

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

An Estimated 11,000 Chechen Militants Killed

• Since October 1999 when Russian troops launched a military offensive in Chechnya, the presidential press service estimates that 11,000 Chechen militants have been killed. Over the past few years, troops have killed the following field commanders: Arbi BARAYEV, Ramzan AKHMADOV, Magomed TSAGARAYEV, Baudi BAKUYEV, Ali DIMAYEV, Khunkar-Pasha ISRAPLOV. The commander of the group of Turkish mercenaries Abu BAKAR, representative of the Al HARAMEYN organization Abu DARR, KHATTAB's deputies Abu YAKUB, Abu KHAKIM, and Abu SAMAD, international terrorist Abu UMAR - a close associate of Osama BIN LADEN, and representative of the Al Badr terrorist organization Abu Jafar AL YAMANI have also been killed. ITAR-TASS reported that Russia has detained militant leaders Salman RADUYEV, Turpal-Ali ATGERIYEV, Mumadi SAIDIEV, and others. It is believed that there are only 100 militant groups in Chechnya with 2,000 men. The biggest groups are those led by KHATTAB (550 men), Shamil BASAYEV (up to 450 men), Rizvan AKHMADOV (200 men), and Chechen President Aslan MASKHADOV (150 men). Russia has accused Georgia and other neighboring countries of harboring up to 1,000 militants. The military prosecutors since October 1999, has opened a total of 1,781 Chechnya-related criminal cases, including 1,452 concerning crimes by military and 329 related to servicemen's deaths or injuries caused by militants' attacks. Military courts have found 15 servicemen guilty of crimes against Chechen civilians.

U.S.-Russia Meet Over Afghanistan Situation

• The U.S. and Russia have reaffirmed their position that there is no role for the Taliban in any new Af-

ghanistan government, Reuters reported. According to a U.S. State Department statement released following a meeting of the U.S.-Russia Working Group on Afghanistan in Moscow, "The sides agreed that the Taliban as a movement should have no place in future bodies of state power in that country." U.S. Deputy Secretary of State Richard ARMITAGE, who headed the U.S. delegation in Moscow, briefed Russian officials on the progress of the military campaign in Afghanistan dubbed "Operation Enduring Freedom." The delegations also discussed international moves toward the establishment of a post-Taliban government in Afghanistan, "The U.S. and Russia agreed that overcoming instability in Afghanistan requires a comprehensive settlement of the protracted internal conflict in Afghanistan and the formation in the country of a broad-based, multi-ethnic government," the statement said. It added, "In the context of the discussion of further joint and parallel steps to assist post-conflict settlement in Afghanistan, the sides confirmed that determining the country's future is an exclusive prerogative of the Afghan people." The U.S. and Russia also called for increased international humanitarian aid for Afghanistan's civilian population and agreed to coordinate further efforts in that area. The next meeting of the U.S.-Russia Working Group on Afghanistan will take place in Washington in January.

Two Murdered In Daghestan

• Unidentified gunmen shot dead the deputy head of a local assembly Arsen KAMMAYEV and a senior banker, Abdulkhalik MUSAYEV, in

Daghestan's capital Makhachkala on Tuesday, ITAR-TASS reported. KAMMAYEV gained prominence in 1999 when he led local militia resisting an armed incursion from adjacent Chechnya. Both men were on their way home, when they came under fire from a passing car. The attackers fled. However, six suspects were arrested on Thursday. None have been charged with any crimes. KAMMAYEV had been killed at the scene, while MUSAYEV died on his way to hospital. ITAR-TASS reported that the police investigating the attack could not rule out the possibility that KAMMAYEV might have been killed by radical Muslim groups seeking revenge for his role in resisting the 1999 insurgency. The Federal Security Service (FSB) is now investigating the case. The small North Caucasus republic of Daghestan, which nestles between the Caspian Sea and war-torn Chechnya, has been the scene of periodic bombing incidents and attacks on government officials over the past few years, Reuters reported. Earlier this year, attackers threw a grenade into the house of Mukha ALIYEV, the head of the local assembly. A regional minister and the head of the republic's government have also been attacked. Chairman of Daghestan's State Council Magomedali MAGOMEDOV said that the recent killings represented, "the continuation of attempts aimed at destabilizing the situation in the republic," ITAR-TASS reported.

