

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

INTERCON INTERNATIONAL USA, INC., 725 15th STREET, N.W., SUITE 903,  
WASHINGTON, D.C. 20005 -- 202-347-2624 -- FAX 202-347-4631

Daily intelligence briefing on the  
former Soviet Union

Published every business day  
since 1993

Monday, December 10, 2001

## RUSSIAN FEDERATION

### Politics

#### **Russia To Extend Presidential Terms?**

• The Federation Council is debating whether or not to amend the Constitution to extend the Russian presidential term from four years to seven years. The Federation Council's new speaker Sergei MIRONOV said Friday, "I assume that for Russia a four-year presidential term is insufficient." Currently, Russian President Vladimir PUTIN's term will end in 2004. MIRONOV stirred much reaction as Russian media and leading political figures argued how the potential extension of the presidential term might affect Russia, United Press International reported. Moscow's influential Kommersant quoted Saturday an unnamed Kremlin official as saying that "the president's position has remained unchanged—the Constitution should be treated very carefully." Novye Izvestia speculated that PUTIN—if an appropriate constitutional amendment is passed—could theoretically hold on to power for 17 years. According to the paper, the amendments would allow for two seven-year successive presidential terms and PUTIN's first three years of tenure as president wouldn't count as they occurred before the constitutional changes. Renowned political analyst Sergei MARKOV maintains that PUTIN's potential long rule would bring only more benefits to Russia. MARKOV said that a longer term would help preserve Russia's stability and ensure continuation of a broad range of reforms that Putin has undertaken to bring about. Vladimir RIZHKOV, a Duma deputy, opposed MARKOV's statement by saying that extending the presidential tenure could have only negative consequences for Russia which would be plunged into stagnation, similar to that during the 18-year rule of Leonid BREZHNEV. Russia's right-wing liberals, Boris NEMTSOV opposes the term extension. He said eight years of PUTIN

is long enough, adding that "any changes of the Constitution could bring instability and pose a big danger for Russia." NEMTSOV is considered by some to be a likely contender against PUTIN in the next election. On Friday, NEMTSOV warned that PUTIN was making many appointments, "on the principle of loyalty, creating a certain clanship."

#### **Zhirinovsky Turns A New Leaf**

• Leader of the Liberal Democratic Party of Russia (LDPR) Vladimir ZHIRINOVSKY has said his party intends to adjust its foreign politics. "We are abandoning the anti-American and anti-Western sentiments in our foreign ideology," ZHIRINOVSKY told Interfax Saturday. The LDPR will change their emphasis, at an extraordinary meeting on December 13<sup>th</sup>, due to the new alliance to fight terrorism and the warming of Russia's relations with the U.S. and NATO. The LDPR will also be turned into a national political party in compliance with the new Russian law On Political Parties, adopt a new program and charter, and elect governing bodies, he said. Elaborating on Russia's relations with the West, ZHIRINOVSKY noted that Russia and the U.S. should interact "to provide security in the world," citing Russian and U.S. involvement in the antiterrorist operation in Afghanistan as "a brilliant example" of efficient joint efforts in this area. He also compared the capture of Kabul to the seizure of Berlin in May 1945. He stressed, "However, these changes must not negatively affect Russia's southern and eastern ties - those with China,

India, Iraq, Iran, Syria, Egypt and other countries." In addition, Russia should seek to become, "the third political center in the world" in a structure comprising the U.S., a unified Europe and Russia, he said. The LDPR leader also said his party will offer a definition of, "fanatics and extremists who take up arms to oppose both their governments and other countries." He urged that if an international peacekeeping contingent is deployed in Afghanistan, it should be made up servicemen from the U.S., NATO countries, and Russia equally. "Russia and America can and must cooperate today," [but don't touch Iraq].

