

# DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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## RUSSIAN FEDERATION

### Politics

#### **Putin Does Not Want War To Expand To Iraq**

• The Financial Times quoted Russian President Vladimir PUTIN saying that he expects the U.S. to consult with Moscow before taking the anti-terror campaign beyond Afghanistan and into Iraq. PUTIN said this would make military decisions, "mature, they will be better grounded and the implementation of such operations will be more effective." He said the top priority should be blocking the financing of terrorism and he specifically warned against military action in Iraq. PUTIN said that Russia supports fighting terrorism wherever it exists. He said, "We believe the fight against terrorism will not be over with the military operation in Afghanistan. It cannot be finished by this," he said in an interview with the newspaper. "Primarily we should talk about ways to block the financing of terrorist activities. And so far I have no confirmation, no evidence that Iraq is financing the terrorists that we are fighting against."

PUTIN stressed that the international community should work to convince Iraq to allow U.N. observers to monitor controlled sites and facilities believed to be producing weapons of mass destruction. He openly questioned the effectiveness of past bombings of Iraq by British and American warplanes. "As for possible use of force, we should look at the productivity of what has been done in this regard so far," he said. "I don't know if any [sites] have been destroyed. The bombing has been there but the results have not been there." PUTIN added, "We believe we should act within the U.N. framework."

**Comment:** Working under the U.N. provides Russia with the strongest of all possible leverage on any future action because the use of force must be

authorized by the Security Council, in which Russia has veto authority.

#### **EU Calls For Cooperation With Russia On Crime**

• The European Union (EU) is hoping for a closer cooperation with Russia on fighting crime and terrorism. According to a draft statement, "A structure should...be established for cooperation between the Union and Russia in combating organized crime, drug trafficking, terrorism and illegal immigration." The draft must still be approved by the 15 EU leaders. Relations between Russia and the West have improved sharply since the September 11<sup>th</sup> attacks on the U.S. Moscow, worried about militant Islam on its southern flank, has strongly backed the U.S.-led military campaign in Afghanistan against the al-Qaeda network blamed for the attacks. French President Jacques CHIRAC suggested that EU and Russian interior ministers should hold regular meetings to discuss such problems and also urged more contacts with Moscow on security and political issues. He added that it was time to give more careful thought to how Russia might take part in future operations launched by the EU's fledgling rapid reaction force. The EU was set to declare the force operational on Saturday, but it is not due to swing fully into action until 2003. The leaders have already said non-EU members such as Russia can participate in specified operations. The EU agreed on October to hold monthly consultations with Moscow on foreign and security policy.

#### **Battles Over Power In The Kremlin**

• The latest edition of The Economist notes that there is a battle for power and money in the Kremlin between the leftover “family” of former President Boris YELTSIN and the “siloviki” men appointed by President Vladimir PUTIN. The “family” leftovers include PUTIN’s administration, Alexander VOLOSHIN, Prime Minister, Mikhail KASYANOV, Central Bank chief, the top prosecutor, and other worthies, who talk of experience and stability. The “siloviki” represented by former prime minister, regional envoy and Audit Chamber chief Sergei STEPASHIN, and Federal Security Service (FSB) chief Nikolai PATRUSHEV, pledge to develop a stronger state and less corruption. The magazine points out “both sides more or less count on the president’s support. The feud has been simmering since Mr. PUTIN took power. Now it is becoming open war. One battle is over jobs.” Those in jeopardy of being removed include Railway Minister Nikolai AKSYONENKO and VOLOSHIN. The second battle is over business and influence. These include power struggles within state-owned *Gazprom* and an apparent campaign to crack down on independent media sources, including *NTV* and *TV6*. The Economist notes that PUTIN is staying away from the feuding or may be bidding his time. It points out that it is understandable, if he finds both sides unappealing.

### Economy

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| <p><b>Ruble = 30.42/\$1.00 (NY rate)</b><br/> <b>Ruble = 30.42/\$1.00 (CB rate)</b><br/> <b>Ruble = 27.53/1 euro (CB rate)</b></p> |
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### Business

#### **Berezovsky Launches Accusations**

• Self-exiled oligarch, Boris BEREZOVSKY, issued accusations against Russian authorities through a TV link to the participants in the conference “Civil Society and Human Rights.” BEREZOVSKY openly declared that the Russian special services had been involved in the explosions in Moscow and Volgodonsk. He compared the present situation in Russia to Nazism. He said, “There was information that a military act was being planned in Daghestan. And I reported this to [former Prime Minister] Mr. [Sergei] STEPASHIN. What happened in Daghestan was a calculated provocation by the Russian special services, just as I am certain that the Russian

special services were involved in the explosions at buildings in Moscow and Volgodonsk [all in 1999]. I am certain of this. The only thing I cannot do is say that [Russian President Vladimir] PUTIN gave the order for these operations, that PUTIN personally commanded these operations. Here, I cannot say anything. And if anybody reckons this is a provocation on my part, I am prepared to meet these people in court,” BBC Monitoring reported. BEREZOVSKY commented on the American decision to quit the Anti-Ballistic Missile treaty. He believes this is a game Russia is losing. “It is the President’s lack of experience, and, on the other hand, the absence of solid intellectual forces around the President, that prevent him from fathoming the steps of our allies and rivals.”

