. At issue is a draft U.N. Security Council resolution, sponsored by the U.S. and Britain, that would lift restraints on the import of civilian goods to Iraq and attempt to cut off oil and other goods smuggled in and out of the country through porous borders, Reuters reported. Russia threatened earlier this year to veto the "smart sanctions" plan and Iraq halted oil flows in June for about a month until it was certain the measure would not be approved. STRAW said he discussed changes to a plan opposed by Moscow in the last round of talks. He did not give details on the changes. Diplomats said that changes would not be submitted unless Russia showed signs of a compromise. Iraq's oil-for-food program comes up for renewal on November 30th and the 15-nation U.N. Security Council must approve a resolution by then either extending the current program or re-vamping it. U.S. Secretary of State Colin POWELL has discussed the issue several times with IVANOV, and the subject may come up at this week's Texas summit between U.S. President George W. BUSH and Russian President Vladimir PUTIN.

Russia To Build 10 Nuclear Reactors

• Over the next ten years, Russia will commission a total of ten nuclear power reactors, First Deputy Atomic Energy Minister Lev RYABEV told the Russian State Duma today. In addition, Russia will build six reactors in other countries, including Iran, India, and China. ITAR-TASS reported that by 2020 the pace of commissioning nuclear power units will

be stepped up 150 percent. RYABEV said, "By that time Russian nuclear plants will be generating an amount of electricity identical to that once produced by all of the former Soviet Union's nuclear plants." He pointed out that Russia's ten nuclear power plants accounted for 15 percent of the country's electricity output and for 50 percent of electricity production growth. Nuclear power plants' electricity production rates will be growing by 5 percent a year, twice the growth rate expected to be shown by thermoelectric and hydropower plants. He said, "Russia is making a structural shift towards nuclear power," stressing that the government was determined to promote nuclear power plants as ecologically safe and efficient.

Two Arrested in Nuclear Material Sale

- Russia's security police said on Tuesday that they had arrested two men for trying to sell a radioactive substance in the Urals. Security police seized three containers of cobalt 60, a radioactive isotope that serves a variety of medical and industrial uses, which were stolen from a factory in the Urals, Reuters reported. "According to initial information, the sources hold cobalt 60 nuclides," Sergei KUZNETSOV, a spokesman for the Federal Security Service (FSB) said. "The strength of the radiation dose exceeds safety limits 2,000 times." The arrests come at a time when experts fear Russia's low-paid nuclear scientists or biological weapons experts could be tempted to aid terrorists. Many top experts in these fields earn salaries of about only \$100 a month. Russian public television reported that security officials arrested the two men after a sting operation in which undercover officers were offered the hazardous material. "It was for some kind of terrorist act," Fyodor GORDEYEV, chief engineer of the Radon factory, told *ORT* television. "One could receive a deadly dose from it in a short time." In an interview published in *Izvestiya*, Vladimir DVORKIN, the scientific leader of the Center of Strategic Nuclear Forces at the Academy of Military Sciences, said that 180 to 200 terrorist groups worldwide seek to acquire nuclear weapons. He said that the ability of these groups to acquire nuclear materials and/or weapons depends on money, professional expertise, and the goals of the terrorists themselves, as well as on the security measures taken by nuclear powers, RFE\RL Newsline reported. However, Deputy Atomic Energy Minister Bulat NIGMATULIN said on *Ekho Moskvy* that terrorists will not obtain

nuclear weapons or technologies from Russian laboratories. "People who are working in Russian nuclear laboratories are loyal to their cause. They are patriots of Russia," NIGMATULIN said.

Extradition Of Patarkatsishvili Requested

- Russian Deputy Prosecutor General Valentin SIMUNCHENKOV said on November 10th that his agency has officially requested that Georgian authorities extradite Badri PATARKATSISHVILI, a close associate of embattled magnate Boris BEREZOVSKY who is accused of embezzling funds in the so-called *Aeroflot* case, *gazeta.ru* reported. PATARKATSISHVILI has been closely associated with recently elected member of the Georgian parliament Vazha LORDKIPANIDZE. LORDKIPANIDZE was formerly Georgian Ambassador to Russia and former Georgian State Minister. He was also narrowly defeated for the post of Georgian parliamentary speaker last week. Some experts claim LORDKIPANIDZE had received the tacit endorsement from Georgian President Eduard SHEVARDNADZE for the speaker position.

