



WASHINGTON, D.C. May 16, 2008

TO: NCSJ Leadership and Interested Parties

**FROM: Edward B. Robin, Chairman;
Lesley Israel, NCSJ President;
Mark B. Levin, NCSJ Executive Director**

In Brief: Moldova and Belarus Mission Trip

Dear Friends:

On Monday, I will be leading an NCSJ Mission Trip to Moldova and Belarus. From May 19 to May 21, we will be in Chisinau (Kishinev), Moldova and from May 21 to May 25 we will be in Minsk, Belarus.

We will be meeting with senior government officials, embassy staff, and leaders of the local Jewish communities.

I will share our findings and insights with you in the following updates.

Sincerely,



Mark B. Levin
Executive Director



Advocates on behalf of Jews in Russia,
Ukraine, the Baltic States & Eurasia

NCSJ WEEKLY NEWS BRIEF
Washington, D.C. May 16, 2008

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#1

Reflections of a U.S. Ambassador By William J. Burns The Moscow Times, May 13, 2008

Last month in Sochi, during U.S. President George W. Bush's visit to meet then-President Vladimir Putin and Dmitry Medvedev, I was reminded of how much the complicated U.S.-Russian relationship still matters to both of our countries and to the rest of the world. The U.S.-Russia Strategic Framework Declaration, which our two presidents issued, is not exactly light reading. It does not attempt to paper over some very real differences between us, but it does highlight very clearly how much we both have to gain by working together to prevent the spread of nuclear weapons. The document addresses the issues of how to protect and reduce our own remaining arsenals, develop civil nuclear cooperation, fight terrorism and help settle regional conflicts. And it also reminds us that our economic ties are growing fast, in ways that could shape our relationship far more significantly in the years ahead than at any moment in its first two centuries.

Russia has achieved a level of success that was unimaginable when I last served in Moscow in the mid-1990s. You can all paint the picture as well as I can. In bright colors, we see a trillion-dollar economy, now the ninth-largest in the world and perhaps the fifth-largest by 2020, with huge hard-currency reserves, a rising middle class, fewer people struggling beneath the poverty line and growing appetites around the world for all of the country's vast raw materials. With 14 million Russians traveling outside the country last year, 40 million Internet users and 3 million bloggers, a whole generation has grown accustomed to its connections to the rest of the world and is aware of all its possibilities.

But any honest portrait has darker shades too. Russia's economic achievements are too dependent on hydrocarbons, and tomorrow may not be so kind in terms of high oil prices. Corruption and bureaucratism are serious impediments to sensible economic choices and deeply depressing for the hopes of small and medium-size entrepreneurs. Rule of law is a nice slogan, but it is unevenly applied, to put it politely. Institutions are fragile and infrastructure is crumbling. Education and health care systems, so critical to realizing the promise of the country's talented people, desperately need to be rebuilt. Overcentralized decision-making may be the way to regain control over the commanding heights of the economy, but it is a weak model for the challenges just ahead, for innovation and diversification beyond oil and gas. And overcentralized power may be popular today for repairing some of the inequities and vulnerabilities of the past, but it is a weak long-term model for protecting the hard-won property rights and personal freedoms achieved by Russians over the last couple of decades.

Russia has surely come a very long way economically in a very short time, through a period of hardship and uncertainty and lost pride that is hard for foreigners to understand. I do not doubt the capacity of this society to succeed in its next phase or to take advantage of the moment of economic opportunity before it.

Medvedev's progressive statements at the Krasnoyarsk Economic Forum in February and elsewhere offer an encouraging sense of purpose. Russia certainly has the resources today to invest aggressively in its physical, human and institutional infrastructure. Innovation and growth in the technology sector are always possible with well-educated and skilled people as there are in Russia. The passage of the strategic-sectors law -- and, most important, its consistent implementation -- can help make the rules of the road for foreign and domestic investors more transparent and more predictable. While questions are emerging about drops in the country's oil production and future shortfalls in natural gas output, there is still plenty of time for Russia to invest sensibly in infrastructure and attract foreign partners.

Corruption can be combated, piracy of intellectual property can be reduced and bureaucratic red tape can be cut. Rule of law can become more than just a slogan, especially given the interest of a new generation of property owners in protecting what they have obtained. But all these tasks will require a real sense of urgency over the next few years and a constant battle against complacency. As one of my favorite American philosophers, Will Rogers, once said, "Even if you're on the right track, you'll get run over if you just sit there."

The United States is not a disinterested observer of Russia's economic course. U.S. investment in Russia has increased by about 50 percent each year during my tenure as ambassador, and Russian investment in the United States is increasing just as quickly. For all the concern expressed about U.S. foreign investment regulations, the truth is that no Russian investment in the United States has ever been rejected. Severstal is now the third-largest steelmaker in the United States. International Paper and Pepsi-Cola have recently made billion-dollar acquisitions in Russia. Two-way trade has grown by an average of nearly 40 percent per year in the last few years. More than 100,000 Russian jobs can be traced directly to U.S. businesses or investments.

In addition to jobs, U.S. businesses have made real contributions to the modernization of business practices and corporate governance in Russia, which is what the country needs to compete in global markets. Boeing's overall business with Russia will total tens of billions of dollars in the coming years, and the Russian Regional Jet project is an excellent example of technological partnership. Despite all of that, bilateral trade and investment numbers are still far below their potential, and much more is possible in the years ahead.

That will be particularly true as Russia completes its integration into global economic institutions. Membership in the World Trade Organization should be achieved this year, and Bush reaffirmed at the Sochi summit on April 6 his commitment to doing everything possible to help meet that goal before he leaves office. We have also begun negotiations of a bilateral investment treaty. Moreover, the U.S.-Russia Economic Dialogue, which was agreed upon by Bush and Putin in Sochi, marked its inaugural session in Washington on April 28, and U.S. Secretary of Commerce Carlos Gutierrez is planning a visit to the St. Petersburg International Economic Forum in June to explore ways of restarting business-to-business dialogue. And as a new U.S. administration organizes itself after the November presidential election, it will see an economic relationship with Russia with increasing significance for both our overall ties and Russia's future direction.

I lived in Russia for a total of five years. It was hard to leave. For all the frustrations, for all the ups and downs in relations, for all the missed opportunities and misunderstandings, for all the disagreements that still afflict us, for all the uncertainties about the future, I will always view Russia and Russians with real fascination, affection and respect. As ambassador, I was able to take more than 40 trips around the country, from Kaliningrad in the west to Chukotka, 11 time zones to the east, and only 50 kilometers across the Bering Strait from Alaska. I saw what's possible in this vast society, and the formidable problems that remain. I left with a fair amount of humility about the ability of any outsider to fully understand, let alone influence, the course of events in Russia. But I left also with an abiding sense of the importance of building and maintaining strong relations between our two countries.

