

DAILY REPORT ON RUSSIA

AND THE FORMER SOVIET REPUBLICS

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Daily intelligence briefing on the
former Soviet Union

Tuesday, December 4, 2001

Published every business day
since 1993

RUSSIAN FEDERATION

Politics

US Pressures Russia Over Relations With Iran

• U.S. Undersecretary of State John BOLTON will travel to Moscow later this week to hold high-level talks focusing on a national missile defense system, as well as non-proliferation issues and preparations for Secretary of State Colin POWELL's visit on December 9th. He will also stress that Moscow should curb nuclear and missile cooperation with Iran and other countries or face sanctions. The U.S. imposed similar sanctions on China on September 1st for alleged provision of missile technology to Pakistan. Reuters reports that despite improved ties since the September 11th attacks, the U.S. and Russia remain at odds over Russia's willingness to assist Iran in developing nuclear reactors and missiles. Russia is helping Iran to build a nuclear power reactor at Bushehr. Although the facility will be subject to International Atomic Energy Agency safeguards, critics argue that the project benefits Iran's nuclear weapons program. Washington considers Iran a state sponsor of terrorism and after the attacks on the World Trade Center and the Pentagon is even more concerned that extremists could acquire weapons of mass destruction and launch attacks. Experts estimate Iran could become a nuclear power in four to nine years. Some U.S. officials believe Russian leaders realize oil-rich Iran does not need a nuclear energy program and agree that its acquisition of nuclear weapons would be a regional threat. These officials envision a compromise in which the U.S. might acquiesce in Moscow's sale of certain conventional arms to Tehran, if the nuclear and missile cooperation is ended.

CE Calls For Chechen Solution

• A Council of Europe delegation, in talks with

senior officials in Chechnya on Monday, called for a political solution to the conflict in Chechnya, which should include a broad cross section of society. Frank JUDD, a member of Britain's House of Lords, told RTR state television, "We need more people to take part in the process of peace talks to ensure a lasting peace. And we are trying to bring in as many people as possible." He underlined the importance of Chechen rebels participating in any political peace process. In November, Russian presidential envoy Viktor KAZANTSEV met with Akhmed ZAKAYEV, a representative for Chechen President Aslan MASKHADOV. Today, JUDD will visit refugee camps in Chechnya and the neighboring region of Ingushetia, which is home to thousands of Chechens who have fled the fighting. Vladimir KALAMANOV, the presidential envoy for human rights in Chechnya, said although the situation there was improving, the Council of Europe still had concerns.

Meanwhile, Interfax news agency said General Genady TROSHEV, commander of Russia's southern military district, had announced the dismissal of the military commandant of the town of Argun. TROSHEV told the gathering of Chechen officials and the delegation the decision was taken after "bandits" entered the town and clashed with Russian troops conducting an operation. In addition, Lieutenant Colonel Roman GRIGORIAN, the deputy military prosecutor of the combined Russian forces in Chechnya, was shot dead by unidentified gunmen in Argun

on the evening of December 2nd, Russian media reported.

OSCE Summit Focuses On Anti-Terror

- The foreign ministers are expected to reach an agreement in support of anti-terror operations during the 9th Organization for Security and Cooperation in Europe (OSCE) summit. Romanian Foreign Minister Mircea GEOANA, chairman-in-office of the OSCE said the Bucharest summit would help cement a new strategic alliance between Washington and Moscow since the September 11th attacks. He said, "This conference will take the OSCE to a new level of cooperation between the West, Russia and the countries of the former Soviet Union." He emphasized the summit's message, "There are no good terrorists, only terrorists. Period." He added, "Terrorism, whatever its motivation or origin, has no justification. No cause can justify the purposeful targeting of innocent people. In the fight against terrorism, there is no neutrality." One diplomat told Reuters, "We are seeing a strong will being asserted by Russia, the European Union and the United States to lead the consensus in a stronger more forceful way. Perhaps the most interesting aspect is the degree to which these three are all singing from the same song sheet."

The "Bucharest Plan of Action for Combating Terrorism" will tap the OSCE's expertise, which encompasses work on human rights, security, economic cooperation and the environment. "We think it will make a useful contribution to the war on terrorism," the U.S. Ambassador to the OSCE, David JOHNSON, told Reuters. "It is incumbent on every institution now to rethink the way it does business and to look at how its resources and methods of work can be refocused in that endeavor." The action plan will include a commitment by participating states to work more effectively to prevent the movement of terrorists and ensure, "the timely detention and prosecution or extradition of persons charged with terrorist acts." U.S. Secretary of State Colin POWELL welcomed the anti-terror action plan being discussed by the OSCE, but called on members to do more to stop "the scourge of terrorism." He said nations need to do more in areas such as freezing terrorist assets and strengthening border controls. POWELL earlier told reporters the war on terrorism was reaching a "new level of energy" thanks to an emerging consensus at the OSCE.