Economy

<p>Ruble = 29.72/\$1.00 (NY rate) Ruble = 29.72/\$1.00 (CB rate) Ruble = 26.15/1 euro (CB rate)</p>

Russian Reforms Running Out of Steam

- Following his visit to Russia in October, U.S. Commerce Secretary Donald EVANS positively assessed Russia's economic reforms. Russia has a substantial simplification of the tax system and cuts in rates which have been matched by a rise in collection figures; a budget in substantial surplus; the states of a program of liberalizing the country's natural monopolies; and legislative reforms under way to restructure the legal and pensions systems, to privatize land and reduce state bureaucracy, the *Financial Times* reported. Experts, however, have called on Russia to focus on longer-term reforms. Last month, the World Bank warned Russia that its economy was too dependent on volatile natural resources prices and that productivity growth was lagging behind the appreciation of the real exchange rate. Meanwhile, high oil prices have pushed the value of the ruble up, making it more difficult for other companies to compete internationally. In addition, there are indications that the pace of reforms

is slowing down as deputies push back policy decision ahead of the 2003 parliamentary elections. Experts have noted that Russia needs to tackle tough banking and legal reforms. The Central Bank has done little to reform *Sberbank*, the state controlled savings bank, which dominates the market. It has also failed to close undercapitalized institutions, leading to a "credit crunch" and lack of loans for small and medium businesses. Legal reforms are necessary and need to be implemented. Gary JOHNSON, head of U.S.-based *Sawyer* company, said, "The key decision on whether to invest should be based on whether legal institutions are capable of protecting your rights." Since 1997, *Sawyer* has been in a dispute over a factory it leased in Vladimir and risks losing \$8 million.

Business

Corporate Governance Enforcement Needed

- Dmitry VASILYEV, the former head of the local stock market watchdog and now chief of a corporate governance ratings agency, called on Russia to enforce standards for transparency and treatment of shareholders by Russian firms. He believes a draft code of regulations could lead to better corporate governance, but stressed the need to enforce current legislation. Russian companies, including leading blue chips, have long been criticized for ignoring minority shareholders and for being less open than Western firms. The new code, which had been in the pipeline for a year, was handed to investors in September by watchdog the Federal Securities Commission. VASILYEV welcomed the code. He told Reuters, "In general I support the idea of the code, but the main problem in Russia is not introducing new rules but enforcing existing ones." He added, "A lot of the provision in Russian legislation is not enforced at all, for example nobody has ever been prosecuted for asset stripping and transfer pricing." VASILYEV recommended shortening and simplifying the draft code. However, the code fails to define some key roles, such as that of a company secretary, who in the West makes sure a firm sticks to corporate procedures and complies with company law. It also recommends that each company should have three independent directors on its board, something which is unrealistic in Russia as there are not enough independent, qualified directors to fulfill such a role, VASILYEV pointed out. He also said the code should be voluntary as

opposed to mandatory once its guidelines were clearly set out.

EUROPEAN REPUBLICS

Belarus Closes Independent Newspaper

- Belarus authorities closed down independent newspaper, *Pagonya*, on Tuesday after a court ruled it had defamed President Alexander LUKASHENKO. Authorities had launched a criminal case against *Pagonya* newspaper a week before elections in which LUKASHENKO, dubbed Europe's last dictator by U.S. officials, was returned to power in a victory. Foreign monitors condemned the election as fraudulent. The Organization for Security and Cooperation in Europe (OSCE) said September's presidential elections were neither free nor fair and that independent media and presidential challengers were obstructed. Officials seized the entire print run of the weekly newspaper's pre-election edition, which contained scathing criticism of LUKASHENKO. *Pagonya* editor Nikolai MARKEVICH denounced the closure and said the newspaper, a relatively low circulation publication based in western Belarus, had criticized all the presidential hopefuls. He said, "Closing a newspaper is like passing the death sentence on a human. The authorities think a free, independent press is a direct threat." Court officials said the decision was justified. "The law is the law. Everyone has to abide by it, whatever their political views," an official of the supreme commercial court told Reuters. Defaming the president carries a possible jail sentence of up to five years. A string of independent newspapers in Belarus are facing criminal prosecution.