William J. Burns served as the U.S. ambassador to Russia from 2005 to 2008.

#2

Old Faces Follow Putin to New Jobs

By Anna Smolchenko

The Moscow Times, May 13, 2008

Prime Minister Vladimir Putin unveiled his Cabinet lineup on Monday, reappointing most key ministers and taking several powerful Kremlin allies with him to the White House.

President Dmitry Medvedev, who took over from Putin last week, quickly approved the candidates during a carefully choreographed meeting in the Kremlin. He said he and Putin had worked on the makeup of the Cabinet for the past two months.

State television showed Putin proposing the names to Medvedev while conspicuously seated at the same spot at the Kremlin desk that he occupied as president. Putin also announced the reshuffle to reporters.

"I would like to underscore the fact that we acted from a need to reinforce the performance and efficiency of the government and the potential of its staff by changing and optimizing the executive power structures," Putin said at a government meeting.

Among the major changes are the promotion of Igor Shuvalov, Putin's key economic aide in the Kremlin and Russia's Group of Eight sherpa, as one of the two first deputy prime ministers. Putin appeared to counterbalance the liberal appointment with the promotion of Igor Sechin, his powerful hawkish deputy chief of staff at the Kremlin, to the post of deputy prime minister.

Shuvalov will promote economic freedoms and oversee foreign trade, WTO talks, small business, state property and anti-monopoly policy, while Sechin will be in charge of energy and industrial policy, excluding the defense portfolio, the use of natural resources and environmental, technological and nuclear oversight.

Sechin's appointment brings the man believed to be the behind-the-scenes master of a Kremlin siloviki clan into the public spotlight for the first time. Sechin has Putin's ear and is thought to wield enormous influence among other senior officials. While in the Kremlin, Sechin stalled Putin's decisions and convinced him to reconsider key appointments, Russian Newsweek reported Monday.

Former Prime Minister Viktor Zubkov, plucked from obscurity last September to ensure a smooth Cabinet handover for Putin, was appointed the other first deputy prime minister. Zubkov, a former collective farm boss, will be in charge of the agriculture, fishing and forestry industries.

Along with Sechin, four other men were appointed deputy prime ministers. Sergei Sobyenin, who headed Putin's administration in the Kremlin, was named government chief of staff with the rank of deputy prime minister, while Deputy Prime Ministers Alexander Zhukov and Alexei Kudrin retained their posts.

Sergei Ivanov — a former first deputy prime minister who at one time appeared set to become president — was demoted to deputy prime minister. In what might be seen as a further snub, Putin at the government meeting introduced each of his new deputies and their roles with the exception of Ivanov.

The appointments appear to be in line with Putin's long-standing practice of balancing various interest groups while staying above the fray. Top liberals Shuvalov and Kudrin could provide balance against Sechin and Ivanov.

Sobyanin will oversee the division of power among the federal, regional and municipal levels of government, as well as legislative initiatives, among other things, Putin said.

Zhukov will spearhead government attempts to improve health, education and housing — known as the national projects — and oversee art, culture, tourism and sports, including preparations for the 2014 Olympics in Sochi.

Kudrin, who also kept the post of finance minister, will be in charge of socio-economic and monetary policies, the state budget and financial markets. Observers have linked Kudrin's political longevity to Putin's appreciation for his help when the future president first moved to Moscow from St. Petersburg. Putin slept on a cot in Kudrin's kitchen in his early days in Moscow, Vladimir Solovyov, a television celebrity close to the Kremlin, wrote in his recent book "Putin: A Guide for Those Interested."

Other new faces in the Cabinet are Justice Minister Alexander Konovalov, the former presidential envoy to the Volga Federal District who replaces Vladimir Ustinov; and Communications and Press Minister Igor Shchyogolev, the former head of the Kremlin protocol department who heads a new ministry.

IT and Communications Minister Leonid Reiman, whose name has been tainted in corruption scandals, lost his job, and his ministry was disbanded.

The Culture and Press Ministry was renamed the Culture Ministry, and Alexander Avdeyev, previously Russia's ambassador to France, replaced Alexander Sokolov at the helm. Vitaly Mutko, head of the Russian Football Union, was named the head of the new Sports, Tourism and Youth Ministry. The State Committee of Youth Affairs, headed by former Nashi leader Vasily Yakemenko, was folded into the ministry.

In a sign that energy will continue to play a central role in the country's economy, the Energy Ministry was created from the Industry and Energy Ministry. Its minister is Sergei Shmtako, head of Atomstroieksport, the country's nuclear power equipment and service export monopoly. Former Industry and Energy Minister Viktor Khristenko was named head of the new Industry and Trade Ministry, which took over the trade portfolio from the Economic Development and Trade Ministry. That ministry, in turn, was renamed the Economic Development Ministry, and Elvira Nabiullina kept her job as its chief.

In other changes, a new federal agency in charge of ties with the Commonwealth of Independent States has been set up on the basis of a department of the Foreign Ministry that dealt with those countries. Under Putin, relations with most of the country's post-Soviet neighbors have soured.

Medvedev appointed former Deputy Prime Minister Sergei Naryshkin as his chief of staff. Alexander Bortnikov, head of the Federal Security Service's economic security division, was named the head of the FSB. Former FSB director Nikolai Patrushev was made the head of the president's Security Council.

Putin's key economic adviser, Arkady Dvorkovich, who reportedly had coveted a ministerial post, did not make it into the new Cabinet. Medvedev promoted Kremlin deputy chief of staff Vladislav Surkov to first deputy chief of staff and Alexei Gromov, formerly Putin's influential spokesman, as deputy chief of staff.

In a separate shuffle, Viktor Cherkosov, chief of the Federal Drug Control Service, was moved to the federal agency that procures weapons and military hardware, replacing Alexander Denisov. Cherkosov is thought to lead a siloviki clan at loggerheads with Sechin's group. The war between the clans spilled into the open last fall when Cherkosov said in an open letter that infighting was threatening national security.

Foreign Minister Sergei Lavrov and Defense Minister Anatoly Serdyukov retained their jobs. Yury Trutnev kept his post as natural resources minister, while receiving a new portfolio to oversee the environment. Other

officials who kept their positions were Agriculture Minister Alexei Gordeyev, Regional Development Minister Dmitry Kozak, Education and Science Minister Andrei Fursenko, Health and Social Development Minister Tatyana Golikova, and Transportation Minister Igor Levitin.

#3

Russia Expels U.S. Military Attachés

By DAVID STOUT

The New York Times, May 9, 2008

Russia has ordered the expulsion of two American military attachés working at the United States embassy in Moscow, the State Department said on Thursday.

"I can confirm the two military attachés have been asked to leave the country," said Gonzo R. Gallegos, the department's director of press relations. "We object to these actions, but we'll comply with the Russian government's request."