### Nostalgia For The USSR Fading

- Russia, Ukraine, and Belarus on Saturday marked the 10<sup>th</sup> anniversary of the secret meeting which sealed the collapse of the Soviet Union. From a hunting lodge in a Belarus forest, former presidents Boris YELTSIN of Russia, Leonid KRAVCHUK of Ukraine and Stanislav SHUSHKEVICH of Belarus announced to the world on Dec. 8, 1991 that the U.S.S.R. "as a subject of international and geopolitical reality no longer exists." Soviet President Mikhail GORBACHEV resigned on December 25, 1991. According to a ROMIR poll of 2,000 people across Russia, 72 percent of citizens deplore the breakup of the Soviet Union. The poll shows that elderly people who consider the Soviet Union an integral part of their lives are noticeably more critical of the Belovezhskaya Puscha accords. Young people are more indifferent toward the disintegration of the Soviet state. They attribute it to the general collapse of the communist ideology, rather than the ambitions of GORBACHEV or YELTSIN and view the Soviet Union as part of history. Only 55 percent of respondents say they would prefer life before the reforms, down from 64 percent two years ago. Pollsters believe nostalgia for the Soviet Union is fading. While they more or less approve the idea of a union, Russian citizens do not want money wasted on it. According to the Public Opinion Foundation, only 22 percent of respondents believe that restoration of the Soviet Union is possible, Vremya Novostei reported.

### Economy

#### CB Set Ruble Exchange Rate At 30

- The Russian Central Bank set its official rate for rubles at 30.06 to the dollar for the first time

today as the currency suffered from falling prices for oil and an excess of spare cash at banks. The Central Bank set its official next-day ruble rate at 30.09 to the dollar (FXSU), after a previous rate of 29.95. Dealers said the currency fell below the key 30 level after the Central Bank halted interventions, Reuters reported. The Bank had been intervening heavily to support the ruble, but it first slipped below 30 on the interbank market last week. The weighted average of the ruble in the morning session fell to 30.0859 per dollar from a previous 29.9527 on volume of \$82.98 million. Dealers said the Central Bank had intervened to support the ruble on the interbank market by selling dollars at 30.10. Alexander KORCHAGIN, head of research at the *Prospect* investment company, said, "There is every reason to believe that the trend will continue until the end of the year." He forecasted the ruble would fall to 30.30-30.50 a dollar by mid-January. "The market is unstable because participants are failing to get a clear signal on where oil prices will go." "Oil prices are critical for our economy and will stay like this for many, many years," KORCHAGIN said.

**Ruble = 30.06/\$1.00 (NY rate)**

**Ruble = 30.06/\$1.00 (CB rate)**

**Ruble = 26.67/1 euro (CB rate)**

#### Gov't-Oil Cos. Discuss Cuts, Quotas, Tariffs

- Russian Deputy Prime Minister Viktor KHRISTENKO's commission on oil exports is meeting today with oil companies to decide on how to carry out five percent oil export cuts. A government commission is to work out how to cut 150,000 barrels per day from daily exports of around three million barrels from January 1<sup>st</sup> to help the Organization for Petroleum Exporting Countries (OPEC) support world prices. Analysts say the cut roughly equals the reduction of exports which anyway takes place during the winter months. The head of OPEC's research department, Adnan SHIHAB-ELDIN, said he would have talks with Russian officials. "The (OPEC) secretary-general has asked for clarification on the exact details of the cut and we are hoping to receive the information very shortly," he said at an industry conference. "I am here and I hope that I will tomorrow have an opportunity to meet some government officials and I will probably get additional clarification tomorrow," he said. Russian oil firms have asked for lower exports of crude to

be balanced by being able to ship more refined oil products. An Energy Ministry official said the question of lowering oil product export tariffs and quotas were on the list of issues to be discussed by the commission. Russia sets quotas restricting the export of oil products, including heating fuel, to make sure that low-priced domestic markets are covered during the long hard winter. Deputy Energy Minister Ivan MATLASHOV said last week that Russia might increase fuel oil export quotas to 50 percent to 60 percent of total production, from the current 25 percent, Reuters reported.