Regarding *TV6*, BEREZOVSKY said, “the authorities can’t hide from freedom of speech. There is the internet, there are satellite links. And I shall offer alternative work to all who want it, and resource the work materially. But I shall not push anyone into specific actions. I shall offer an alternative. But I won’t condemn under any circumstances if the choice goes the other way.”

#### **LUKoil To Re-Crete TV6?**

• *LUKoil* Vice President Leonid FEDUN told reporters that the oil giant is ready to create a new *TV6* with the participation of its current staff. It was *LUKoil-Garant*, a division of *LUKoil*, that originally sought the liquidation of *TV6*. This was granted in a court decision in November. FEDUN added that there is no real conflict between *LUKoil* and the team of *TV6* General Director Yevgeny KISELYEV, although he charged that media magnate Boris BEREZOVSKY tried to “set us up against KISELYEV,” RFE\RL Newline reported. However, some *TV6* journalists are skeptical of this new altruistic approach of *LUKoil*. *TV6* spokeswoman Tatyana BLINOVA told Interfax, “Why should something new be created after destroying something that has cost such effort to create?” KISELYEV told *RTR*,

### **EUROPEAN REPUBLICS**

#### **EU Announces Ten Candidate Countries**

• The European Union (EU) on Saturday named 10 candidate countries most likely to join their organization by 2004. According to a statement, “[The leaders] agree with the report of the

European Commission, which considers that if the present rate of progress of the negotiations is maintained, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, the Czech Republic and Slovenia could be ready." The Commission, the EU's executive body, said in its annual enlargement report last month that up to 10 countries could wrap up accession negotiations by the end of 2002 and become full members in time for the European Parliament elections in 2004. However, it stressed that the candidate countries still have a lot of work ahead to qualify. Saturday's statement went further than originally expected. France, in particular, has been reluctant to name candidates for fear of removing an incentive for them to continue reforms. But the statement stressed what is known in EU jargon as the principle of differentiation, or judging candidates strictly according to their merits, diplomats told Reuters. The statement also had encouraging words for the two candidates not named, Bulgaria and Romania, and promised a, "precise framework with a timetable and appropriate roadmap," for the two impoverished Balkan states. The 13<sup>th</sup> candidate, Turkey, has yet to begin negotiations due to concerns over its human rights record.

#### **Turkey Is Belarus' Best Western Partner**

• Belarus President Alexander LUKASHENKO told Belarus Television after a meeting with Turkish State Minister Yilmaz KARAKOYUNLU, "When we take Western states, Belarus has the most advanced relations with Turkey." They expressed dissatisfaction over the low bilateral trade turnover, which totaled \$31 million in the period January to October 2001. The same day, a Belarus-Turkish intergovernmental economic commission signed a protocol outlining cooperation priorities for 2002. The protocol provides for the organization of a Turkish national fair in Belarus, Belarus' participation in a fair in Turkey, an increase in deliveries of Belarus trucks and machinery to Turkey, as well as closer cooperation on tourism, transportation, agriculture, and investment, Belapan reported. The Belarus government pledged to create favorable conditions for the operation of Turkish construction companies in Belarus, RFE\RL Newslines reported.

#### **Belarus Agricultural Sector Faces Deficit**

• Belarus Agricultural Minister Mikhail RUSY said during hearings at the Chamber of Representatives on Thursday that this year the government expects

a 2.9 percent loss in the agricultural sector, Belapan reported. The sector's losses are expected to total 147 billion Belarus rubles (\$94 million). The profitability of agricultural production declined from 45 percent in 1991 to 12 percent in 1999, and 3 percent in 2000, RFE\RL Newslines reported. "Cosmetic increases in state purchase prices [for agricultural products] by 5, 7, or 15 percent actually do not save and improve the situation," Belarus Television quoted one lawmaker as saying after the hearings.

