

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Putin's Popularity Questionable

Russian President Vladimir PUTIN's popularity continues to rise, despite questions regarding his political nature. Russian citizens are leery of PUTIN's motives because of his apparent about-face in foreign policy following the terrorist attacks in the U.S. Prior to September 11th, PUTIN was more focused on the Eurasian center rather than cooperation with the West. Natasha LUKHOVSKAYA, a shop assistant, said, "I still support PUTIN. But it is difficult to say if he is good for Russia because it is difficult to know what he is going to do next." The Associated Press noted that when PUTIN easily won the presidential election in March 2000, he did so without explaining how he planned to govern the country. When All-Russia Public Opinion Center questioned 1,600 Russians in September about PUTIN's top qualities, 38 percent named his energy and resolve. Another 25 percent praised his ability to bring order to Russia. The margin of error was 3.8 percent. But 43 percent of those respondents also said PUTIN hadn't really changed their standard of living, compared to 38 percent who saw some changes for the better and 15 percent who feared things were worse.

The warming of the U.S.-Russia relationship and Russia's support for the fight to combat international terrorism has caused a mixed reaction in Russia. According to a poll conducted by VTsIOM and reported by Moskovskie Novosti, only 20 percent of Russians believe that there has been a radical turning point in Russian-U.S. relations since the terrorist attacks on the U.S. However, The Wall Street Journal reported on that investors in the Russian equities market have been buoyed by rising expectations engendered by the ongoing summit.

According to a poll conducted by ROMIR and reported by ITAR-TASS, 32.6 percent of Muscovites believe that fighting terrorism is the most important task of Russian-American relations. Sixteen percent said that preserving the 1972 Anti-Ballistic Missile Treaty is the most important, 15 percent named economic problems, and 6.3 percent said that reducing strategic nuclear weapons is most important.

However, opinions in the military on the melting of Cold War relations are clear. Top military brass expressed its sentiment in an open letter, published Saturday, by 18 former generals and admirals saying they, "do not care for" the direction the leadership is taking Russia. Among other things, they criticized PUTIN's plans to downsize the military and close its bases in Lourdes, Cuba, and Cam Ranh Bay, Vietnam, which symbolized Russian aspirations to remain a global military power. Nezavisimaya Gazeta said Tuesday that there is, "growing disagreement within the Defense Ministry with the way in which the Kremlin is structuring its participation in the anti-terrorist coalition. To put it in agitprop style, the boot of the American soldier is trampling the recently Soviet soil of Uzbekistan and Tajikistan. That is absolutely at odds with the philosophy" of the armed forces leadership.

Russian coverage of the summit has also been unenthusiastic. A Vremya headline read, "The Cold War Is Over, One More Time." Left-wing newspapers commentaries reflected a sense of disap-

pointment that PUTIN gained little of substance and a belief that important Russian interests were being sacrificed. Hard-line *Sovietskaya Rossiya* said of PUTIN and U.S. President George W. BUSH, "No matter how much they pat each other on the back and give each other bear hugs in front of TV cameras, they will not become equal partners. BUSH represents the countries that are headed toward global hegemony, while PUTIN represents a country in full retreat." Nevertheless, although his popularity may be questioned at home, PUTIN's popularity in the U.S., as a result of this overly friendly summit, is on the rise.

Putin's Homegrown Team On The Rise

- According to an article in *Kommersant-Vlast*, Russian President Vladimir PUTIN has now appointed 33 people, with whom he had close ties in the past. Some are people he grew up with, others are secret police officers, officials from the St. Petersburg mayor's office, or simply people PUTIN knows from St. Petersburg. Meanwhile, in a survey of the broader political elite, Olga KRYSHTANOVSKAYA, the head of the Institute for the Study of Elites of the Moscow Institute of Sociology, said in an article published in *Vremya*, that the share of the core elite made up of economists and lawyers has declined, while the percent of military officers has risen, as has the number of business people. She noted that PUTIN has advanced a higher percentage of people from his home city to positions of power—4.1 percent of the political elite—than did former President Boris YELTSIN, who named people from his hometown of Sverdlovsk to 2.6 percent of key positions, RFE\RL Newsline reported.

Russia Seeks U.S. Cooperation On Security

- Russia's Atomic Energy Ministry wants to expand cooperation with U.S. nuclear laboratories in order to improve security arrangements at Russian facilities, Russian and Western news agencies reported. The Russian side has prepared a draft program that calls for regular safety exercises and better communications and monitoring of critical sites, RFE\RL Newsline reported.