No one at the State Department would speculate about the reasons for the expulsions, although the United States has reportedly expelled a handful of Russians in recent years in little-noticed diplomatic dust-ups.

A Russian foreign ministry spokesman in Moscow told Reuters that the Russian government had no comment "at the moment." The Russian embassy in Washington also declined to comment on the matter.

There was nothing to suggest any kind of crisis between Washington and Moscow, and the subject did not even come up in a conversation between journalists and a White House spokesman, Gordon D. Johndroe, aboard Air Force One, as President Bush flew to Texas for his daughter Jenna's wedding this weekend.

Still, the latest incident was a reminder of the strains in relations between two countries that have vastly different histories, traditions and expectations even in the post-Soviet era, despite President Bush having had Vladimir V. Putin, Russia's new prime minister and former president, as a guest at his home in Texas.

Washington has expressed occasional disappointment with Moscow over its human rights record, while Moscow has occasionally accused pro-Western groups of promoting unrest in Ukraine, Georgia and other former Soviet republics on Russia's borders, and of having a holier-than-thou attitude, given the racial and ethnic tensions that exist in many Western countries.

Perhaps coincidentally, the expulsion of the American attachés comes as Dmitri A. Medvedev assumes the Russian presidency from his mentor, Mr. Putin. It also comes a day before Russia celebrates the anniversary of the Allied victory over Nazi Germany in World War II, a conflict that cost millions of Russian lives.

#4

In Russia, nod to Soviet pride

By Alex Rodriguez

Chicago Tribune, May 11, 2008

Tank after tank rumbled over Red Square's cobblestones, manned by soldiers with deadpan gazes cocked to one side and locked on the Kremlin elite's reviewing stand. A deadly armada of firepower that included the 52-ton Topol-M intercontinental ballistic missile followed. Above it all, MiG fighter jets and strategic bombers soared in formation.

Russia's celebration of Victory Day, the country's annual commemoration of the defeat of Nazi Germany, came with a subtext Friday: Russia needs to feel good about itself again. To hammer home that message, the Kremlin borrowed a page from the Soviet era, when leaders relied on a display of military might to reinforce national pride.

Under Vladimir Putin, the Kremlin increasingly turned to Soviet-era symbols to revive a sense of patriotism in a country disheartened by its post-Soviet economic free fall. The former KGB agent brought back the Soviet anthem and restored the Soviet armed forces banner, a red star on a field of red, as Russia's military flag.

Even one of the most reviled figures in Russian history, Soviet secret police founder Felix Dzerzhinsky, was memorialized in a bronze bust erected outside Moscow police headquarters during Putin's term.

Putin is now Russia's prime minister, but last week's display appeared to be one more nod to Soviet might from a leader who once called the Soviet empire's disintegration the "greatest geopolitical catastrophe" of the 20th Century.

'Imitation of great power'

"The resurrection of Soviet symbols and Soviet-style military parades is consistent with Putin's policies, which are aimed at the imitation of great power," said Vladimir Pribylovsky, president of Panorama, a Moscow-based political think tank. "These things are done to instill a feeling of pride for this great power."

Last week, Putin said the return of military hardware to Red Square on Victory Day shouldn't be construed as "saber rattling. We have enough of everything. But this is a demonstration of our growing defense capability. We are capable of defending our people, our state, our wealth, of which we have a lot."

As their Soviet predecessors did, Putin and his handpicked successor, Dmitry Medvedev, watched as legions of soldiers in uniforms created by a leading Moscow fashion designer goose-stepped past, followed by more than 110 military vehicles.

The parade capped off a week in which the Kremlin's carefully choreographed transfer of power culminated with Medvedev's inauguration as president Wednesday, and Putin's appointment as prime minister the day after. Though the prime minister is subordinate to the president, both Putin and Medvedev have talked as though they will share power.

Experts say Putin's embrace of Soviet symbolism reflects his recognition of just how strongly many Russians remain tethered to that part of their history.

Despite the terror and misery of communist rule, many Russians today recall the Soviet age with a sense of pride. The place Russia commanded on the world stage when Soviet leaders reigned is something Russians want back.

"Many Russians don't want to talk about Soviet terror, the hunger, the state-sponsored anti-Semitism," said Boris Dubin, a sociologist with the Levada Center, Russia's leading pollster. "All this is removed from people's memory and replaced with a rosy picture that most of the population is quite satisfied with."

Crimes 'almost forgotten'

Josef Stalin is etched in history as a despot responsible for the murders of millions of Russians and the architect of the notorious Gulag labor camp system, but according to Russian polls, half of the population views Stalin's legacy as positive.

"Stalin's repressions are now almost forgotten," Pribylovsky said. "People tend to be indifferent about the crimes of the Stalin era, or even inclined to justify those crimes by saying that's what was needed to build a great state."

The image the Kremlin tried to portray Friday on Red Square was that of a strong, resurgent military prepared for any threat. Experts say it's a portrait that doesn't wholly fit reality.

Though Russia nearly quadrupled its defense budget under Putin, problems still plague the country's military. It continues to rely on conscripts despite repeated attempts to shift to a professional, contract service army. The

size of Russia's submarine fleet dropped from 170 in 1990 to 50 as of 2006—only 26 of which were operational, according to the Russian newspaper Kommersant.

Nevertheless, Russians who watched the parade from a bridge near Red Square said they found nothing awry with the Kremlin's restoration of a tradition not seen in Moscow since 1990.

"I completely approve of this idea," Anna Shkuleva, 56, a Moscow homemaker, said of the return of military hardware to Red Square. "It's very important for me to feel safe in this world. And, this parade gives me another important feeling: pride for our country's strength."

#5

Russia Parades Its Military in an Echo of Soviet Days

By C. J. CHIVERS

The New York Times, May 10, 2008

Nuclear missile launchers and columns of tanks rolled through Red Square on Friday in a display of martial hardware not seen since the Soviet Union's waning days.

The parade, much smaller than similar commemorations in the Soviet period but laden with significance and mixed messages, marked the 63rd anniversary of the victory over Nazi Germany, which is observed in Russia as Victory Day, a solemn state holiday.

It was intended both as a tribute to the dwindling ranks of surviving veterans and as a display of Russia's efforts to revive armed forces made moribund by the Soviet Union's collapse.

It was also widely described as a sign that the Kremlin wanted to show the world that it had recovered from the embarrassments of the 1990s and that its foreign policy had not softened in a transfer of presidential power this week.

But the goose-stepping footfalls, echoing in front of shop windows bearing products from Louis Vuitton and Christian Dior, captured as well the contrasts institutionalized during eight years of rule by Vladimir V. Putin, the former spymaster and president who left office on Wednesday and returned to power as prime minister the following day.

Confident and flush with wealth, Mr. Putin's Russia is led by men who embrace Soviet symbols and rituals while promising tax breaks and legislation to encourage a growing Russian investor class.