Russian Foreign Minister Igor IVANOV, in a speech to the OSCE Ministerial Council, said that Russia hopes to move from mere discussions to concrete efforts to strengthen stability in Europe and stall upsurges of terrorism in the region, Strana.ru reported. He stressed that the OSCE must urgently determine its place within the international structures already fighting against extremism. Russia has called for the OSCE to implement reforms to boost efficiency. IVANOV said that the basic concepts of "human rights" and "terrorism" must be universal.

Turkish Foreign Minister Ismail CEM stated at the OSCE summit that Ankara, "is worried over the recent developments in neighboring Georgia," Mediamax information agency reported. The minister stressed that Turkey supports sovereignty, territorial integrity, and political unity of Georgia. "Turkey is confident that with the help of the international community Georgia will overcome its current difficulties," CEM added.

Economy

<p>Ruble = 29.95/\$1.00 (NY rate) Ruble = 29.94/\$1.00 (CB rate) Ruble = 26.65/1 euro (CB rate)</p>

New Proposal For Russian Oil Cuts

- Russian Energy Ministry officials have floated the idea of making a huge cut in oil output for December at its meeting this week with Russian Prime Minister Mikhail KASYANOV, Reuters reported. The cut could be as large as 380,000 barrels per day (bpd), enough to satisfy the Organization for Petroleum Exporting Countries (OPEC) demands. OPEC has told non-OPEC producers Russia, Mexico, Norway and Oman they must slice a combined 500,000 bpd to trigger a 1.5 million bpd reduction by OPEC from January 1st. Russia had earlier approved only a symbolic cut of 30,000 bpd and then raised it minimally to 50,000 bpd. Experts believe it is unlikely that such a huge proposal will be raised or approved at the talks with KASYANOV. "The cut seems to be unrealistic. Usually, we can expect a one or two percent drop in oil output due to the winter season factor," said *Alfa-Bank* oil analyst Konstantin REZNIKOV. A preliminary schedule shows Russia expects to produce 30.6 million tons of crude (7.24 million bpd) in December 2001. A

cut of 380,000 bpd would be a five percent drop in this amount, well ahead of the normal seasonal adjustment. One Russian oil firm executive said, "The month has already begun and I don't see how companies can stop the oil from flowing. I hope KASYANOV understands this as well." KASYANOV is set to meet oil executives on cuts to crude output or exports on Wednesday as both sides haggle on what steps to take, industry sources and company officials said.

Investment In And Out Of Russia

- The State Statistics Committee has announced that Russian companies invested \$13.41 billion abroad in the first nine months of the year, while only \$9.72 billion was invested in Russia by foreign companies, RBK reported. In 2000, the amount of direct Russian investment abroad (\$11.52 billion) similarly exceeded the sum of foreign capital into Russia (\$7.89 billion), RFEIRL Newsline reported.

Business

Arabs To Invest In Russian Media

- The ambassador of the Palestinian Autonomy in Moscow, Khairi ORIDI, told *Izvestiya* that many Russian newspapers are too pro-Israeli, and that in an effort to change this situation Arab capital might be used to invest in Russian mass media. ORIDI added that such investment would go to "purely Russian newspapers, friendly to Arabs."

Tuesday Tid-Bit

The Thirteen Faces Of Putin

- The hot, new gift item for the Russian New Year will be a loose-leaf calendar with 13 portraits of Russian President Vladimir PUTIN developed by Dmitry VRUBEL and Viktoria TIMOFYEVA. The President is shown with various expressions from skeptical PUTIN in January to sad PUTIN in December. The calendar's cover shows a "genius of judo," with PUTIN sitting in the lotus pose. VRUBEL told *Nezavisimaya Gazeta* that he has received many telephone calls, "from above," requesting calendars. In addition, an exhibition called "PUTIN's Twelve Moods" will open in Moscow.