Economy

Illarionov Blames Gov't For Slow Growth

- Russian Presidential economic adviser Andrei ILLARIONOV Tuesday said that Russia has one of

the lowest rates of gross domestic product (GDP) growth in the Commonwealth of Independence States (CIS), Interfax reported. He attributed the negative trend to government policies. Russian growth, ILLARIONOV said, reflects higher prices for natural resources rather than good economic planning, in sharp contrast to Ukraine and Kazakhstan. Meanwhile, Economic Development and Trade Minister German GREF said the same day that the government has approved a new draft bankruptcy law that will bring Russian legislation into line with international standards and promote growth, RFE\RL Newsline reported.

Ruble = 29.81/\$1.00 (NY rate)

Ruble = 29.85/\$1.00 (CB rate)

Ruble = 26.43/1 euro (CB rate)

Brent Crude Futures Falls To \$17 Per Barrel

- December Brent crude oil futures on London's International Petroleum Exchange dropped below \$17 a barrel on Thursday for the first time since June 1999. At 16:22 GMT, the December Brent contract, which is expiring on Thursday, was trading \$1.95 lower at \$16.80 a barrel. January Brent also extended losses to last trade \$1.96 at \$17.21 a barrel, Reuters reported. Traders said remarks by Kuwaiti Oil Minister Adel AL-SUBAIH that his country would oppose any future unilateral OPEC cuts and would not be surprised to see oil prices at \$10 rattled the oil market and pushed prices to fresh two-year lows. OPEC ministers on Wednesday agreed to cut output by 1.5 million barrels per day provided non-OPEC producers, especially Russia, curbed output. Russia so far has only agreed to a symbolic cut of 30,000 barrels per day. This represents only a 1 percent of Russia's daily exports and less than 0.5 percent of daily production. Russian officials expressed concern that if the price of oil drops below \$18 per barrel, the government would have to revise its 2002 budget, which is heavily dependent on revenues from oil sales and taxes.

Business

Gazprom Signs Credit Agreement

- Russian gas giant *Gazprom* has signed an agreement with a group of western banks about a long-term credit worth \$200 million for five years. These are the *Moscow Narodny Bank* in Britain, *ABN AMRO Bank, N.V.*, *Commerzbank*,

and *Bankgesellschaft Berlin*. A deputy head of the *Gazprom*'s department for securities and long-term credits reported in an interview with RosBusiness Consulting that these assets will be spent on the reconstruction of gas production and pipeline facilities of *Gazprom*. *Gazprom* will receive this credit at the end of November or at the beginning of December.

EUROPEAN REPUBLICS

Ukraine Ratifies Gas Agreement With Russia

- Ukraine's parliament on Thursday ratified key agreements between Kiev and Moscow on restructuring debts for Russian natural gas supplies, opening the way for the government to start the repayments. The treaty, signed by Russian and Ukrainian prime ministers Mikhail KASYANOV and Anatoly KINAKH last month, ended a dispute over the gas debts that had soured bilateral relations. The ratification was also vital to secure reliable natural gas supplies over next year. Ukraine depends heavily on energy imports and covers over 80 percent of its fuel needs with Russian supplies. The country of 49 million people consumes up to 75 billion cubic meters of natural gas a year, which makes it the world's sixth largest gas consumer, RosBusiness Consulting reported. Ukraine and Russia have agreed to restructure \$1.4 billion in gas debts for 12 years with a three-year grace period, the *Russia Journal* reported. Ukraine has pledged not to siphon gas from Russian transit pipelines across its territory. The parliament ratified three agreements to regulate the consumption and payment for Russian gas supplies, to guarantee the safety of gas transit, and to reschedule Ukraine's outstanding debt to *Gazprom* over 12 years. The debt to be rescheduled amounts to \$1.4 billion. *Gazprom* is expected to supply to Ukraine 30 billion cubic meters of gas.

Ukraine To Buy Armenian Chemical Stake

- Representatives of Ukraine's *Inter-Kontakt* visited Yerevan to discuss the possibility of acquiring a 51 percent stake in the *Nairit* chemical plant for 6.6 billion drams (some \$12 million). The plant produces chloroprene rubber, according to Arminfo. *Inter-Kontakt* has expressed its readiness to invest some \$22 million in the plant in order to increase

annual output from 10,000 tons to 25,000-30,000 tons. *Nairit*'s debts for the first six months amount to over \$7 million, RFE\RL Newsline reported.

Lithuania Approves Gas Privatization

- The Lithuanian government on Wednesday approved a program for the privatization of *Lietuvos Dujos* which bars companies supplying natural gas to Lithuania, or local companies controlled by them, from becoming strategic investors in the utility, BNS reported. It had decided earlier that equal 34 percent shares would be offered to the strategic investor and gas supplier, RFE/RL Newsline reported. The clear goal of the program is to prevent the Russian gas companies *Itera* and *Gazprom*, which are the probable gas suppliers, from acquiring full control of the utility. Germany's *Ruhrgas* and *EON Energie*, as well as the French group *Gaz de France*, have already announced plans to participate in the privatization tender.