The passing columns were reviewed by the new president, Dmitri A. Medvedev, a lawyer who has spoken of nurturing civil liberties and a climate more conducive to small business, but who ascended to office in an election stage-managed by the Kremlin.

Many of the soldiers were in period dress, wearing uniforms reminiscent of those worn in celebrations that Mr. Putin led in the same place three years ago on the 60th anniversary of the end of World War II.

This time there was a new president. Mr. Putin, his mentor, stood behind Mr. Medvedev as he addressed the crowd. When the troops began to march by while saluting the dignitaries, the former president stepped forward to receive the salutes at his protégé's side.

In a sign that suggested that the Kremlin had not yet settled how to interpret the seven decades of Soviet history, Lenin's mausoleum was temporarily blocked from view by a huge mural of Russia's tri-colored national flag.

The mausoleum, where Lenin's embalmed body lies in state, is normally a centerpiece of the square and perhaps the most potent Soviet symbol in the capital. The president and prime minister stood on a reviewing stand erected for the event, their backs to Lenin's remains as they presided over a ritual created by Stalin.

Mr. Medvedev thanked the aging veterans in the reviewing stands — white-haired men and women in their 80s and 90s, many wearing blazers heavy with medals. Then he spoke of readiness and restraint.

“The history of world wars warns that armed conflicts do not erupt on their own,” he said. “They are fueled by those whose irresponsible ambitions overpower the interests of countries and whole continents, the interests of millions of people.”

He added, “We need to remember the lessons of that war and work every day so that such tragedies never happen again.”

The parade was the first display of armor and nuclear missile launchers on Red Square since 1990, and was followed by a flyover of 32 military planes, including strategic bombers.

The Kremlin's decision to parade its military hardware has been a subject of competing interpretations, viewed variously as symbolic confirmation of Russia's pride, or aggressiveness, as a marketing show of Russian arms, and as a nationalistic festival ordered by Mr. Putin, for Mr. Putin.

Mr. Putin insisted earlier in the week that the parade should not be viewed as “saber rattling.” “It is not a warlike gesture,” he said. “Russia is not threatening anyone.”

But it followed a year during which the Kremlin asserted its case against what it regarded as reckless American foreign policies. Mr. Putin has strongly protested an American-led plan to install a missile-defense system in Poland and the Czech Republic. As tensions rose, Russia's aging strategic bombers conducted international patrols, entered British airspace and approached American carrier groups on the high seas.

Russian state-controlled television stations have featured extensive coverage of small-scale exercises of Russia's navy, and of supposedly new weapons systems. Mr. Putin, who firmly opposed the American-led invasion of Iraq five years ago, also endorsed a doctrine of pre-emptive strikes against threats to Russian soil.

As a tribute to veterans and to the irrefutable role and sacrifices of the Soviet Union's people in defeating Hitler, the events on the square were high spectacle. But the parade, broadcast on television here as a national triumph, also offered sights of the mixed condition of the once vaunted armed forces under Kremlin command.

Several of the infantry units, including marine and airborne units, were staffed with lean and fit young men who marched with bearing and precision. Others included troops who appeared to be in only fair condition, and several of the officers leading formations past the two Russian leaders were visibly overweight.

The United States expressed no alarm over the parade. Russia has become a leading global arms exporter again, but its wares are almost all items designed decades ago. A Pentagon spokesman, echoing a view common among military analysts, had characterized the planned military review as a hollow show of dated gear bearing fresh coats of paint.

“If they wish to take out their old equipment and take it for a spin and check it out,” said the spokesman, Geoff Morrell, “they're more than welcome to do so.”

#6

As Gazprom Goes, So Goes Russia

By ANDREW E. KRAMER

The New York Times, May 11, 2008

ON a frigid evening in February, the hottest place to be here was the Kremlin Palace theater. The draw inside the towering hall wasn't Tina Turner or Deep Purple — rock icons well past their prime — but Gazprom, Russia's most powerful corporate leviathan, which was celebrating its 15th anniversary.

Gazprom certainly had reason to party: its chairman, Dmitri A. Medvedev, was riding high on the Russian campaign trail as the hand-picked successor of President Vladimir V. Putin. Although Gazprom forked over a handsome sum to book Ms. Turner and Deep Purple, Mr. Medvedev's favorite band, the opportunity for the company, the world's biggest producer of natural gas, to have its own man installed as Russia's next leader was priceless.

"The gig at the Kremlin was fun, but it wasn't wild," Ian Gillan, Deep Purple's frontman, wrote in an article for The Times of London after the show. "The young guys and more junior staff were all up on their feet, although they were looking nervously over at their bosses to see whether they could loosen their ties. It was as if they were asking, 'How much fun are we allowed to have?'"

Mr. Medvedev was sworn in as president on Wednesday, after winning the election in early March, and his ascent confirms that in today's Russia, the line separating big business and the state is becoming so fine that it's almost nonexistent.

Gazprom and the government have long had a close relationship, but the revolving door between them is spinning especially fast this year: Mr. Medvedev, 42, replaces Mr. Putin as president; Mr. Putin becomes prime minister, replacing Viktor A. Zubkov; and Mr. Zubkov is expected to take Mr. Medvedev's place as Gazprom's chairman at a general shareholders meeting in June.

Mr. Medvedev and Mr. Putin "are as close to a dream team as Gazprom could ever hope for," said Jonathan P. Stern, a British energy analyst and author of "The Future of Russian Gas and Gazprom."

It's hard to overemphasize Gazprom's role in the Russian economy. It's a sprawling company that raked in \$91 billion last year; it employs 432,000 people, pays taxes equal to 20 percent of the Russian budget and has subsidiaries in industries as disparate as farming and aviation.

The company is a major supplier of natural gas to Europe, and it is becoming an important source of gas to fast-growing Asian markets like China and South Korea. In 2005, at the urging of the Kremlin, it bought Russia's fifth-largest oil company from the tycoon Roman A. Abramovich. If crude oil and natural gas are considered together, Gazprom's combined daily production of energy is greater than that of Saudi Arabia.

With energy prices continuing to hit record highs, Gazprom is more influential than ever, both at home and abroad. Gazprom says that before 2014 it will surpass Exxon Mobil as the world's largest publicly traded company — a goal that Mr. Medvedev himself endorsed before he became president.

When Mr. Putin was still president, he used Gazprom's wealth and economic might to fight political enemies inside Russia, to reassert influence over former Soviet republics, to gain leverage over Western European countries by increasing their dependence on Russian gas, and to wrest Russian energy assets back from foreign companies.

Now that Russia is seeking to reclaim the geopolitical clout it had in Soviet days, it is wielding its vast energy resources, rather than missiles, to reassert itself. More often than not, its most potent artillery is Gazprom itself.

