

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **Raduyev To Go On Trial In Daghestan**

• Infamous Chechen rebel commander Salman RADUYEV will be put on trail in Daghestan next week. Russian security forces in March 2000 captured RADUYEV. The trial, expected to last two months, will be open to the public, but testimony involving state secrets could be closed. A court spokeswoman said that hundreds of witnesses would be invited to the hearing, but she was unable to provide details on the exact charges. RADUYEV earned notoriety by leading several bloody hostage-taking raids from Chechnya. In a 1996 raid as the head of the "Lone Wolf" band, RADUYEV took more than 2,000 hostages in the Daghestan village of Kizlyar, Reuters reported. At least 43 civilians died, some when the army launched an assault to try to free the hostages. RADUYEV, a son-in-law of late separatist leader Dzhokar DUDAYEV, is controversial even inside Chechnya, where before the latest war broke out two years ago he constantly defied the region's President Aslan MASKHADOV and demanded he quit office. RADUYEV is the first key Chechen rebel commander to fall into Moscow's hands. Several others remain at large despite a massive Russian military presence in the small rugged region. Immediately after his arrest, Russian President Vladimir PUTIN said RADUYEV would be investigated for his self-advertised role in bomb explosions in two southern Russian railway stations and in an attempt to assassinate Georgian President Eduard SHEVARDNADZE, as well as the 1996 hostage takings. RADUYEV's trial is a major achievement for Moscow, which wants to link Chechen rebels to militant terrorist activities. PUTIN has repeatedly said the Chechen guerrilla war is linked to "international terrorism."

### Economy

#### **Russia Makes IMF Payments**

• Russia's Central Bank paid \$702 million to the International Monetary Fund (IMF) at the end of October as part of an early repayment of a \$2.7 billion debt, Interfax news agency quoted a government source as saying on Thursday. "A slight fall in the central bank's gold and hard currency reserves at the start of November is due to IMF debt repayments, not by foreign economic trends connected to a relative fall in prices for Russian oil," the source said. The Central Bank said earlier that its reserves, which had been steadily rising since the start of the year, slipped to \$38.5 billion as of November 2<sup>nd</sup> from \$38.8 billion on October 26<sup>th</sup>. Russia has promised to repay the \$2.7 billion Central Bank debt to the IMF ahead of schedule, Reuters reported. The Bank paid \$1 billion in mid-October. The source said the Central Bank would pay another \$700 million by the end of the year. "[After the payment] we shall leave the system of post-program monitoring, which IMF experts carry out with states which do not have an active program with the IMF. IMF experts will only do the research of Russia's current economic situation in accordance with the Fund's charter fourth article." Russia does not have an active program with the Fund since the IMF stopped financing in early 1999. However, the Fund has promised help if prices for oil, Russia's main exports, fell sharply.

#### **Russian Gov't Plans To Stabilize Oil Prices**

• Russian En-

ergy Minister Igor YUSUFOV today said the government is drawing up a set of measures to stabilize oil prices and will announce its decision on the matter next week, ITAR-TASS reported. The minister said the Organization of Petroleum Exporting Countries (OPEC) is ready to adopt a decision on lowering the quotas for oil extraction to maintain the prices of oil in the world markets. YUSUFOV said Russia will not attend the next OPEC session, scheduled for November 14<sup>th</sup>, as only OPEC members participate in its extraordinary sessions.

**Ruble = 29.75/\$1.00 (NY rate)**  
**Ruble = 29.75/\$1.00 (CB rate)**  
**Ruble = 26.54/1 euro (CB rate)**

## Business

### **TNK To Receive \$250M Credit**

- The *Tyumen oil company (TNK)* is planning to receive a \$250 million syndicated credit from *Deutsche Bank* no earlier than in the third quarter of 2002, President of the company Semyon KUKES reported in an interview with RosBusiness Consulting. According to him, *TNK* signed a mandate agreement with the bank. The money will be spent on ecological rehabilitation of the Samotlorsky oil field. KUKES said the terms of the credit agreement are being agreed upon now. The credit is likely to be given to the company for four years.

### **Golden To Buy All of Sovintel**

- Russian telecoms operator *Golden Telecom* on Tuesday announced it has signed a memorandum of understanding to buy out *Rostelekom's* half of Moscow telecoms operator *Sovintel*. *Golden Telecom* spokesman John ROSE told Reuters that under the planned deal, *Golden* would pay \$52 million in cash and 3,943,977 million shares, or 15 percent of its own stock for the stake. *Rostelekom*, Russia's national long distance carrier, will also get a seat on *Golden Telecom's* board. *Sovintel* General Director Alexander VINOGRADOV is also to replace *Golden Telecom* CEO Stewart REICH. Chief operating officer Stan ABELOOS said that *Golden* would need to issue shares to facilitate the deal. *Golden* already owns 50 percent of *Sovintel* and can now consolidate the stakes, which would help *Golden* toward profit. The company did not give a price for the 15 percent stake, but the Nasdaq-listed share closed up nearly 14 percent on Monday at \$13.6019, giving