Economy

<p>Ruble = 29.75/\$1.00 (NY rate) Ruble = 29.75/\$1.00 (CB rate) Ruble = 26.93/1 euro (CB rate)</p>

RTS Index Rises, Dollars Post Gain In Trading

- Russian shares continued rising today. The majority of shares dropped at the opening but soon a rise resumed. The RTS index surpassed the level of 206 points by 1 p.m. and the trade volume on this exchange reached \$9 million. Traders noted that demand for shares of oil companies is still observed on the market and *LUKoil* is the leader in the trade volume. In addition, demand was observed for shares of *UES* and *Yukos*. In general, the situation on the Russian stock market remains stable as compared to dynamics of world stock indices and signs of crisis in the economies of industrialized countries, RosBusiness Consulting reported. Despite world turmoil, the RTS index was predicted

to reach 215-218 points. The dollar experienced a rapid growth at the beginning of today's trading session. As of 10:30 a.m. Moscow time, the average-weighted dollar exchange rate reached the level of 29.73 rubles per dollar. Currency deals continued growing. Experts are confident that today's dollar exchange won't exceed 29.74 rubles per dollar.

Business

India To Receive Oil From Sakhalin-1

- India will receive 2.5 million to 5.0 million tons a year (50,000 to 100,000 barrels per day) of crude oil from the Sakhalin-1 project in Russia, in which exploration firm, *ONGC Videsh*, has a 20 percent stake. *ONGC Videsh*, the foreign investment subsidiary of state-run *Oil and Natural Gas Corp* had earlier estimated it would get about 2.5 million tons of equity oil a year from the project, Reuters reported. The firm is spending \$1.75 billion in the project, the largest overseas investment by an Indian company. The Sakhalin-1 project is expected to start production in 2005. India's Petroleum Minister Ram NAIK said the crude production estimates of the project had gone up by 25 percent to 30 percent since the time the deal was negotiated. *Exxon Mobil* and Japan's *Sodeco* have a 30 percent stake in the project, while Russia's *Rosneft* and *ONGC Videsh* hold 20 percent. India, which imports more than two-thirds of its crude oil needs, has been seeking oil from abroad to make up for declining domestic production.

<h3>EUROPEAN REPUBLICS</h3>

U.S. Supports Kiev, But Questions Activities

- Ukraine's Prime Minister Anatoly KINAKH has concluded his first official visit to the U.S. He told Reuters his talks with the International Monetary Fund (IMF) and the World Bank focused on trade issues and Ukraine's market and economic reforms. A senior State Department official said Ukraine's reforms were going well and that earlier fears that crucial economic reform might be stalled by KINAKH were unfounded. KINAKH also met with U.S. Vice President Dick CHENEY, Secretary of State Colin POWELL and U.S. Trade Representative Robert ZOELLICK. KINAKH assured them that economic progress would continue. KINAKH was the first

top Ukrainian official to visit the U.S. since the controversial murder of internet journalist Georgy GONGADZE, which sparked protests and calls for President Leonid KUCHMA to resign. In the past five years, 11 journalists have been killed in Ukraine. Political and crime reporters particularly are often subject to beatings and other harassment. Although Washington has never implicated KUCHMA in the murder of GONGADZE, it has called for a full inquiry. A senior State Department official, who spoke on condition of anonymity, said a proper resolution to the case was central to future ties. "It's an issue with regards not only to Mr. GONGADZE. It's a question of whether Ukraine is going to be a rule-of-law society," the official said. State Department spokesman Richard BOUCHER said KINAKH's meeting with POWELL on Wednesday went well. But public remarks showed that lingering irritants had not disappeared, despite positive words on both sides about cooperation. BOUCHER said POWELL raised U.S. concerns over Ukraine's slow response in owning up to a crash of an airliner flying from Israel to Russia on October 4th, which killed 78 people.

SOUTH CAUCASUS & CENTRAL ASIA

Georgia: The Time To Unite Is Now

- Demonstrations in Tbilisi following the raid on Rustavia-2 television station and the sacking of the Georgian government have dwindled to about 1,000 protestors, mostly students. However, calls for Georgian President Eduard SHEVARDNADZE to resign continue. The Associated Press quoted one Georgian law student saying, "It's time for the old man to resign. If he doesn't step down of his own free will, a referendum must be held to force him out." SHEVARDNADZE, who admitted he was practically the only leader of executive power in Georgia, said he will remain as President for the good of the nation. The importance of SHEVARDNADZE remaining in position and dramatically using the present opportunity to begin a fresh by cleaning out corrupt officials of his government was discussed in a telephone conversation between U.S. President George BUSH and SHEVARDNADZE today, according to **Intercon** sources.