### **Business**

#### **Private Cos. To Require Lie Detector Tests?**

- Izvestiya reported that private companies in Russia are beginning to adopt lie detectors as a management tool in recruitment. Since the beginning of this year, some 18,000 current or future employees of private companies have been subjected to lie detector tests in Russia. The most frequently asked questions are whether those tested are concerned about the consumption of alcoholic drinks and narcotics, chronic diseases, their marital lives, and whether they used to steal or sell information from the companies where they previously worked. The use of lie detectors by private companies is not regulated by law, and they are sold freely in Russia, lawyer Ilya GELFAND explained to the newspaper. She said, "Although results of lie detector tests cannot be used as a pretext to dismiss an employee or not to recruit a job applicant, it is clear enough that managers will always find other reasons to justify their decision." It should be noted that the Russian State Duma is debating the mandatory clearance of all state employees who have access to state secrets, RFE\RL Newsline reported.

### **EUROPEAN REPUBLICS**

#### **Dniester Region Re-elects Smirnov**

- The breakaway region of Dniester in Moldova held elections for president on Sunday. Igor SMIRNOV was overwhelmingly re-elected for a third term. Electoral commission official Pyotr DENISENKO said initial results showed SMIRNOV had won more than 80 percent of the votes cast. The electoral commission said the two other presidential candidates, Tom ZENOVICH, former mayor of Bendery, and member of parliament Alexander RADCHENKO

polled seven and four percent of the vote respectively. Dniester, unrecognized internationally, broke away from Moldova in 1990. Officials in Moldova are fighting to retain the region which includes a key power plant and valuable heavy industry, Reuters reported. They have offered Dniester autonomy, but SMIRNOV wants full independence and has set the region up with the full trappings of statehood, including its own currency, parliament, and constitution. SMIRNOV is ready to talk to any Moldovan leader but President Vladimir VORONIN says he will only negotiate through mediators. The conflict escalated into an inconclusive war in 1992. The dispute remains unresolved. VORONIN has made settling the issue a top priority. Russia, Ukraine, and the OSCE are trying to break the deadlock.

### **SOUTH CAUCASUS & CENTRAL ASIA**

#### **German Diplomat Murdered In Tbilisi**

- The body of Gunter BEUCHEL, a Germany employee of the European Commission, was found late Sunday in his apartment in Tbilisi. The district prosecutor, Gigla AGULASHVILI, said BEUCHEL had been murdered. "During an examination of the body we found that he was hit on the head with a heavy object. He was murdered," AGULASHVILI told Reuters. He said BEUCHEL's jacket and wallet were missing and the motive for the murder was probably robbery. The head of the European Commission's delegation in Georgia, Torben HOLTZE, said BEUCHEL had worked as a project manager in Tbilisi for around 18 months. Georgian Foreign Ministry has expressed its condolences to BEUCHEL's family members and relatives for this "horrendous murder." Foreigners in Georgia are often targets of muggings, beatings and kidnappings.

#### **Spanish Businessmen Released**

- Two Spanish businessmen, Francisco RODRIGUEZ and Antonio Luis TREMINO, kidnapped over a year ago, were released on Saturday due to a joint operation conducted in the Pankisi Valley by the Interior and State Security Ministries' forces, Prime News Agency reported. State Security Minister Valeri KHABURDZANIA did not provide any details of the operation. Both businessmen expressed gratitude to the law enforcement agencies for their rescue. The two, employees of a Georgian-Spanish joint venture, were kidnapped by four armed men on November 30, 2000, while on their way to the



