

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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RUSSIAN FEDERATION

Politics

Defense Denies Sending Paratroopers

• The Russian Defense Ministry strongly denied media reports alleging that about 20 Russian military transport planes with two paratrooper regiments aboard headed for Afghanistan on Wednesday. Some media asserted that the planes belonging to the Russian Emergencies Ministry landed for refueling at Uzbekistan's airfield Tuzel. Defense Minister Sergei IVANOV said, "This is just sheer nonsense and nothing else." His spokesman added, "This information absolutely does not correspond to reality and is not anything other than an invention." The Russian Emergency Situations Ministry dismissed the reports as untrue to fact. It noted that today three Il-76 planes delivered 38 tons of food, mainly flour, and about 300 kilograms of medicines to Afghanistan, as well as brought two *Kamaz* trucks and two *UAZ* cross-country vehicles for a Russian humanitarian center which is being set up in Kabul. An ITAR-TASS correspondent said from Tashkent that official agencies of Uzbekistan bluntly refused to make any comments.

Crackdown Campaign Conducted In Chechnya

• Russian troops for the second week are conducting large-scale operations to wipe out small groups of gunmen in southeastern Chechnya. ITAR-TASS learned that the operations involve army units, interior troops and local police. Commandos of the Interior Ministry and the Russian Federal Security Service (FSB) as well as army reconnaissance groups also join the operation. Movements of civilians and motor vehicles in areas where operations are underway, are restricted. Only military motor vehicles may pass checkpoints. ID cards are checked in individual towns and villages of the

Vedeno, Nozhai-Yurt, Kurchaloi and Shali districts. The villages of Guni, Morzoi-Mohk and Khattuni have been blockaded for the fourth day. Troops are conducting household searches in Bachi-Yurt, after receiving reports that Arab warlord Khattab had been seen there on Wednesday. According to the commandant's office, search operations are also conducted in the Shatoi and Itum-Kale districts, bordering Georgia. Additional army checkpoints were put up on the highway, leading to the Argun gorge, starting from the village of Chishki.

Meanwhile, a remote-controlled landmine killed four Russian policemen in Gudermes today. Interfax news agency reported the mine went off when the four special police officers were making a regular search for explosives near a public telephone office on the downtown Tereshkova Street.

Putin Meets With Tajik President

• Russian President Vladimir PUTIN met with Tajik President Emomali RAKHMONOV today ahead of the Commonwealth of Independent States (CIS) 10th anniversary summit. The two leaders focused on the anti-terrorist operation in Afghanistan. Deputy chief of the Russian president's administration Sergei PRIKHODKO told reporters PUTIN and RAKHMONOV, "exchanged opinions on Afghan affairs in which Tajikistan's role is extremely important, and also discussed Tajikistan's and Russia's interaction in fighting terrorism." The presidents discussed bilateral commercial and economic cooperation issues,

which need to be resolved.

PUTIN also met with Ukrainian President Leonid KUCHMA and Kazakh President Nursultan NAZ-ARBAYEV separately. The officials are expected to discuss a wide variety of issues concerning bilateral collaboration in the trade, economic, military, scientific and cultural spheres. They will also touch upon joint measures aimed to reinforce regional security resist international terrorism.

Firebomb Thrown At Japan Center Building

• A firebomb was thrown Wednesday at a Japanese government-affiliated building in Nizhny Novgorod. No one was injured in the incident, according to the Japanese Embassy said. Kyodo news reported that the firebomb bounced away from the building after being thrown and did not start a fire. Embassy officials said they do not know if the incident at the Japan Center building is related to the issue of Japan's claim on Russian-held islands off Hokkaido. The Japanese government established the Japan Center to teach Russians business-management skills. The institution has several other offices in Russia.

Economy

<p>Ruble = 29.93/\$1.00 (NY rate) Ruble = 29.95/\$1.00 (CB rate) Ruble = 26.64/1 euro (CB rate)</p>
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CB On 2002 Inflation

• Russia's Central Bank expects the 2002 inflation at 12 percent to 14 percent, the Bank's First Deputy President Tatyana PARAMONOVA told the Russian State Duma's Budget Committee on November 21st. Prime-Tass quotes PARAMONOVA as saying inflation in Russia will decline gradually for several years to come. She described the current situation in Russia as rather uncertain. The Russian economy will largely depend on two factors: the prices of export items, including oil and gas, and progress in structural reforms. Inflation will continue to be influenced by the tangible gold and foreign exchange reserves, which currently stand at \$38 billion and the remaining federal budget surplus. PARAMONOVA said if oil and gas prices fall below the original expectations, domestic investments and people's incomes will have to be increased. According to estimates made by the Central Bank and some international organizations, the Russian

economy will keep growing next year. The ruble's exchange rate will most probably get firmer in real terms, while its nominal value will decline slightly.