### SOUTH CAUCASUS & CENTRAL ASIA

#### **U.S. Defense Secretary Tours Caucasus States**

• U.S. Secretary of Defense Donald RUMSFELD toured Azerbaijan, Armenia, and Georgia on Saturday meeting with their leaders and offering closer military relations. All three nations have offered the U.S. use of their airspace during the anti-terror campaign focused in Afghanistan. He asked all three nations to further their cooperation. RUMSFELD said the U.S. was anxious to reward friendly nations for their support. The U.S. Defense Secretary told the leaders of Azerbaijan and Armenia that the U.S. Congress was about to approve lifting 1992 sanctions prohibiting military relations with the two countries, despite their continuing dispute over the Nagorno-Karabakh region. "The Congress is currently considering a waiver for Section 907, which would allow the United States and your country to engage in greater military-to-military cooperation," he told Azeri President Geidar ALIYEV in Baku. "We are hopeful that the change in law will take place this week and this will be the beginning of improved cooperation between our two countries," Reuters reported. RUMSFELD told Armenian President Robert KOCHARYAN the U.S. and Armenia would now be able to develop a "military-to-military" relationship. Officials said closer contact with the U.S. would allow the countries to modernize their armies and nurture stability by speeding up market reforms.

In Georgia, RUMSFELD, bringing greetings from U.S. President George W. BUSH, met with Georgian President Eduard SHEVARDNADZE to discuss military and economic cooperation, as well as international terrorism. "The United States values highly the relationship that we have with

this country. We recognize it is on a historic transition towards freedom," RUMSFELD told reporters after the meeting. SHEVARDNADZE said the U.S. would continue to help Georgia modernize its armed forces and guard its own borders. Georgia allows U.S. military planes to pass over its territory, and has also expressed its willingness to do whatever it can, including providing airfields, if the U.S. makes requests, Kyodo News reported.

### Opposition On Gunmen And Peacekeepers

- One of the leaders of the oppositional Batumi Alliance Jemal GOGITIDZE stated that there are about 2,000 gunmen in the Pankisi Valley. In an interview with the Prime News Agency, he called the problem "serious and complex." GOGITIDZE believes that the Chechen official representative office in Tbilisi should cease to exist. He also noted that the withdrawal of the Russian peacekeepers from the zone of the Georgian-Abkhaz conflict without a proper substitution will lead to a new confrontation and negative consequences for Georgia. GOGITIDZE stressed that an independent state should not have foreign troops. However, under the current circumstances, the presence of the Russian peacekeepers whose mandate expires on December 31<sup>st</sup> is a "necessity."

### Kazakhstan To Equalize Business Conditions

- On Saturday, Kazakh President Nursultan NAZARBAYEV said that the government has, "no intention of revising the contracts signed," with foreign investors. However, he said that new investors might not have the same privileges. Earlier this year, a blueprint of an investment law that guarantees equal business conditions for both local and foreign investors was submitted to the parliament. The President explained, "The situation back in 1992 or 1993, when very few wished to invest here and most local companies just stood idle...is strikingly different from today's state of affairs. Local investors and foreign ones will be equal now." Kazakhstan is considered the most successful economy within the Commonwealth of Independent States (CIS).

On Friday, the European Bank for Reconstruction and Development (EBRD) praised the Central Asian nation for its, "huge progress." NAZARBAYEV announced new figures for foreign direct investment in Kazakhstan, saying it totaled \$14.7 billion since 1993 out of some \$40 billion invested in the ex-Soviet states' bloc over the same period. But in this year's boom conditions, investment by local businesses hit \$3.2 billion, for the first time overtaking the \$3 billion invested by foreigners, he said. "The talk now is not about the revision of old contracts but about the balance of interests of the state and business. Let's sit down at the negotiating table and agree on how to respect this balance," NAZARBAYEV explained. "Of 47 companies we have already spoken to, 33 have agreed to our arguments and signed accords with the government on higher royalties and other payments due to their higher than expected profits."

### U.S.-Uzbek Differ On Aid Spending

- The U.S. and Uzbekistan are in the process of re-defining their relations, since the events of September 11<sup>th</sup>. The U.S. has pledged to spend aid money on promoting democracy and human rights in Uzbekistan. Uzbek President Islam KARIMOV, however, wants the money to revive Soviet-era construction projects. The U.S. wants him to carry out long-awaited economic reforms but the Uzbek leader, a former Communist Party boss, says his task is to prepare the next generation, Reuters reported. The dialogue on the aid has not been smooth. One U.S. official said, "We've been pushing this [economic reform] for years so I feel like Sisyphus on that one....Skepticism is big time with us where Uzbekistan is concerned...We've been really very, very hard on the economic reform part because KARIMOV has been completely unwilling to do any of the reforms that he should have done after the break-up of the Soviet Union." Uzbekistan has permitted U.S. troops to use an Uzbek airbase. Last week, it re-opened the Friendship Bridge across the Amu Darya River into Afghanistan, allowing

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