Belarus Foreign Min. Slams Helms' Initiative

- Belarus Foreign Minister Mikhail KHVASTOU told Interfax that The Belarus Democracy Act of 2001 proposed by U.S. Senator Jesse HELMS (Rep.-NC), "has no prospects, as it is odious and would lead to the severance of diplomatic relations between the two countries." HELMS' legislative initiative calls for U.S. political and economic sanctions on the regime of Belarus President Alexander LUKASHENKO and for \$30 million in U.S. assistance to pro-democracy groups and independent media in Belarus, RFE/RL Newsline reported. Meanwhile, Belarus Popular

Front leader Vintsuk VYACHORKA told Belapan that HELMS' bill is a great political step. Belarus Social Democratic Party leader Mikalay STATKEVICH said, "I think Belarusian civil society should accept any assistance with gratitude. The situation is such that Belarusian NGOs and independent media outlets may receive support only from abroad."

SOUTH CAUCASUS & CENTRAL ASIA

Intelligence Dept. To Help The Gunmen?

- In an interview with the First Channel of the Georgian television, Chairman of the Georgian State Intelligence Department Avtandil IOSELIANI dismissed as rumors the recent statements of the Russian media accusing him and his department of transferring the Chechen squad headed by field commander Ruslan GELAEV from the Pankisi Valley to the Kodori Gorge, Prime News Agency reported. IOSELIANI stated that he saw GELAEV only on television and he has never met GELAEV in person. According to IOSELIANI, a number of the Chechen gunmen have returned to Chechnya and the rest of them are in the north-western part of Abkhazia. However, he added, some of GELAEV's troops might be in the Pankisi Valley.

Turks Help Reorganize Vaziani Infrastructure

- The reorganization of the Vaziani military base infrastructure, which was handed over to the Georgian Defense Ministry in June 2001, will begin with the financial support of Turkey in late November, Prime News Agency reported. According to Georgian Deputy Defense Minister Gela BEZHUASHVILI, a group of the Turkish experts is arriving in Tbilisi on November 19th to give a final assessment to the current state of the base infrastructure. The Turkish government has already allocated \$1 million for the reorganization of the base infrastructure. BEZHUASHVILI added that the Vaziani base might receive more money from the Turkish government.

Georgian Parliament-Rus Duma Cooperation

- In an interview with Argumenty I Fakty, Speaker of the Georgian Parliament Nino BURDZHANADZE stated that she does not have "presidential ambitions." BURDZHANADZE stated that she has two sons to take care of. Moreover, "it is very hard to compete with the current president," she said. "You may like or dislike [Eduard SHEVARDNADZE] but you have to admit, he is an extraordinary man," she stressed. BURDZHANADZE told Interfax that parliaments of Georgia and Russia are currently drafting a joint statement to the leaderships of both countries. She stated that if legislative bodies of these two countries can build up their relations based on mutual respect and considering each other's interests, a favorable environment will be created for the executive powers of the two countries to cooperate. Meanwhile, Georgian Parliament Deputy Speaker Vakhtang RCHEUSHVILI is planning to visit Moscow in the nearest future in an effort to restore trust between the two countries, Prime News Agency reported. He said the relations between Russia and Georgia "are not normal," which is proved by an increased number of the mutual accusations against each other. RCHEUSHVILI will meet with "the different layers of population" to ask about the real attitude of people in Russia and Georgia towards each other. RCHEUSHVILI is also standing for activation of "the people's diplomacy."

Abkhaz Customs Terminal To Be Built

- The construction of the customs terminal on the border between Georgia and Abkhazia on Inguri River will begin in the first quarter of 2002, Prime News Agency reported. According to the officials from Sukhumi customs committee, the new terminal will comply with the four-level control standards.

Azerbaijan Extradites Third Terrorist

- Azerbaijan Security agencies have arrested and extradited an Egyptian citizen on suspicion of involvement in international terrorism. He is the third suspected terrorist to be extradited to Egypt in recent weeks, RFE/RL Newsline reported.

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