In a news conference last year, Mr. Putin denied that Russia uses its economic might to achieve foreign policy goals. But others disagree. "Energy should not be used for a policy tool, but it is," said Vladimir Milov, president of the Institute of Energy Policy, an independent research organization in Moscow, and a former deputy minister of energy. Gazprom, he said, has at times been a "tool of punishment for neighboring countries."

AT a Gazprom worksite in the Yuzhno-Russkoye field in Siberia one day last winter, it was so cold that two dozen diesel engines were left roaring day and night, lest they would freeze until spring. Every winter, some Russian roughnecks get frostbite.

"Your skin just peels a little," said Sergei G. Koshel, a drilling supervisor, dismissing the dangers. Another burly man, taking a break from the rig, pantomimed the issue more graphically, reaching up to his ear, pinching off a phantom piece and flicking it away like a cigarette butt.

The Yuzhno-Russkoye field alone has proven reserves of 800 billion cubic meters of natural gas, or enough to meet the gas demand in the United States for more than a year, and it is only the first of half a dozen huge developments that are planned in the north.

Over the next two years, Gazprom plans to triple its capital outlays in its core business of exploring, extracting and transporting gas — just to maintain its current production levels. Investments will rise to 969 billion rubles, or \$45 billion, in 2010 from 330 billion rubles, or \$14 billion, last year.

To help finance a heady expansion into the Arctic, Gazprom is working on ways to push up natural gas prices in Russia and in the export market.

Last year, it floated the idea of creating a cartel for natural gas, similar to OPEC's oil cartel. Iran supports the idea, but Algeria, Qatar and others are uncommitted. A gas cartel would allow Russia to increase its influence in global energy markets, but at this point it's unclear how hard it will push the concept.

Gazprom's ties to the government are already paying dividends in the domestic market. Under a policy championed by Mr. Medvedev when he served as deputy prime minister, Russian consumers are going to have to pay starkly higher prices for natural gas. Prices are set to rise about 25 percent a year, starting this year, with the goal of reaching parity with world energy prices by 2011.

Policies like this mean that average Russians won't continue enjoying their traditional access to cheap energy, and they offer a stark example of the government's willingness to give Gazprom a leg up — regardless of the social fallout.

Just as Gazprom's riches make it a proxy for Russia's newfound power and prestige around the world, the company also epitomizes the risks of state capitalism: waste and inefficiency.

Back in the 1990s, Gazprom was the archetype of the unreformed Soviet enterprise. While oil companies were being privatized and sold to Russian, and even foreign, investors, Gazprom stayed intact and under government control. It bankrolled many of the Kremlin's pet projects and the high-rolling lifestyle of a generation of company executives.

Gazprom says that many of the investments that critics once labeled political, such as the purchase of television stations and newspapers, have in fact turned out highly profitable.

Now Russian leaders consider Gazprom the template for a new industrial policy. In a globalized world, their thinking goes, strategic Russian companies should be controlled by the government, yet open to the capital and skill of Western investors — just as Gazprom is. It's a throwback to the Soviet economic model, with an emphasis on gigantism and economies of scale and faith in the pricing power of monopolies.

Under Mr. Putin, oil companies were brought back under the Kremlin's control, and dozens of state-controlled but publicly listed corporations sprung up in industries like energy, metals, aviation and auto manufacturing. It won't end there. A former first deputy prime minister, Sergei B. Ivanov, who is also chairman of the state-owned Unified Aircraft Corporation, has proposed forming state corporations for radio electronics, optics and space ventures.

Rich as it is, Gazprom faces big challenges in the Medvedev era.

Rising prices for steel, equipment and labor have caught the company at the outset of its largest capital program in two decades. Like other Russian companies, it invested little money maintaining or upgrading equipment in the 1990s. But the days of coasting on Soviet-era infrastructure are over, as output declines from fields first tapped in the 1970s.

To meet export commitments in Europe, as well as growing demand at home, Gazprom will have to spend at least \$75 billion to bring its two largest fields in the Arctic into production within the next decade, according to Cambridge Energy Research Associates.

Yet exploring and extracting gas in a region where temperatures dip to 50 degrees below zero is technologically challenging, as well as expensive. Gazprom must build pipelines, gas processing plants, liquefied natural gas factories and a full panoply of supporting infrastructure like roads, railroads and ports. And to accomplish those feats, it moves thousands of tons of steel and heavy equipment to the middle of a vast, frozen swamp.

“The complexity and the size of it is what creates a huge challenge for Russia and for Gazprom,” said Vitaly V. Yermakov, director of research for the Russian and Caspian region at Cambridge Energy Research Associates.

CRITICS say that Gazprom muscled its way into the ranks of the world’s energy giants with blatant and often ham-handed tactics, particularly during the Putin years. The Yuzhno-Russkoye field, which Gazprom points to as an example of its resurgence, is a case in point.

Richard W. Moncrief, a Fort Worth oilman, says he is the rightful owner of 40 percent of the field, which he says he bought in a series of agreements with Gazprom about a decade ago. But he says that Gazprom didn’t recognize his contract, instead granting BASF, a Germany company, a 35 percent stake in the field. Mr. Moncrief is suing Gazprom in Berlin, contending that his stake is now worth \$12 billion.

Gazprom maintains that the agreements were not binding: “The company denies any obligations toward Moncrief Oil in relation to the Yuzhno-Russkoye field,” the company said in a statement.

Mr. Moncrief disagrees, but is pessimistic about his legal position.

“Nobody has ever gotten a Russian company into a court that could enforce a contract,” he said in a telephone interview. “In the end, the Russians are going to do exactly what they want to, and they’re going to ride the back of Western commerce to fund their country.”

Western executives say that the Kremlin is always on call whenever Gazprom needs a boost.

Last year, TNK-BP, a Russian joint venture involving BP and the Alfa Group, Access Industries and the Renova Group, agreed to sell Gazprom a vast Siberian gas field after Russian authorities threatened to cancel the venture’s license to operate there. Gazprom offered \$700 million to \$900 million for TNK-BP’s stake in the field and a local gas distribution company. It is a complex deal that has yet to close. Whatever its terms, analysts say, they would hardly compensate BP for the field, Kovykta, which is thought to hold immense gas supplies — and for the millions of dollars that the venture had already invested there.

Gazprom’s spokesman, Sergei V. Kupriyanov, says that Gazprom is not responsible for TNK-BP’s regulatory troubles and that the terms reflect market conditions.

OTHER deals involving Gazprom have followed similar patterns. In transactions involving both Shell and BP, Mr. Putin met directly with corporate executives. For a time, Kremlinologists thought that he might segue into the chairman’s job at Gazprom; executives say Mr. Putin, a former spy, shows a keen interest in the oil and gas business.

“The president clearly knows as much about BP’s business in Russia as I do,” Anthony B. Hayward, BP’s chief executive, said after a meeting last spring, during negotiations to sell the Kovykta gas field to Gazprom. “I stopped being surprised by his attention to detail some time ago.”