it a market value of \$53.64 million. "The valuation is fair but the at the high end of expectations, which is actually good for *Rostelekom*," said *Alfa-Bank* analyst Andrei BOGDANOV. *Golden*, which is Russia's largest Internet provider and an alternative fixed line carrier, has posted narrow losses in recent quarters mostly due to heavy amortization charges. It posted a net loss of \$7.4 million in the first half of this year, while *Sovintel* posted a net profit of \$8.4 million in the first half. ABELOOS said the company would issue its third quarter earnings release on Thursday. Renaissance Capital analyst Andrei BRAGINSKY said, "I think it's a good deal for both *Rostel* and *Golden*. *Sovintel* is the most important asset of *Golden Telecom*. *Golden* is finally able to control this asset, which is very important for *Golden Telecom's* market position, growth prospects, financials, appeals to investors and valuations." He added the deal helped crystallize the increasingly competitive picture on the Moscow fixed-line market, leaving two big players, *Golden* and the *Sistema* holding, which is in the process of consolidating its businesses.

## **EUROPEAN REPUBLICS**

### **U.S. House Supports NATO Expansion**

- The U.S. House of Representatives on Wednesday, in a vote of 372 to 46, backed a new round of expansion for the North Atlantic Treaty Organization (NATO). The Congress did not specify favorite among the contenders, which include Latvia, Lithuania, Estonia, Romania, Bulgaria, Slovakia and Slovenia. NATO, which invited Poland, Hungary and the Czech Republic to join in 1997, will decide its next round of expansion at a summit in late 2002. Lawmakers said NATO still served a vital purpose in European defense and diplomacy, despite the end of the Cold War and breakup of the Soviet Union. They also praised Russia's recent signals that it would tone down its opposition to further NATO expansion, Reuters reported. The measure also authorizes military financing for several eastern European nations. A similar measure is awaiting action in the Senate. Deputy Chairman of the Ukrainian parliament Stepan GAVRISH said that the nation had declared special support for NATO's eastward expansion. According to GAVRISH, NATO is gaining more weight in the system of the Euroatlantic security, and Ukraine's special partnership with NATO has a strategic character.

### Ukraine-China Joint Aerospace Contracts

• A delegation of the Chinese aerospace industry will visit Ukraine this month to sign seven contracts, Deputy General Director of the Ukrainian National Aerospace Agency Eduard KUZNETSOV told ITAR-TASS on Tuesday. He said that companies of Ukraine and China had signed seven contracts to the total cost of \$4 million to \$5 million and had started working on six documents more in 2001. The cooperation plan for 2001 stipulates the signing of 25 deals, but technical problems have hampered the cooperation. The sides agreed to step up joint research in the space exploration and the development of satellites at a meeting in China in early November. Representatives of the two aerospace agencies will meet again in Kiev in December 2001.

### Bush Addresses Eastern European Summit

• Via satellite, U.S. President George W. BUSH told officials from about 20 Eastern European nations, "For more than 50 years the people of your region suffered under repressive ideologies that tried to trample human dignity. Today, our freedom is threatened once again. Like the Fascist totalitarians before them, these terrorists - al-Qaeda, the Taliban regime that supports them and other terror groups across the world - try to impose their radical views through threats and violence." The leaders gathered at the invitation of Polish President Aleksander KWASNIEWSKI to discuss ways they can cooperate in fighting terrorism. Europeans are keen to appear loyal allies of Washington who play by Western rules. They are hopeful their resolution will win support for further NATO expansion in the region and backing for their European Union membership drive.

## SOUTH CAUCASUS & CENTRAL ASIA

### Speaker Election Postponed Again

• In a televised interview with Rustavi-2 on Wednesday night, Georgian President Eduard SHEVARDNADZE stated that he will support any of the currently introduced candidates for the parliamentary speaker position, Prime News Agency reported. According to SHEVARDNADZE, these candidates are Nino BURDZHANADZE, head of the parliamentary international relations committee, Vazha LORDKIPANIDZE, former ambassador

to Russia and former state minister, and Jemal GOGITIDZE, a leader of Revival parliamentary faction. SHEVARDNADZE called on the parliamentary deputies to make their decisions and hold the vote today. SHEVARDNADZE reiterated that some of the ministers dismissed last week might keep their posts. Specifically, the President mentioned the former tax revenue minister Levan DZNELADZE.

This morning, the Georgian parliament failed to achieve quorum to elect a parliamentary speaker, Prime News Agency reported. Instead of the needed 118 deputies, only 69 members of the parliament convened for the decisive session. Sandro BR-EGADZE, a representative from Revival faction, suggested to conduct more consultations among the factions on the speaker's position and to reconvene on Friday. The deputies accepted this proposal. Meanwhile, another Revival representative, Valery GELBAKHIANI, announced two more candidates for the speaker's position - David SALARIDZE, a deputy from the Industrialist faction, and Gigi TSERETELI, vice-speaker of the parliament.