Business

LUKoil-Belarus Discuss New Consortium

• LUKoil President Vagit ALEKPEROV and Belarus President Alexander LUKASHENKO discussed the possibility of founding a consortium of Russian oil and gas companies, based on petrochemical production facilities of Belarus, RosBusiness Consulting reported. According to LUKoil's Press Service, the parties also reviewed the prospects for cooperation between the oil company and petrochemical companies of Belarus and considered short-term plans for the further analysis of specific mutual projects. Additionally, possible participation of LUKoil in the capitals of a number of petrochemical plants in Belarus was discussed.

US Urges Russia To Support Free Media

• The U.S. urged the Russian government on Wednesday not to allow the closing of TV6, the largest television station still outside the grip of the Kremlin, Reuters reported. Spokesman for the White House National Security Council Sean MCCORMACK said, "We feel as though the political actions to close down independent media such as TV6 would be a step backward and out of keeping with a modern democratic society." He added, "President BUSH has made clear in his many discussions with [Russian] President PUTIN our support for free and independent media in Russia as essential to Russia's development of a modern democratic society." TV6 claims it is the latest target in a campaign orchestrated by PUTIN to silence alternative, independent media sources. In May, state-backed *Gazprom Media* took over independent *Media Most* network NTV. A court has issued a ruling in favor of a LUKoil pension fund to close TV6 due to inefficient management and lack of firm revenues. Russian politicians from the left and right on Tuesday defended TV6 and called for it to remain open.

EUROPEAN REPUBLICS

U.S. To Recognize Ukraine's Market Economy

• Coordinator for U.S. aid to new independent

countries William TAYLOR announced that the U.S. may recognize Ukraine as a country with a market economy by spring 2002. He announced this at a press conference in Kiev devoted to the results of the 10th meeting of the Ukrainian-U.S. committee for economic cooperation. TAYLOR did not specify concrete terms for making this decision, RosBusiness Consulting reported. He explained that this is a legal process and it requires time. In addition, the U.S. official announced that U.S. President George W. BUSH is considering the possibility of canceling some trade limitations concerning Ukraine, in particular, the Jackson-Vanik amendment.

Rus-Moldova Sign Gas Agreement

- The governments of Russia and Moldova have signed an agreement on supplies of natural gas to Moldova and its transit, Russian Prime Minister Mikhail KASYANOV reported at a meeting with journalists. He explained that the debt of Moldova to Russia (about \$800 million according to estimates of the Russian side) has been restructured for 11 years, RosBusiness Consulting.

SOUTH CAUCASUS & CENTRAL ASIA

Russia Denies Bombing Georgia

- The Georgian Foreign Ministry accused Russia of "undisguised aggression" and demanded an end to the strikes and violations of its air space, which it said continued for a second day on Wednesday. According to a Georgian State Border Guard Department press release, helicopter and fighter jets have been violating Georgia's airspace consistently. On November 24th, a Su-25 crossed the Georgian border from Russia and flew over Khusheti village. On November 27th, two unidentified jets bombed the Pankisi Valley and later four Mi-24 helicopters bombed the villages of Teraga, Omala, Upper Omala, Kue and Mirgveli in that valley. The same day three to four military helicopters bombed the area of Arkhoti village in Pankisi. On November 28th, two military helicopters bombed the villages of Omala, Upper Omala, Kue and Mirgveli for a second day. A Russian military helicopter also flew over the villages of Shatili and Terga. The Foreign Ministry stated that the attacks could have been used to prevent Georgian President Eduard SHEVARDNADZE from meeting with Russian President Vladimir PUTIN on the sidelines of the Commonwealth of Independent

States (CIS) summit and any positive outcomes of those talks. SHEVARDNADZE on Wednesday confirmed his intention to attend the summit. "The Ministry of Foreign Affairs of Georgia expresses its utmost resentment and in appealing to the Russian leadership categorically demands that the oft-recurring aggression against Georgia cease. If actions of this nature continue, Georgia reserves the right to take the appropriate steps provided by the norms of international law."

