
E. THE RUSSIAN FEDERATION AND THE NEW INDEPENDENT STATES (NIS)

(a) Overview

In Russia during 2001, the administration led by President Vladimir Putin enjoyed high approval ratings of over 70 percent, maintained stable government administration supported by favorable economic conditions, actively developed its foreign policy including head-of-state diplomacy, and generally implemented a variety of measures that give the impression of Russia as a strong country. In the New Independent States (NIS), the spread of religious extremists in Central Asia became problematic, and various initiatives were implemented. Furthermore, following the September 11 terrorist attacks in the United States, the NIS took a cooperative stance toward strengthening the international coalition against terrorism, including granting permission for U.S. military aircraft to fly through their airspace.

(b) Russian Domestic Politics

During 2001, President Putin's leadership over State Duma (the Lower Chamber), the regions, and the business world all continued to increase for the second consecutive year.

Political developments in the State Duma, including the April announcement of the integration of the Unity Party and the Fatherland Movement (as a result the "Unity and Fatherland Party" was established in December), gave President Putin a clear political advantage in the State Duma. Bills proposed by the Putin administration (including bills legislating political parties, land law codes, judicial reform, labor law codes, and the FY 2002 federal budget) were all swiftly approved.

In the area of relations with the regions, governors and other regional leaders lost their seats in the Federation Council (the Upper Chamber), in accordance with legislation reorganizing the Federation Council enacted in 2000. In other developments clarifying relations between the central and regional governments, a committee was established in June to examine the division of powers between the central and regional governments, and in August a new fiscal federalism policy was established.¹⁹ Prior to these efforts, Primorye Governor Yevgeny Nazdratenko was forced to resign in

19. This new policy is designed to reinforce and expand the roles of the regional governments, and to provide them with sufficient fiscal resources.

February to take responsibility for an electric power and energy crisis. In Chechnya,²⁰ local armed forces continued their destruction and other guerilla activities, albeit on a sporadic basis, and in response Russian federal forces advanced their sweep-up operations, particularly in the mountainous areas of the south. In political developments, a new Chechnya government was established in January 2001, and it has been working to upgrade the climate for reconstruction efforts.

Meanwhile, President Putin further strengthened his influence in a March 2001 cabinet reshuffle by appointing Sergei Ivanov as defense minister, Boris Gryzlov as interior minister, and other close confidants to key positions.

Regarding relations with Russian business circles, the April change of management at the private television network NTV essentially ended efforts by certain powerful capitalists to use the media to exert political influence. Instead, other business groups, such as the Industrialists and Entrepreneurs (Employers) Union of Russia, gained a greater voice in lobbying the government.

(c) The Russian Economy

The Russian economy remained favorable in 2001, as domestic consumption and investment expanded for the second consecutive year. President Putin continued pushing forward with economic structural reforms, including deregulation, the reform of natural monopolies, especially in the gas, railway, and electricity sectors, and the reform of institutions concerning land, labor, pension, and social security. Russia fell behind in its foreign debt payments at the beginning of the year but made steady payments from the summer supported by favorable fiscal performance, and it even repaid some foreign debt ahead of schedule. While the FY 2001 budget was designed to achieve a fiscal balance, Russia actually posted a budget surplus for the year thanks to favorable economic developments. Moreover, the FY 2002 budget compiled at the end of 2001 is the first budget in the new Russia's history that is intentionally designed to achieve a budget surplus.

However the effect from the depreciation of the ruble, which had been an important factor in Russia's economic recovery to date, began to disappear in 2001. Combined with the worldwide economic slowdown following the September 11 terrorist attacks in the United States and the decrease in global oil prices, which have a major impact on Russia's international balance of payments and the revenues side of the federal government budget, this resulted in a deceleration in Russia's economic growth rate. Incidentally, Russia announced that it would be decreasing its oil exports

20. The armed conflict in Chechnya flared up again in August 1999, and Russian federal forces have continued their offensive. The federal troops gained control over the plains areas in February 2000 and a provisional Chechen administration was established in June of that year, placing Chechnya under the direct rule of President Putin.

