

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **Putin Not Interested In Term Extension**

• Russian President Vladimir PUTIN has stated that he is not interested in an initiative sponsored by the newly appointed Federal Council Speaker Sergei MIRONOV to extend the presidential term from four years to seven years. The changes would have required an amendment to Russia's Constitution. PUTIN said at a Kremlin ceremony marking Russia's Constitution Day holiday, "The term of presidential powers will not be changed to suit the present president... The question of amendments, leading to a new constitution in principle, is not on the agenda." MIRONOV, part of the St. Petersburg team selected by PUTIN, believes that a four years in office was too short a time for a president to have any real chance of tackling the large number of problems facing Russia. Earlier media reports said the Kremlin wanted the presidential term to be prolonged from four to seven years.

#### **Yakutia Governors Withdraws From Election**

• Yakutia Governor Mikhail NIKOLAYEV, who has headed the vast Siberian territory since 1991, has withdrawn from his controversial bid for a third term. He made this announcement Wednesday and expressed his support for tycoon and head of *Alrosa* Vyacheslav SHTYROV to succeed him. He will face opposition from several other candidates, who want to run this territory rich in diamonds, gold and other minerals, Reuters reported. The election has been filled with controversy over whether NIKOLAYEV could serve a third term. Central Electoral Commission chief Alexander VESHNYAKOV said in October that NIKOLAYEV was not allowed to stand for a third term. "We should respect steps like that of President NIKOLAYEV, but it would have been 100 times more valuable if he had done this two

months ago," VESHNYAKOV said on NTV television. Two months ago Russia's Supreme Court ruled that regional presidents could not be voted in for more than two terms. The election is scheduled for December 23<sup>rd</sup>.

#### **Chechen Rebels Attack Russian Checkpoints**

• Twelve Russian servicemen and police troops were killed and 22 wounded in the latest round of skirmishes with rebels and land mine explosions in Chechnya over the last weekend. Rebels attacked Russian positions and checkpoints 18 times over the previous 24 hours, killing five soldiers and wounding 11. Four Russian soldiers were killed and three were wounded Saturday when their jeeps set off land mines in the capital Grozny and Vedeno. Two Chechen prosecutors died when their car hit a remote controlled mine in Grozny. A Chechen woman was detained for suspicion of laying the mine, RFE\RL Newsline reported. Rebels attacked an armored personnel carrier near the town of Zandak in eastern Chechnya, killing one soldier and wounding four. The Associated Press reported that Russian helicopters attacked rebels as they escaped into the woods. Bombs were also dropped on suspected rebel bases in eastern Chechnya and artillery shelled targets in the east and southeast.

Meanwhile, Russian Defense Minister Sergei IVANOV said on Thursday that the primary goal of the Russian army, Federal Security Service, and the Interior Ministry is to capture or destroy

the leaders of Chechen armed formations, ITAR-TASS reported. "Whatever you will hear about talks or consultations, our plans for this winter remain the same: to completely crush 'band formations' and their chieftains, and I promise it will happen," IVANOV said.

### Economy

<p><b>Ruble = 30.06/\$1.00 (NY rate)</b>  <b>Ruble = 30.06/\$1.00 (CB rate)</b>  <b>Ruble = 27.01/1 euro (CB rate)</b></p>
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#### **CB Reserves Fall For Second Week**

- Russian foreign reserves showed their second big fall in two weeks today, undermining the ruble and showing the pressure the authorities are facing over the currency in the face of lower oil prices. Analysts cautioned against panic, but noted concern if reserve falls continued in the long-term. The Central Bank said foreign currency and gold reserves, a key source of cash for debt repayments and a sign of economic well-being, fell in the week ending December 7<sup>th</sup> by \$1.2 billion to \$36.1 billion, after a \$1.3 billion fall the previous week, Reuters reported. The ruble fell in the so-called unified session of morning trade. Its average rate at the session, on which the Central Bank bases its official next-day rate and which brings together eight exchanges across Russia, fell to 30.1941 to the dollar from a previous average of 30.0806. Banks also deal in rubles on the interbank market, where quotes were at 30.3500/30.3600 in late trade. The Central Bank did not say why the reserves fell. Some analysts blamed Central Bank intervention to support the ruble, while others said it might be the delayed impact of a foreign debt repayment. Julia ORLOVA of *Alfa Bank* said the fall could be due to the impact of repayments by Russia to the International Monetary Fund (IMF). She said, "Reserves are still at a very high level...up to now they covered 10 months of imports, but now it will be nine months."