A Kremlin spokesman, Dmitri S. Peskov, said at the time that the government’s role in these talks was limited to regulatory issues.

In the first year of his presidency, Mr. Putin turned to Gazprom to buy out an opposition television station, NTV. Since then, the company's politically tinged media business has ballooned, but its finances are often opaque because of complex partnership agreements.

When Gazprom raised prices on newly democratic countries ringing Russia, like Ukraine, the Kremlin's foreign policy and Gazprom's commercial interests were symbiotic; punishing the Kremlin's opponents also brought the company revenue.

With Gazprom contractually bound to export to European customers far into the future, the pain of any production lapses will be borne by average Russians in the form of gas shortages, analysts say.

Mr. Kupriyanov denied that Gazprom faces a production shortfall. The company, he said, is developing fields specifically to meet the needs of customers in Europe holding long-term contracts.

He added that the company is shedding many of the sideline businesses that had been a target of criticism for financial analysts, to focus on its capital investment program. Just in 2007, for example, the company sold noncore assets worth 38 billion rubles, or \$1.6 billion.

Such assurances, though, have not quieted critics of Aleksei B. Miller, a Putin appointee expected to stay on under Mr. Medvedev as chief executive of Gazprom.

Mikhail D. Delyagin, a former economic adviser to President Boris N. Yeltsin, is skeptical of Gazprom's ability to deliver the new gas on time or on budget. Gazprom's resources have been tapped for so many political and sideline business ventures that it has become a financial company more than an energy company — threatening its capacity to continue pumping gas, Mr. Delyagin said.

"Miller turned Gazprom into the Kremlin's wallet," he said. "You cannot drill a hole with a wallet."

AND yet, with oil at more than \$125 a barrel, Gazprom's wallet is becoming fatter every year.

After Mr. Medvedev's inauguration last week, Gazprom's value surpassed those of General Electric and China Mobile, making Gazprom the world's third-largest company by market value.

"If they can bite the bullet and raise domestic prices, this company has a real shot at becoming the world's largest," said James R. Fenkner, the managing partner at Red Star Management, a hedge fund that holds Gazprom stock. "It is not that far off."

#7

The Danger of Isolationism

By Andrei Kortunov

The Moscow Times, May 12, 2008

Russia has only two allies -- its army and navy." This phrase, which was originally uttered 150 years ago by Tsar Alexander III, has become quite popular over the past several years to describe Moscow's shortage of allies.

It isn't that Russia has no need for external allies and partners, but that relying on strategic partnerships in the modern world is a risky affair. The world is indeed a tough place, and the competition is cutthroat. Vladimir Putin's comments during the 2006 Russia-EU summit in Sochi perhaps best sums this up. When responding to European complaints about gaining access to Russian energy reserves, Putin said, "If our European partners expect us to let them into the holy of holies of our economy -- the energy sector ... then we expect reciprocal steps. This is like the boy who goes into his courtyard clenching a piece of candy tightly in his sweaty fist. Other boys approach him and say, 'Hand over the candy,' and the boy answers, 'What do I get out of this?'"

Russia has become stronger, wealthier and more self-confident, but this doesn't always please other nations. This is part of the reason that Russia doesn't have a lot of friends in the world. If Russia suffers some kind of a political defeat, it tends to blame its woes on its opponents' machinations or pathological Russophobia.

This is why a strategic partnership with the United States hasn't panned out, why Russia still has no new agreement with the European Union, why relations with the Baltic states remain strained and why there has been no progress on integrating the former Soviet republics into a real alliance. It also explains why there is no alliance with Belarus -- Russia's Slavic neighbor and its "closest ally" -- and why Moscow continues to be denied admission to the World Trade Organization.

Yes, the world is difficult, unpredictable and, at times, cruel. But is it correct to attribute all the country's failures and miscalculations on the machinations of the West? Is it wise to return to the old, worn-out idea of a global conspiracy against Russia? Does it make sense to reject from the very beginning the possibility of cultivating reliable allies in this difficult international environment?

On the surface, Russia seems to have gotten by on its own without strategic allies and can buy everything it needs with its seemingly endless oil wealth. But the primitive policy of "Let other nations hate us as long as they fear us" is doomed to fail in today's world.

Isolationism is a country's admission of its inability to cope with the realities of the modern world. Russia is again trying to fence itself off from the troublesome world with the help of an anti-Western campaign in the media and hooliganism directed at foreign embassies, as well as by pushing Western businesses out of its economy and demonstrating an unwillingness to be diplomatic and tactful when negotiating with difficult international partners.

Some people might consider a fortress to be an ideal home. Indeed, there are many people among bureaucrats, military personnel and businessmen who benefit from exaggerating the threat from the country's "enemies."

But isolationism and a siege mentality are self-destructive models. Russia cannot modernize its economy, develop human capital or derive any benefits from globalization if it does not integrate with the rest of the world. It should not be content with being "Europe's gas station," while naively gratifying itself with the notion that it is an "energy superpower."

Moreover, it should not define its foreign in terms of opposition -- opposing NATO expansion, opposing deployment of U.S. missile-defense systems in Poland and the Czech Republic, opposing independence for Kosovo, opposing the EU's energy charter, opposing the British Council's activities within Russia and opposing Polish meat in Russian stores.

The Kremlin now has the opportunity to implement a truly global, modern and long-term foreign policy. What's more, other nations would benefit from a stronger Russia that is more active in international relations. We can play a significant role in setting the agenda for global affairs, reconciling conflicting interests and reforming outdated international organizations.

Many politicians believe that the goal of the Kremlin's foreign policy should be to demonstrate the country's newfound power and influence. But Russia's greatness lies not in its ability to block decisions it doesn't like, nor in distancing itself from the outside world through a model of sovereign democracy. Rather, it can best demonstrate its greatness by playing an active and constructive role in resolving the most difficult problems facing the world.

But most important, Russia needs to change its traditional attitude toward the rest of the world. After all, the world is not a playground where bullies can snatch candy away from a child. It is a common home that we must build and maintain together with our neighbors and partners.

#8

U.S.-Russia Nuclear Pact Faces Rough Reception in Congress

By Adam Graham-Silverman
CQ Today, May 13, 2008

Congress reacted Tuesday with skepticism and disapproval after President Bush sent lawmakers a nuclear cooperation agreement between the United States and Russia.

At least one senator said he would try to block the deal, which would broaden nuclear cooperation between the two former adversaries, allowing U.S. nuclear companies access to the Russian market and the transfer of nuclear materials between the two countries.

"I am disappointed by our administration's insistence on moving forward to sign a nuclear cooperation agreement with Russia at a time when it is actively undermining our foreign policy with respect to Iran – the most serious threat to international security. Russia is supporting Iran's nuclear program, and it is upsetting that the administration has chosen to turn a deaf ear to a critical mass of concerns in Congress," said Sen. Norm Coleman, R-Minn.