The U.S. State Department has condemned the violation of airspace and bombing of Georgia by helicopters and aircraft from Russia. State Department spokesman Richard BOUCHER said, "We have consistently supported the sovereignty and the territorial integrity of Georgia and we're deeply concerned about these intrusions which undermine stability in this region." He said U.S. officials have raised the situation at senior levels with the Russian government in the past and will do so again. This could begin when Secretary of State Colin POWELL visits Moscow on Monday. He noted there are unconfirmed reports that two people on the ground had been killed in the attacks. BOUCHER did not accuse Moscow directly of carrying out the attacks.

Russian Defense Minister Sergei IVANOV has denied allegations from Georgian officials that Russia bombed the Pankisi Valley, Prime News Agency reported referring to the Russian media. According to IVANOV, Russian military helicopters never perform flights at nighttime, especially in the mountainous areas. The minister stressed, however, that according to the verified information, "there was a huge fight between the Arab and the Chechen gunmen in the Pankisi." He noted that the fight occurred at exactly the same time when according to some reports, Russian aircrafts were allegedly bombing the valley. "The fight broke out when the gunmen could not agree on the division of profits from drug trafficking." IVANOV added that during the fight, an ammunition depot got into fire and exploded. **Intercon** reports that the operation could have been directed at destroying a drug manufacturer in Pankisi. Chechen armed groups are known to smuggle drugs from the Pankisi Valley through the Kaheti region. Russia has noted that Chechen rebels suffered "significant losses," during overnight fighting. **Interfax news agency**

reported. Georgia has repeatedly rejected offers for Russia and Georgia to hold joint actions to rid the Pankisi Valley of what Russia considers to be Chechen rebels. Moscow alleges that Georgia has been providing refuge to rebels fighting Russian troops in breakaway Chechnya.

Georgian Foreign Minister Irakli MENAGARISHVILI in Moscow today said, "I am not surprised that Russia denied this information. Russian military officials have a tradition of not admitting their mistakes from the very beginning. But this time, Georgia has evidence that its air space was violated with bombing and missile attacks," RosBusiness Consulting reported.

Russia has in the past denied striking Georgian territory, although it once acknowledged having bombed the former Soviet republic in error, after denying the incident had taken place for several days.

Georgia For Resuming Base Talks

- Georgian Deputy Defense Minister Gela BEZHUASHVILI stated it's necessary to resume Georgian-Russian negotiations on the withdrawal of Russian military bases from Batumi and Akhalkalaki, Prime News Agency reported. With the defense and foreign ministers approved by the parliament last week, he said, nothing can prevent the resumption of the base talks. Georgia insists on a three-year period to close the bases whereas Russia is requesting 14 years. BEZHUASHVILI added that the Georgian stance remains firm, but "some corrections are possible."

Commenting on the recent controversies over the closure of the Russian military base in Gudauta, BEZHUASHVILI stated that Russia's compliance with the Organization For Security and Cooperation in Europe's (OSCE) 1999 Istanbul Treaty should be settled through OSCE negotiations. Irakli MENAGARISHVILI, reappointed to the position of Foreign Minister last week, stressed that Russian state-

ments on the complete withdrawal from Gudauta are "groundless." He said that Russia, "did not fulfill a number of principal conditions," provided by the 1999 OSCE Istanbul Treaty. Namely, he said, the Georgian side remains unaware of the Russian military equipment and a number of troops removed from the base.

China-Kazakh Near Resolving Borderlines

- In an interview with ITAR-TASS, Kazakh Ambassador at large Bigaly TURARBEKOV said that work on the demarcation of the Chinese-Kazakh border is nearly complete. The tenth session of the joint bilateral commission on demarcation ended in Beijing Tuesday. Both sides continue to prepare the final document on border demarcation. The sides completed a great amount of work on comparing maps, schemes, and description of the border and location of border posts. They agreed to hold another meeting of the commission, likely in the Kazakh capital in January 2002. In 1994, Beijing and Astana signed a treaty on delimiting the state border. "Clear-cut definition of the border always helps to develop good-neighborly relations, cooperation between states and stronger human contacts," TURARBEKOV noted. Speaking of the Russian-Kazakh border, the Kazakh representative said that "the situation is normal there. We resolve all questions in a business-like and constructive spirit as well as in a civilized manner as good neighbors." "There is full understanding" between the sides. On the other hand, the question on whether delimitation will be followed by demarcation of the Russian-Kazakh border, "is still open."

Kazakh Gold, Silver Production Rises

- Kazakhstan's volume of gold and silver production went up significantly since the beginning of 2001, the State Statistics Department reported. In particular, the gold production increased 42.2 percent and the production of silver increased 3.1 percent, RosBusiness Consulting reported.

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