According to U.S. State Department Spokesman Richard BOUCHER, the U.S. "is confident that the political leadership in Tbilisi will successfully over-

come the current situation." At a press conference today, U.S. Acting Ambassador to Georgia Phillip REMLER said the U.S. expressed its support for SHEVARDNADZE. REMLER stressed that people of Georgia must have a right to express their opinions freely. He noted that the trust between the people and the government has been broken, thus the President has to make very difficult decisions to restore the relations with people based on mutual trust. According to REMLER, the U.S. is confident that Georgia will not divert from the road of democracy and independence and the U.S. is ready to provide any help needed. He stated that Georgian President will have to solve the problem of restructuring government and combating corruption. REMLER stressed that the U.S. considers SHEVARDNADZE the guarantor of Georgia's independence and democracy.

However, in Russia another view was being put forward. A front-page article, in Boris BER-EZOVSKY's Kommersant publication, focused on SHEVARDNADZE's political isolation. It reported, "Not a single Western leader has come out to help him with traditional statements of support." Other statements abounded concerning the precarious position of SHEVARDNADZE and his any future government he may form. Some Georgian politicians even blamed Russia for the most recent political troubles. **Intercon** sources have learned that President SHEVARDNADZE plans to travel to Adjara on Saturday to meet with Chairman Aslan ABASHIDZE. **Intercon's** European sources reported that ABASHIDZE has recently returned to Georgia after spending 10 days in Moscow, during which he held numerous meetings with the Russian Special Services. SHEVARDNADZE no doubt will factor this into his discussion points, which most likely will cover the future of the cabinet of ministers' position. It would not be surprising for SHEVARDNADZE to offer ABASHIDZE's party Revival a position in the future government.

The next major political move will occur in the Georgian parliament on Tuesday. The Georgian parliament will hold elections for a new speaker to replace Zurab ZHVANIA who resigned on Thursday. The parliament will also debate legislation to amend the Constitution and create a cabinet of ministers and prime minister position. The legislation would require a two-thirds majority to pass. Tuesday's

vote will help determine what political forces in Georgia are interested in a quick resolution and the return of political stability. If the legislation passes it will provide an opening for SHEVARDNADZE to bring in reformers to help run the government apparatus and allow him the ability to focus on bigger issues, such as pipelines, peace in Abkhazia, and NATO membership. The failure of the current government has been its inability to create an effective government administration to coordinate ministers into a united government, pursuing one single policy. Up until now, many ministers in the government have been pursuing policies which benefit themselves and their clans, rather than Georgia as a whole. This is partly encouraged by a small and diminishing economy. Prime importance must be paid to the selection of a prime minister. The President has three types of candidates to choose from. The first is a reformer from outside the current administration. This could cause great turmoil and meet resistance by those inside the government structures. The second option is a candidate within the current administration who seeks to form a government based on his experience and standing within the government to promote stability. This candidate would most likely be chosen for his managerial abilities. The third option is to select a tough manager who is capable of organizing and keeping order as well as presenting to the President difficult issues and solutions in an unvarnished fashion. Under the circumstances of the overheated atmosphere of society, it is likely that SHEVARDNADZE will select a combination of the second and third option. He must find a candidate who can both calm the atmosphere and mend the fences as well as serve as a strong adviser. Likely candidates for the prime minister from within the current political scene include former Foreign Minister Irakli MENAGARISHVILI, Chairman of the Supreme Court Lado CHANTURIA, and former chairman of the parliament Zurab ZHVANIA.

But the key selections governing the success of any future government will be the appointment of the power ministers: Interior and Security. In selecting these candidates, SHEVARDNADZE faces the difficult position of finding leaders who are both free of corruption and have the personal standing to reform and reorganize ministries that traditionally have resisted change at all costs.

In fact, these ministries have largely continued outside the scope of government oversight and control since the collapse of the Soviet Union. Paul GOBLE, publisher of RFE\RL Newsline, noted that SHEVARDNADZE will face the "impossible task" of finding candidates to accept appointments. He believes that, "SHEVARDNADZE may fall into the trap of turning to those he has known longest, but who in many cases have betrayed his confidence in them."