### Business

#### **Russian Newspaper Closes CIS Desk**

- Nezavisimaya Gazeta's Editor in Chief Tatyana KOSHKAREVA and Director Rustam NARZIKULOV have decided to close the daily's desk specializing on Commonwealth of Independent States (CIS) af-

fairs, effective in February 2002, RFE\RL Newline reported. The recent resignation of Deputy Editor Alan KASAEV, who ran the CIS desk, prompted the decision. Since the mid-1990s, Nezavisimaya Gazeta has published more about CIS issues than virtually any other newspaper in the former Soviet Union. The daily's main financial backer, Boris BEREZOVSKY, served as deputy secretary of the Russian Security Council from October 1996 until November 1997 and as CIS executive secretary from April 1998 until March 1999. KOSHKAREVA and NARZIKULOV have run the newspaper since June 2001. Explaining his departure, KASAEV said his opposition to the daily's, "editorial policy and

### **EUROPEAN REPUBLICS**

#### **Ukraine Approves 2002 Budget**

- Ukraine's parliament approved the 2002 draft budget today in a vote of 241 to 121. The budget plans for a modest deficit of 1.7 percent of gross domestic product (GDP) and is the first to adhere to International Monetary Fund (IMF) accounting standards, Reuters reported. The government has set a revenue target of 44.3 billion hryvnias (\$8.3 billion) while spending is set at 48.6 billion. The budget deficit is set at 4.3 billion hryvnias. Foreign lenders praised the draft calling it tight and realistic, Reuters reported. Passing a tight 2002 budget is one of the major terms required for the cash-strapped country to receive the next \$375 million installment from the IMF under its \$2.6 billion loan program. Ukraine hopes to get the funds in January. The passing of the budget is a victory for Finance Minister Igor MITYUKOV, who saw the draft rejected several times in recent weeks as deputies, facing parliamentary elections, clamored for higher spending and handouts for police, soldiers and teachers. Approval in the second reading was the biggest hurdle for the budget.

Ukraine's GDP is expected to grow between seven and eight percent in 2001 after a 5.8 percent rise a year ago. Next year the government expects GDP to grow by six percent. Annual inflation is expected to fall to six percent this year, the lowest annual rise since independence. Last year, consumer prices grew by almost 26 percent. The main lending rate is at a record low of 12.5 percent. The Central Bank, which cut the rate last week, said it was in recogni-

tion of the economy's performance and was aimed at easing the borrowing burden on companies.

#### **Williams Cancels Yukos-Mazeikiu Nafta Deal**

- U.S. *Williams International* announced Wednesday it had called off the equity-for-crude deal it struck in June to bring Russian oil company *Yukos* into its Lithuanian operation, *Mazeikiu Nafta*. A company's spokesman Darius SILAS told Reuters, "At this stage the whole agreement signed in June between the parties is no longer valid. The agreement had a clause that if either one of the parties felt that progress was not being made, either party could cancel the agreement." The agreement would have given *Yukos* a 26.75 percent stake of *Mazeikiu Nafta*, one-third owned and operated by *Williams*, in exchange for a 10-year supply of at least 4.8 million tons of crude per year (96,000 barrels per day) on an exclusive basis. *Williams* said it was leaving the door open for more talks with *Yukos*, but did not specify what would be discussed between the two firms. SILAS added that it was "too early to say" what items would be on the agenda if a new round of talks was scheduled after the holidays. *Williams* explained it canceled the agreement to enable it to receive crude from suppliers other than *Yukos*. "In the face of deadlocked negotiations, this step was taken to allow *Mazeikiu Nafta* to schedule January and first quarter crude oil supplies from other suppliers in addition to *Yukos*," *Williams International* Managing Director Randy MAJORS was quoted as saying.

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

#### **Patarkatsishvili Gives \$1 Million To Tbilisi**

- Badri PATARKATSISHVILI, a financier and a business ally of self-exiled Russian business tycoon Boris BEREZOVSKY, has allocated \$1 million of his personal funds in a five-percent interest three-year credit to the Tbilisi administration, Prime News Agency reported. Banks in Georgia charge 20 percent interest on loans. The money will be used to cover the city's energy expenses and gas debt payments. According to PATARKATSISHVILI's spokesman Nika KOLABAVA, Georgia's capital is under threat of the energy cut-offs. According to him, Director General of the *Gruzgaz* energy utility Leonid DEIKALO demanded a first installment of 950,000 lari to be transferred by Tbilisi administration and *Tbilgaz* energy utility by December 10<sup>th</sup> to ensure

no interruption in service. On Tuesday, Georgian President Eduard SHEVARDNADZE expressed concern at the imminent danger that water supplies to Tbilisi and Kutaisi will be cut off in retaliation for the city authorities' failure to pay their electricity debts, Caucasus Press reported. It appears his fears have come true, as all water supplies were cut to the parliament, State Chancellory, and most ministries on Wednesday. Tbilisi Mayor Vano CODELAVA said that city residents, schools and hospitals still have running water. He said state run organizations owe a total of 18 million lari (\$8.21 million) for water supplies. Earlier this week, the Tbilisi administration asked the Gamardzhveba Foundation and its head PATARKATSISHVILI for help. With no funds currently available in the Gamardzhveba's budget, PATARKATSISHVILI decided to use his personal funds. According to the terms of agreement, from 2002 to 2004 Tbilisi will receive free energy on January 7<sup>th</sup>, the day of Orthodox Christmas celebrations. PATARKATSISHVILI is presently wanted by Russian authorities for extradition.