(by 150,000 barrels per day) from January 2002 with a view to supporting global oil prices, in response to the moves by the Organization of the Petroleum Exporting Countries (OPEC) to cut its production.

(d) Russian Foreign Relations

In the area of foreign relations in 2001, President Putin continued to advance head-of-state diplomacy, following up on his achievements during the previous year. In relations with the U.S., the first bilateral summit meeting since the inauguration of the Bush administration took place in Slovenia in June. Following that initial summit, Russia and the U.S. continued to build a constructive dialogue. After the September 11 terrorist attacks, Russia strengthened its cooperation with the U.S. by holding frequent consultations regarding military action and international anti-terrorist measures with the heads of state of the U.S. and North Atlantic Treaty Organization (NATO) members. In November, President Putin held meetings with President George W. Bush in the U.S., and the two leaders issued a bilateral declaration that called for overcoming the vestiges of the Cold War and for building up new relations based on democracy, the market economy, and the rule of law. In December, when the U.S. notified Russia that it was withdrawing from the Anti-Ballistic Missile (ABM) Treaty, President Putin responded moderately, while still criticizing the U.S. decision. Despite all these advances, there are still many outstanding issues that need to be addressed in future bilateral consultations, including the approach to building a new strategic framework between Russia and the U.S.

For the time being, President Putin is expected to continue maintaining stable government administration. The focus of attention will now shift to the Putin administration's ability to maintain government cohesion, to support good economic performance, and to realize additional accomplishments in Russia–U.S. relations, in its implementation of concrete policies.

(e) The New Independent States (NIS)

During 2001, various events were held in the New Independent States (NIS) to celebrate the 10th anniversary of their independence from the former Soviet Union. Over that decade, while the diversification of the NIS has advanced, deliberations have also continued on the potential for greater intra-regional cooperation. In particular, cooperation among the NIS has advanced in the security field through diverse frameworks, partially in response to the spread of religious extremism in Central Asia, which has come to pose a threat to regional security. On November 30, the leaders of the Commonwealth of Independent States (CIS)²¹ held a summit meeting

21. The Commonwealth of Independent States (CIS) is an international organ comprising 12 of the former republics of the Soviet Union (excluding the three Baltic states).

in Moscow to celebrate the 10th anniversary of the Commonwealth's establishment and issued a declaration in connection with the 10th anniversary of the CIS's establishment confirming intra-regional cooperation.

Japan has continued to advance its Silk Road diplomacy with countries located in Central Asia and the Caucasus, and to reinforce its relations with these countries based on the three principles of promoting political dialogue, providing economic assistance, and cooperating for peace. During 2000, the peace process in Tajikistan, which had suffered from civil war ever since its independence from the former Soviet Union, was finally completed, and Japan has actively supported these peace efforts based on the understanding that the stability of Tajikistan is essential for peace throughout Central Asia. In May 2001, the World Bank sponsored the meeting of the Consultative Group for Tajikistan in Tokyo. President Emomali Rahmonov was invited to Japan at that time, and he held a summit meeting with Prime Minister Junichiro Koizumi, who pledged that Japan would continue to support Tajikistan's peace building and reconstruction efforts. Prime Minister Koizumi also held talks with Uzbekistan's Prime Minister Utkir Tukhtamuradovich Sultanov and Armenia's President Robert Kocharian when they visited Japan in December.

Amid the growing international solidarity against terrorism following the terrorist attacks in the United States, the NIS are themselves facing the direct threat of terrorism by religious extremists, and those countries have actively contributed to the international community's counter-terrorism efforts from the start, for example, by granting permission for U.S. military aircraft to fly through their airspace. Uzbekistan, Tajikistan, and the Kyrgyz Republic have also allowed the U.S. Air Force access to their domestic airports and air bases.