### Georgia's Debts and Credits

• The state debt of Georgia reached about \$1.569 billion as of October 1<sup>st</sup>, the Georgian Central Bank reported. This sum includes debts to Commonwealth of Independent States (CIS), which includes Azerbaijan, Armenia, Russia, Uzbekistan, Ukraine, Turkmenistan and Kazakhstan, foreign debts to China, Turkey, Austria, Germany, the U.S., Japan, and Iran, and debts to international organizations, RosBusiness Consulting reported. Georgia's debts reached its maximum at 73.29 percent of the gross domestic product (GDP) in March 1999 and it was 49 percent of the GDP at the end of 2000.

Gia ISAKADZE, a budgetary and fiscal advisor to SHEVARDNADZE, said that by year's end Georgia will receive 30 million lari in grants. Georgia received an International Monetary Fund (IMF) installment on November 5<sup>th</sup> totaling \$11.5 million. The installment was made even though Tbilisi did not fully comply with IMF and World Bank (WB) requirements. ISAKADZE suggested that by the end of the year Georgia will try to comply with all of the IMF and WB requirements. In October, the Georgian budget received 5.7 million lari from the European Commission.

### Gelaev And His Troops Back In Pankisi

• In an interview with the Rustavi-2 television on Wednesday, Georgian President Eduard SHEVARDNADZE stated that the armed group of Chechens headed by commander Ruslan GELAEV failed to cross the Russian border and returned to the Pankisi Valley, Prime News Agency reported. An **Intercon** source reported that former Georgian interior minister Kakha TARGAMADZE and former Russian interior minister Vladimir RUSHAILO had reached an agreement earlier in Moscow according to which the GELAEV's troops would be allowed to cross the Russian border. Apparently, the agreement was never fulfilled because as the Chechen troops approached the Russian border they were attacked by Russian troops'. Betrayed, the Chechens retreated into the Abkhazia and were engaged by Abkhaz troops supported by the Russian military. Eventually the Chechen fighters made their way back to Pankisi Valley avoiding the Abkhaz-Russia trap. According to the source, this was a part of a Russian provocation aimed at reactivating the Georgian-Abkhaz conflict.

SHEVARDNADZE stated the Russian officials accused Georgia of not combating terrorism. However, "we do not have facts proving that some of these people are terrorists," he said. He added he knows nothing about GELAEV because they never had any personal contacts. At the same time, the President pointed out, "Some local people in the Kakheti villages affirm that GELAEV is a reasonable man with a university degree, [and he] favors Georgia." SHEVARDNADZE stated that GELAEV's people did not commit any crimes in the Pankisi Valley. Crimes are often committed by the local Kists and Georgia's law enforcement agencies are working to combat these crimes. Commenting on SHEVARDNADZE's statement, Russian Federation Council representative Mikhail MARGELOV stated that it is an "unlimited cynicism" to assert that GELAEV "is not a bandit." He added that the Russian Prosecutor General's Office can prove he is wanted for various crimes.

#### **Kazakhstan Offers Airspace And Bases**

• Kazakhstan and the U.S. are holding talks on the Central Asian nation's participation in possible military and technical cooperation in the campaign against terrorism. Kazakh Presidential national security advisor Altynbek SARSEN BAYEV said a group of U.S. military experts was visiting Kazakhstan, but he declined to disclose their program or say what military facilities they planned to visit, Reuters reported. He noted that only jointly can the world destroy its common enemy—international terrorism. Kazakh President Nursultan NAZARBAYEV has pledged to assist U.S. strikes on Afghanistan "with all available means," but said this would not include the dispatch of Kazakh troops. NAZARBAYEV has said U.S. warplanes would be welcome to use his country's airspace and bases, but there has been no official request from Washington. Kazakhstan has become increasingly concerned about the effects of Taliban-style Islam on its economic boom. The U.N. should help Afghanistan establish a transitional government so as to carry on lawful elections in the country for national leaders, NAZARBAYEV said.

#### **Tajikistan Offers Two Bases To U.S.**

• Following U.S. Secretary of Defense Donald RUMSFELD's visit to Tajikistan on Saturday, Tajik President Emomali RAKHMONOV said U.S. forces were welcome to use three Soviet-era airbases for raids on Afghanistan. U.S. experts have been assessing the airstrips to make sure they were equipped for immediate operational use. The bases are located in Kulyab, Kurgan-Tyube, and Khujand. U.S. forces are likely to use the Kulyab base to deliver military supplies to the Northern Alliance. According to Interfax, RAKHMONOV also said Tajikistan is willing to make Tajik hospitals available for the treatment of wounded U.S. soldiers and rebel troops from Afghanistan's Northern Alliance. Uzbekistan has agreed to allow Washington use of its airspace and bases for humanitarian and rescue operations. At least 1,000 U.S. paratroopers are deployed at Uzbekistan's Khanabad air base.

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