#### **Young Reformers Targets Of Anti-Corruption**

- A team of Georgian investigative journalists, who focus on corruption, has made public documentation detailing the commercial activities of a group of parliament deputies headed by former speaker Zurab ZHVANIA and former Justice Minister Mikhail SAAKASHVILI, Caucasus Press and Glasnost-North Caucasus reported. That documentation suggests that the group controls some 500 Georgian companies and has lobbied to enact legislation that facilitates corrupt practices, thus adversely affects Georgia's economic development. The journalists have demanded that ZHVANIA and SAAKASHVILI be stripped of their parliamentary immunity and that the prosecutor-general investigate the materials implicating them, RFE\RL Newline reported. Neither ZHVANIA nor SAAKASHVILI have commented on the allegations. One theory as to why the group is targeting the two reformers is that Adjar Supreme Council Chairman Aslan ABASHIDZE may be financing the group. ABASHIDZE could be seeking to discredit ZHVANIA and SAAKASHVILI ahead of the upcoming presidential elections in 2005, should he decide to be a candidate, according to the RFE\RL Caucasus Report. Another theory puts Chairman of the parliament committee for Economic Reform and a former protégé of ZHVANIA's, Vano

MERABISHVILI, behind the investigative reports. MERABISHVILI on Wednesday announced a bill to prevent the embezzlement of revenues from state-owned enterprises. It appears that MERABISHVILI may be seeking to replace SAAKASHVILI as the leading anti-corruption campaigner.

### New Rights Demand Prosecutor's Resignation

- Parliamentary New Rights faction demands the resignation of Georgia's Prosecutor General Nugzar GABRICHIDZE, Prime News Agency reported. New Rights have called on GABRICHIDZE's resignation after he appointed Badri BITSADZE, husband of Parliamentary Speaker Nino BURDZHANADZE, as his first deputy. Prior to his appointment on Monday, BITSADZE worked at the Military Prosecutor's office. Leader of New Rights David GAMKRELIDZE stated at the today's press conference that BITSADZE's appointment was an "unprecedented and unacceptable" way to "transfer power to one family." GAMKRELIDZE stated that the appointment of GABRICHIDZE to the position of the Prosecutor General two weeks earlier was a part of a "deal," which would bring BITSADZE to the position of the Prosecutor's deputy. GAMKRELIDZE also stated that President Eduard SHEVARDNADZE himself facilitated, "the transfer of power to a one-family clan." GAMKRELIDZE has called on BURDZHANADZE to comment on her husband's appointment. He also demands comments on BITSADZE's appointment from the Coordination Council on anti-corruption policies.

### Turkmenistan-Itera Sign Oil, Gas Agreement

- Turkmenistan's President Saparmurat NIYAZOV and *Itera* Chairman Igor MAKAROV signed an agreement in Ashgabat on Tuesday under which *Itera* will purchase 10 billion cubic meters of Turkmen natural gas in 2002, Russian agencies reported. The price *Itera* will pay at the Turkmen-Uzbek border has not been fixed, but it is expected to be no less than \$42 per thousand cubic meters, slightly more than this year's price of \$40. NIYAZOV and

MAKAROV also signed a three-way agreement with *Zarubezhneft* head Nikolai TOKAREV under which *Itera* and *Zarubezhneft* will jointly develop onshore and offshore Turkmen hydrocarbon deposits, ITAR-TASS reported.

### Kazakh Security Council Head Sacked

- Kazakh President Nursultan NAZARBAYEV sacked the head of his advisory Security Council Altynbek SARSEBAYEV on Tuesday. SARSEBAYEV was transferred to another post, the press service said, but it did not elaborate. The head of the domestic intelligence service, Marat TAZHIN, had taken over as head of the Security Council. His own deputy, Nartan DUTBAYEV, in turn, will fill his post. Security sources told Reuters the outgoing SARSEBAYEV could be appointed ambassador to Moscow in a reshuffling of diplomatic posts. NAZARBAYEV last weekend replaced his Defense Minister with General Mukhtar ALTYNBAYEV, who had held the post before being sacked two years ago in a scandal over disclosures that Kazakhstan had sold MiG-21 fighter planes to North Korea. The sale, later blamed on a local businessman, embarrassed Kazakhstan and triggered protests from the U.S. and South Korea. The Kazakh President dismissed a number of officials last month, including a deputy prime minister and deputy defense minister associated with a new political group pressing for faster political reforms.

NAZARBAYEV is scheduled to visit Washington for talks with U.S. President George W. BUSH on anti-terrorism efforts, energy issues and economic reforms on December 21<sup>st</sup>. The White House said in a written statement, "The visit reflects the deepening relationship between the United States and Kazakhstan on counter-terrorism, non-proliferation, democracy, energy and pipelines, economic reform, and Kazakhstan's integration into the global economy."

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