EUROPEAN REPUBLICS

French Farmers To Protest Ukrainian Wheat

- French farmers are preparing to protest today over the arrival of the Georgios K, a ship

carrying about 27,000 tons of Ukrainian wheat. This is the first shipment of this kind in decades and farmers fear the shipment will hit grain prices at a time when farm incomes are already falling. Jean-Jacques CHALMEAU, head of the local FD-SEA farm union in the Morbihan region of western France, said he expected some 200 wheat growers would protest the unloading of the Georgios K. In an interview with Reuters, he explained, "Grain producers are scared. This shipment is proof of the dismantling of the EU's [European Union's] Common Agricultural Policy." CHALMEAU said the goal of the protest was not to block the Georgios K from unloading. "Our aim is to draw attention to this. If we wanted to block the vessel from unloading, we would try a different strategy," he said. France, typically the EU's largest producer and exporter of wheat, has found itself in the highly unusual position of having to ramp up wheat imports this season following a 15 percent drop in production. The wheat was imported by *Le Gouessant*, a maker of animal feed that became the first French firm to take advantage of the EU's removal last month of a special import tariff on eastern European grain. *Le Gouessant* Director-General Jean-Yves CORNEC denied growers' claims that grain end-users enjoyed special treatment. He said he would attend the growers' protest to explain his firm's position. CORNEC added his sector had already felt the heavy burden of EU trade liberalization.

Belarus To Receive \$70M From Russia

- The Russian government is planning to provide a total of \$70 million in state loans to Belarus in 2001 and 2002, Belapan reported. Minsk may receive up to \$30 million in 2001, if the government sets customs duties on the export of crude oil and oil products on a level with the rates applied in Russia. Moscow also made its loans conditional on Belarus' switchover to a competitive procedure of state purchases and stopping credit support to loss-producing agricultural enterprises, RFEIRL Newsline reported.

~~SOUTH CAUCASUS & CENTRAL ASIA~~

Parliament Firm On Russian Withdrawal

- In an interview with *Nezavisimaya Gazeta*, Speaker of the Georgian Parliament Nino BURDZHANADZE stated today that the Georgian parlia-

ment will not reconsider its firm stance towards the withdrawal of the Russian peacekeepers from the zone of the Georgian-Abkhaz conflict. "The peacekeepers failed to comply with their mandate and exhausted their capabilities," BURDZHANADZE told the journalists. According to the Speaker, "Georgia cares for the families of 86 Russian peacekeepers who died on the line of duty."

However, she said, at the same time, "over 1600 Georgian civilians died, over 6000 houses were burnt down, and twice the country was on the edge of war." In 1998, Georgia received over 40,000 refugees from the Gala region. None of the above was prevented by the Russian peacekeepers. For this matter, she added, the decision on their withdrawal was made and it is firm. Nevertheless, she added, "The last word will be said by the President [SHEVARDNADZE]."

At a bilateral meeting between Russian President Vladimir PUTIN and Georgian President Eduard SHEVARDNADZE in Moscow last week, the former stated that Russian will withdraw its peacekeepers from the zone of the Georgian-Abkhaz conflict as soon as a relevant document is signed by SHEVARDNADZE, Prime NewsAgency reported. Georgian President, however, is "not in a hurry to make this decision because first of all the replacement for the Russian peacekeepers in Abkhazia should be identified." According to SHEVARDNADZE, he discussed this issue with some CIS presidents but all of them responded they will need time to reach such a decision. SHEVARDNADZE stated, "Before taking this step, everything must be thought over and counted." He also added that Georgia would support a decision to extend the area controlled by the peacekeepers. However, it is not possible without the consent of the Abkhaz side. Russian peacekeepers have kept a mandate in Abkhazia since 1994.

Armenian Energy Privatization Fails Again

- The Armenia government has failed for a

second time to privatize four energy distribution networks. No foreign companies submitted a bid by the deadline RFE/RL Newswire reported. Energy Minister Karen GALSTIAN told journalists in Yerevan that the sole bidder to have expressed serious interest, Russia's *Unified Energy Systems (UES)*, informed the Armenian government on November 29th of its intention to withdraw from the tender on the grounds that it had not had enough time to prepare a proposal. GALSTIAN denied that *UES* withdrew because the Armenian government turned down its proposal to take over the four networks in return for writing off most of Armenia's \$94 million debt to Russia.

Uzbekistan Imposes Border Restrictions

- Uzbekistan imposed new regulations effective on December 1st for entering its regions bordering on Afghanistan and the city of Termez near the border. Under the new regulations, Uzbek citizens can freely enter the regions, but they must register at a local police office within 24 hours after arriving. Foreign citizens residing in Uzbekistan must receive permission from a district police department where they reside five days before the arriving in these regions. Workers of diplomatic missions, consular offices, international organizations or foreign reporters accredited in Uzbekistan must receive permission from the Uzbek Interior Ministry for entering the border areas, ITAR-TASS reported.

UN To Grant \$75M To Uzbekistan

- The U.N. Development Program envisages granting more than \$75 million to Uzbekistan before 2004 to implement different projects, a high-placed U.N. representative said. There are four programs and eight projects in Uzbekistan, including the development of small and medium business, information technologies, technical cooperation, as well as humanitarian aid in emergency situations, ITAR-TASS reported. Up to \$15 million will be given to Uzbekistan before the end of this year.

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