"I will be working to garner the support of my colleagues in Congress to pass legislation to block this agreement until our concerns are addressed."

Congress can block the pact by enacting a joint resolution of disapproval within 90 days, but such a resolution would be subject to a presidential veto and thus would require a two-thirds majority of both chambers to succeed.

House Foreign Affairs Committee Chairman Howard L. Berman, D-Calif., said he would hold hearings this month on the deal, noting that administration officials had thus far failed to answer the panel's questions convincingly. His panel and the Senate Foreign Relations Committee have 30 days to act before the matter is discharged to the full House and Senate.

House Energy and Commerce Committee Chairman John D. Dingell, D-Mich., and Bart Stupak, D-Mich., chairman of the panel's Oversight and Investigations Subcommittee, warned Bush last week in a letter that the pact would face trouble on Capitol Hill.

"While we strongly support the expansion of a strategic partnership with Russia, sending this agreement to Congress before key questions are answered will most assuredly raise congressional and public objections that could defeat the ultimate purpose of such an initiative, to improve and solidify our relations with Russia," it said.

More than 30 senators also signed on to a letter last week from Coleman and Evan Bayh, D-Ind., asking Bush not to submit the deal until Russia ends support for Iranian weapons and nuclear fuel programs.

Russia started shipping fuel to Iran's nuclear reactor at Bushehr after the December release of a U.S. National Intelligence Estimate that found Iran had shelved its nuclear weapons program in 2003. Proliferation experts say the arrangement could help keep Iran out of the nuclear weapons business, but a broader deal between the United States and Russia would generate more raw material for nuclear weapons.

Opponents of the deal say broad Iran sanctions bills (S 970, HR 1400) with language that would block agreements with Russia could overcome presidential vetoes. The Senate bill has 70 cosponsors, and the House passed its legislation, 397-16, on Sept. 25.

Neither measure has seen Senate action, however.

"Unless a major change has occurred in Russian support for Iranian nuclear and missile programs since last September, it is highly questionable to send Congress the 123 agreement without first assuring the Congress and the American people that Russia is conforming to the letter, as well as the spirit, of HR 1400," Dingell and Stupak wrote.

It is possible for Congress to kill the agreement by doing nothing.

For the agreement to go into effect it would have to be before the Congress for 90 days of "continuous session." But should Congress adjourn before the 90 days, the agreement would not go into effect. Congress intends to adjourn on Sept. 26, which would be before a full 90 days of continuous session, which would effectively kill the agreement.

"The proposed agreement provides a comprehensive framework for peaceful nuclear cooperation with Russia based on a mutual commitment to nuclear non-proliferation," Bush said in a statement accompanying the agreement, which has a term of 30 years and permits the transfer of technology and equipment, including reactors, for research and power production.

#9

US official in Abkhazia to seek restored dialogue: report AFP, May 10, 2008

A senior US State Department official arrived in Abkhazia on Saturday to try to help to restore dialogue between the breakaway region and Georgia, Russian news agencies reported.

Matthew Bryza, deputy assistant secretary of state for European and Eurasian Affairs, was quoted by the Ria Novosti news agency as describing the situation as tense but not beyond a solution.

Bryza spoke to journalists ahead of meetings with leaders of the breakaway territory where tensions have been mounting and where neighbouring Russia -- seen as backing the separatists -- has military forces.

They reached new heights Thursday as Georgian President Mikheil Saakashvili warned of a risk of war with Russia.

Foreign ministers from five EU member state -- Slovenia, Sweden, Poland, Lithuania and Latvia -- were expected Monday to travel to Tbilisi to try to mediate between Georgia and Russia.

The US official was quoted Saturday as saying it was essential to restore and stimulate negotiations between the Georgian government in Tbilisi and the Abkhaz side, suggesting that Russia, Ukraine, Turkey and others might mediate.

The Abkhaz leadership has claimed the downing of five unmanned Georgian spy planes in the last two months, while Georgia has only acknowledged one such shooting, carried out it said by a Russian fighter jet.

Abkhaz officials said Friday that an Georgian drone shot down the day before was carrying an air-to-air missile.

As deputy assistant secretary of state for European and Eurasian Affairs, Bryza is responsible for policy supervision and management of relations with countries in the Caucasus and southern Europe.

This includes leading US efforts to advance peaceful settlements of the separatist conflicts of Abkhazia and South Ossetia in Georgia.

#10

Taking the Temperature In Georgia's Hot Spring By Matthew Collin The Moscow Times, May 12, 2008

Tbilisi is bathing in an early summer glow. Babushkas are hawking bucketfuls of luscious strawberries and kiwi on the sidewalks, the fountains are gushing merry jets of water into the warm air, and the Georgian capital seems to be in a carefree mood. Is this really a country on the brink of war?

After Russia recently moved more peacekeeping forces into Georgia's breakaway region of Abkhazia, Georgian officials warned that armed conflict could be imminent. There's been no shortage of inflammatory rhetoric since the latest conflict between Tbilisi and Moscow erupted when an Georgian spy drone was shot down over the Abkhaz conflict zone in April. But it's sometimes hard to judge how much of the frenzied speculation about surveillance drones, MiG fighter jets and troop movements is just propaganda, bluff and geopolitical gamesmanship.

Nevertheless, despite the apparent calm in Tbilisi, there is an underlying sense of uncertainty. "Will war in Abkhazia begin tomorrow?" worried the headline in one Georgian newspaper recently. When another paper asked its readers whether they thought armed conflict was inevitable, it received some disturbing responses: "It's clear that Georgia doesn't want war, but like most Georgians, I expect fighting. I don't want to think about how it'll end," one said. "If things continue in the same way, war in Abkhazia will be unavoidable," responded another.

Others were less fearful, pointing out that all sides simply have too much to lose. A return to war in Abkhazia would not only damage Georgia's hopes of joining NATO, but also cause serious international diplomatic problems for the Kremlin. "War is not beneficial for anyone," an 18-year-old student noted sagely.

In Abkhazia itself, people have become accustomed to living with a siege mentality, and although tensions have risen, the perceived threat of war is hardly new. "It's the same as always, people believe it's obvious that the Georgians want to invade, because they think it's their land and they want it back," I was told by a colleague who recently returned from the Abkhaz capital, Sukhumi. "Everyone in Tbilisi was saying war was coming soon, but in Sukhumi, it just didn't feel like that at all."

With emotions running high, however, fears persist that any random altercation fueled by patriotic fervor, excessive testosterone and strong alcohol could escalate. Everyone says they don't want war, but that doesn't mean they're not ready to fight. "The Abkhaz insist they're ready to defend what they see as their homeland," my colleague cautioned. "They say, 'We'll fight back, and it'll be the worst thing that ever happened -- for the Georgians and for us.'"