SHEVARDNADZE faces probably the greatest political challenge of his career. In order to form a constructive governmental administration, he confronts the daunting task of forging a nation state out of a traditional consensual society that suffers from clannish relationships that have heretofore crippled the development of a modern state. Georgia must choose to either build a nation state or fall into the chaos of economic and political failure. Corruption is the principle methodology which keeps individuals strong and the government weak. It is also the approach that has been used by outside powerful states seeking to subvert weaker neighbors. If Georgia is to extricate itself from the spider's web of corrupt practices that is destroying a shared political vision, then the new government must be formed of new uncorrupted leaders free of entanglements. These entanglements have prevented the one from being created out of the many in Georgian society. GOBLE noted that, "what comes next in Georgia is certain to affect not only that international effort [against terrorism], but also the balance of economic and political power in the Caucasus and in other parts of the world as well." Clearly the future is in the balance for the entire Caucasus and Central Asia, but also Turkey and beyond.

President Creates Student's Advisory Body

- A permanent advisory student's council will be established within the office of the Georgian President, Prime News Agency reported. According to the presidential press secretary Kakha IMNADZE, President Eduard SHEVARDNADZE made this decision after a meeting on Thursday night with the representatives of students' groups participating in the mass protests in Tbilisi. Within a few days, SHEVARDNADZE will have a meeting with a bigger group of students to discuss the current situation in the country. The newly established

advisory council will organize the meeting.

Rus-Georgia To Hold November Treaty Talks

- The Russian and Georgian commissions on drafting a major treaty will gather for the first meeting in Tbilisi late November, the Russian Foreign Ministry told ITAR-TASS. The Georgian Foreign Ministry's special envoy, Mikhail UKLEBA, handed over Georgia's draft of a future Russian-Georgian treaty of friendship, good-neighborliness, cooperation, and mutual security to chairman of the Russian commission Boris PASTUKHOV. The idea of concluding a new "major" treaty was put forth by Georgia.

Kazakhstan Uncovers Gov't Siphoning Scheme

- The tax police in Kazakhstan have uncovered a large fraudulent operation siphoning government funds involving the former deputy chairman of the national agency for sports and tourism, Marat MOLDAKHMETOV. In 1998, MOLDAKHMETOV, his brother, and two friends founded a shareholding company *AMT*. They used their ramified personal connections and power to include the *AMT*, a private commercial company, in the Agriculture Ministry's state program of grain procurement. The ministry allocated \$4 million to the *AMT*, but the money never reached the farming sector. MOLDAKHMETOV turned a half of the disbursement into cash and used the other half as a collateral for a bank loan. He and his accomplices bought a plush *Mercedes* car and invested in the statutory capital of the commercial bank *Al Raun*, owned by MOLDAKHMETOV's brother. MOLDAKHMETOV and one of his accomplices then fled from Kazakhstan. An international search has been launched. Two other criminals are now facing charges under five articles of Kazakhstan's Criminal Code.

U.S. Helps Dismantle Kazakh Anthrax Plant

- Under the U.S. Cooperative Threat Reduction Program, the germ warfare plant at the Stepnogorsk Scientific Experimental and Production Base is

being dismantled by the engineers who worked to build it. They are concerned over reports that the U.S.-funded program to convert the plant to civilian use seems to be shelved. Yuri RUFOV, director of *Biomedpreparat*, the main successor said, "There have been no investments, no arrangements for long-term civilian production. We are fulfilling our obligations in liquidating all the equipment that could be used for germ weapons production. Now it is time for the United States to give us real support in developing a peaceful biotechnology industry here." A former director of the Stepnogorsk plant, Vladimir BUGREYEV, said most of the scientists left for Russia in 1992-93. As far as he knows, none have gone elsewhere. Western officials have long expressed concern that Iran, Iraq, Syria and Libya, which are all believed to have germ warfare programs, might try to hire some of the scientists, the Associated Press reported.

The Kazakh plant at one time had the capacity to produce 330 tons of weapons-grade anthrax over a 10-month period, enough to decimate the population of the U.S. The facility's underground bunkers could hold up to 550 tons of anthrax powder, as well as equipment for loading the germs into bombs and missile warheads. Russia cut off funding for biological weapons in 1991-92. A year later, the Stepnogorsk plant was reorganized for civilian use and renamed *Biomedpreparat*. About 500 bio-weapons engineers worked here in 1990; today, just 152 employees work in two civilian laboratories spun out of the Stepnogorsk weapons plant. A U.S.-funded, \$5.8 million joint venture to manufacture vitamins, antibiotics and other pharmaceutical projects never got off the ground, and equipment sent to Stepnogorsk has been mothballed. "The equipment is worn out and outdated and didn't come with any supporting technical maintenance documentation," RUFOV said bitterly. U.S. officials say they are committed to developing the commercial potential at Stepnogorsk, but point to barriers to foreign investment.

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