airport. According to RODRIGUEZ and TREMINO, they were treated "worse than the animals," by their masked kidnapers and tied together by the neck. They said the kidnapers "bit them, gave them food and drinks of poor quality, and kept them in dirty basements." TREMINO said, "We were moved to different places 16 times. Each time we were moved we were afraid we would be killed. We didn't know what they were going to do next." They believed Muslims kidnaped them, but could not identify their nationality. One of the businessmen speaks Russian and used it to communicate with the kidnapers. A ransom was a condition for release, but RODRIGUEZ and TREMINO do not know if the ransom was ever paid. They stated they wish to leave Georgia as soon as possible and added they will never be back. The Spanish government has sent an aircraft that will bring RODRIGUEZ and TREMINO back home this afternoon. According to chief of Kakheti regional police Zurab TUSHURI there are two more known people still being held hostage in the Pankisi Valley. They are hermit monk Father Vasili, kidnaped over a month ago, and Fizuli BAIRAMOV, an Azerbaijan national. TUSHURI stated that everything is being done to release the hostages. He added the police will, "end the crime boom in this part of the country." In his traditional radio address to the nation today, Georgian President Eduard SHEVARDNADZE expressed gratitude to the Interior Ministry, State Security Ministry, Intelligence Department, and the law enforcement agencies for a successful operation which allowed the release of the Spanish businessmen. Spanish media reported the businessmen's relatives paid \$277,900 in ransom to the kidnapers in September, but they were not released.

#### Experts See Problems For Georgian Reforms

- The process of reforming the entire system of the Georgian Interior Ministry might encounter a number of problems and obstacles, Prime News Agency reported. According to some experts and analysts, the reforms might encounter resistance from both inside and outside forces. Newly appointed Interior

Minister Koba NARCHEMASHVILI announced the ultimate reform of the entire Interior Ministry system. Specifically, he announced as top priority a closer collaboration between the police and society and the assurance of maximum transparency of the Ministry's activities. The first step implemented by NARCHEMASHVILI was the appointment of a new head of the Ministry's press service. For the first time in the Ministry's history, a civilian was appointed to this position. The experts believe that the transparency will restrict and "tie the hands" of some officials. This will cause a pretext for a covert battle against the reforms. Meanwhile, the Georgian State Security Ministry has experienced some changes, Prime News Agency reported. Since Valeri KHABURDZANIA was appointed State Security Minister, two officials have resigned – head of the Ministry's Tbilisi department Zaza SHUBITIDZE and the head of counter intelligence Jimsher SHELIDZE. KHABURDZANIA accepted their resignations today. Their replacements have not been named.

#### Uzbekistan Opens Bridge For Afghan Aid

- The only bridge connecting Uzbekistan and Afghanistan reopened Sunday for the first time since 1997, allowing the first train of much-needed humanitarian aid to pass into Afghanistan. The train, adorned with banners saying "from the Uzbek people to the Afghan people," carried 1,000 tons of grain and flour sent from Uzbekistan and the U.N. The bridge was closed when the Taliban Islamic militia moved into the border area. Uzbekistan feared Islamic extremists would use it to infiltrate Uzbekistan. Uzbekistan had been reluctant to reopen the bridge despite pressure from the U.N. and aid agencies. The Associated Press reported aid officials stressed the bridge was a key element to getting aid to Afghanistan. Ruppa JOSHI, a spokeswoman for the U.N. Children's Fund in Tashkent said the system of ferrying humanitarian relief by barge from the river port of Termez to the Afghanistan side was time-consuming and complicated.

Paul M. Joyal, *President, Editor in Chief*  
Clifton F. von Kann, *Publisher*  
Oleg D. Kalugin, *Content Advisor*  
Jennifer M. Rhodes, *Principal Editor*  
Tatyana Kotova, *Contributing Editor*

*Daily Report on Russia* is for the exclusive use of the subscriber only. Reproduction and/or distribution is not permitted without the expressed written consent of Intercon. *Daily Report on Russia* © copyright 2001, Intercon International, USA.

*Daily Report on Russia* is published Monday-Friday (excluding holidays), by Intercon International, USA. Subscription price for Washington, D.C. Metro area: \$950.00 per year. A discount is available for non-profit institutions.