SOUTH CAUCASUS & CENTRAL ASIA

Georgian Responds To Russian Accusations

- **Intercon** sources in Europe inform that the Russian Foreign Ministry has told Organization for Security and Cooperation in Europe (OSCE) that the Russian military has completely disbanded and withdrawn from the Vaziani and Gudauta base in Georgia. Russia also claimed that Georgia had failed to provide assistance in the Gudauta withdrawal. It even added that the hostilities in Abkhazia were provoked by the Georgian side. According to an OSCE agreement signed at the 1999 Istanbul summit, Russia was to withdraw from the Vaziani and Gudauta bases by July 1, 2001. Russia failed to meet this deadline for the withdrawal from Gudauta. It was only on November 9th that the Russian Foreign Ministry issued a letter that the Russian base at Gudauta had been disbanded and withdrawn. This has not been independently verified and there have even been reports concerning the theft of anti-aircraft systems from the base by the Abkhaz. Russia has failed to officially notify the Georgian Foreign Ministry of the withdrawal according to international standards. However, after a Georgian request Russia has provided information that of the 34 armored personnel carriers, 24 have been returned to Russian territory. The remaining ten were transported to the Collective Peacekeeping Forces checkpoints in the Kodori Gorge. Part of the Russian

military based personnel has remained behind at the Gudauta base, while other troops were transferred to the CIS Peacekeeping Forces in the Gali district. Russia claims that those troops at Gudauta are assisting the peacekeepers in logistics and transport. Georgia has pointed out, in a Foreign Ministry statement, that these troops are acting outside their mandate, which states that peacekeepers should only be deployed, "in the security zone [Gudauta is far away from this zone], and any deployment of these forces beyond this zone should be agreed with the Georgian side in advance." Georgia also noted that the Russian withdrawal was not transparently conducted and that Russia had ignored Georgia's requests for monitors during this process. "It is incomprehensible why the Russian side has notified Georgia and the whole world community regarding the activities conducted at the Russian military base at Gudauta 'post factum.'" The Georgian Foreign Ministry also stated that the, "Russian side withdrew from the intensive negotiations on the mentioned matter without giving any justification." The Georgian Foreign Ministry has stressed that it can not consider the Gudauta base closed, until all issues relating to Russia's withdrawal and the peacekeepers' occupation resolved. In addition, Georgia and Russia need to resume negotiations on the withdrawal from two more Russian bases in Georgia: Batumi and Akhalkalaki. Russia has claimed that it will take 14 years to prepare for the withdrawal from these two bases, while Georgia wants the bases removed in three years.

Speaker Calls On The Base Withdrawal

- Speaker of the Georgian Parliament Nino BURD-ZHANADZE stated that the Russian military bases in Batumi and Akhalkalaki should be withdrawn as soon as possible. She said that according to the official position of Georgia, the bases must be withdrawn within three maximum four years. She believes that Russian military presence in Georgia does not contribute to normalization of the Georgian-Russian relations. According to the Speaker, Russia and Georgia should build up their

relations considering each other's interests and based on long-term perspectives. Furthermore, she stressed, Georgia wants to see its territory free from any foreign military presence.

Russia To Bomb Terrorists In Georgia

- Viktor ALKSNIS, Russian State Duma deputy and a member of the Duma federation and regional policies committee, believes that Russia might bomb the terrorists' bases in Georgia or use the Russian special troops against those terrorists. "Georgia is a terrorists' nest," ALKSNIS told Prime News Agency. He stressed that Georgian President Eduard SHEVARDNADZE recently "flattered" the Chechen field commander Ruslan GELAEV. For this matter, ALKSNIS said Russia, "might follow the American way." "The Americans are bombing the terrorists in Afghanistan and the American special troops are deployed there. In case the situation in the Caucasus aggravates, why wouldn't Russia do the same?" He mentioned the bombings of Georgia by unidentified aircraft in October and said that Russia might do "something like this." ALKSNIS also stated that SHEVARDNADZE brought Georgia, "to the edge of collapse" and "from the standpoint of the Russian interests this is a positive factor." He added that "with SHEVARDNADZE at power, the situation in Georgia and the Georgian-Russian relations will worsen." ALKSNIS believes that if Adjaria's leader Aslan ABASHIDZE accepts SHEVARDNADZE's offer for the prime minister position, he will be able to do, "many good things for Georgia." He stated that Adjaria is the only stable region in the former USSR where people, "are confident of their future." However, ALKSNIS added that even if ABASHIDZE accepted the prime minister position, "he will not be able to change things without the radical change in Georgia's [political] course." "All decisions in Georgia are made by SHEVARDNADZE and his close associates who destroyed the country and the prime minister will become only an executive [arm] for these decisions."

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