#11

Bush Prods Medvedev Over Georgia The Moscow Times, May 14, 2008

U.S. President George W. Bush has congratulated President Dmitry Medvedev on his inauguration and used his call to express concern about Moscow's dispute with Georgia over the breakaway Abkhazia region, the White House said.

Bush called Medvedev on Monday and also spoke with former President Vladimir Putin about his appointment as prime minister, White House spokeswoman Dana Perino said.

In his call with Medvedev, "President Bush raised his concerns about the situation in Georgia and hoped that all sides were working to reduce tensions," Perino said.

The White House has been highly critical of Russia in the escalating fight over Abkhazia and has called on Moscow to "back down."

Russia has sent additional soldiers to the region and boosted ties with the separatists.

Georgia has tried to reassert control over Abkhazia and South Ossetia since they broke away in the early 1990s.

The separatists said earlier on Monday that they shot down two more Georgian unmanned spy drones, which Tbilisi denied.

Perino said Bush and Medvedev underscored a desire on both sides to maintain good relations, and that they look forward to working together.

Perino said Bush then called Putin to wish him well in his new post.

She said the calls "lasted a few minutes each."

#12

Olympic Gold in Abkhazia

By Yulia Latynina

The Moscow Times, May 14, 2008

The day before Victory Day, Zvezda television, run by the Defense Ministry, reported that Georgia was planning an invasion of the breakaway republic of Abkhazia on May 9.

This situation is painfully reminiscent of when Russian intelligence services announced that the United States would attack Iran on April 6 at exactly 4 a.m. in an operation code-named "Bite." Both stories contained remarkably specific details, but in both cases, no war ever started.

There is no doubt that Georgia would like to regain Abkhazia. If Georgian President Mikheil Saakashvili were Prime Minister Vladimir Putin, he would probably send troops into Abkhazia as Putin did with Chechnya, and he would either capture Abkhazia or at least gun down a lot of Abkhaz citizens. As badly as Saakashvili wants to restore Georgia's territorial integrity, Georgia's desire to join NATO and to achieve high economic growth, however, take precedent.

The type of scare tactic used by Zvezda has been used before in totalitarian states. Nazi Germany, for example, announced the "attack of the Poles" just before seizing Poland. The Soviet Union raised the alarm about the "aggression of the White Finns" after it staged the shelling of the Russian village Mainila. This incident served as the *casus belli* for initiating the 1939-40 Winter War.

But the propaganda campaign against the "aggression of the Georgians" is different in one important way -- construction companies for the 2014 Sochi Olympics have more to gain by annexing Abkhazia than the Kremlin does.

The commercial aspect of the Abkhazia conflict is clear. After all, why is Moscow's interest concentrated in Abkhazia instead of the other Georgian breakaway republic, South Ossetia? Because South Ossetia is poor, sparsely populated, and it has little more than flooded mines and a president who occasionally exposes assassination attempts on his life.

Abkhazia is a different matter entirely. It is a subtropical region with pristine natural beauty. More important, Abkhazia, which is located just 30 kilometers from Sochi, is a key source of construction materials that are badly needed to build all of the infrastructure for the Sochi Olympics.

Foreign analysts link Russia's rankling over Abkhazia with two external events -- the West's recognition of Kosovo's independence and Georgia's desire to join NATO. But there was one other event -- purely domestic -- that preceded the country's heightened interest in Abkhazia. This was the management shakeup within Olimpstroy, the company that will be allocated billions of dollars to prepare Sochi for the Winter Olympics. For construction companies that have contracts for Olympic projects, Abkhazia has "strategic corruption value." First, it will be a major source of crushed stone and other building materials. Second, thanks to the enormous development planned for Sochi, real estate prices and hotels in neighboring Abkhazia will most likely shoot through the roof.

As soon as Olimpstroy head Semyon Veinshtock was given his pink slip, the idea of "Project Abkhazia" came to the fore. It started as an "offshore company" of sorts, established to make a load of money quickly and without a lot of transparency. (Perhaps this is what Putin had in mind when he spoke last month of the need to give

economic and legal recognition to the unrecognized republics.) Then, it was presented as the need to "defend Abkhazia from the Georgians!"

The moment Russian businessmen start buying up Abkhaz hotels and shipping its construction materials into Sochi, it will be clear to everyone why it is so essential to have 3,000 Russian peacekeepers stationed there. And if, for some strange reason, the local Abkhaz leaders are upset that they are left with only crumbs from this deal, the peacekeepers can simply explain to them that this is the price they have to pay for being protected against Georgia's aggression.

#13 **French Diplomacy Cooled Abkhazia Tensions** **The Associated Press, May 15, 2008**

A Georgian minister said Wednesday that French diplomacy fended off potentially provocative actions by Russia in separatist Abkhazia.

Tensions in Abkhazia have been high in recent weeks, with Moscow alleging that Georgia is preparing to try to retake control of the pro-Russia region. Russia has bolstered its peacekeeping force in Abkhazia, a move that Georgia regards as aggression.

Georgian Reintegration Minister Temur Yakobashvili said the French Foreign Ministry's intervention avoided "serious provocations" and "the fact that we are living peacefully today is due to its service."

Russia's Foreign Ministry said French Foreign Minister Bernard Kouchner telephoned Foreign Minister Sergei Lavrov on May 7, but declined to comment further.

French Foreign Ministry spokeswoman Pascale Andreani would not elaborate on the conversation between Kouchner and Lavrov, except to say that they talk "frequently."

Their conversations "notably allowed us to express our concern about the situation in Georgia and the need to calm tensions," she said in an online briefing Wednesday.

She reiterated France's "support for the sovereignty and territorial integrity of Georgia."

#14 **Air Force Chief Backs Abkhazia Base** **The Associated Press, May 16, 2008**

Air Force chief Alexander Zelin said Thursday that he favored establishing a military base in Georgia's separatist Abkhazia region, in remarks likely to spike already-high tensions between the countries.

Abkhazia's separatist president, Sergei Bagapsh, said this week that he would like a Russian base in the region. Zelin said he approved of the idea.

"If a political decision is made on this score, this would be to the benefit of fulfilling the tasks of air defense," Zelin said, RIA-Novosti reported.

Georgia's Foreign Ministry responded by denouncing Zelin's words as "irresponsible" and warning that such a move would violate international law.

Zelin also said Air Force fighter planes and other air-defense elements would be involved in ensuring security at the 2014 Winter Olympics in the Krasnodar region just a few kilometers north of Abkhazia. It was unclear whether he was seeking to justify Russian bases in Abkhazia as necessary for Olympic security.

But military analyst Leonid Ivashov, a retired top general noted for nationalistic views, made the connection explicit.

"Russia is certainly interested in a military presence in that region ... it would help provide security during the Olympic Games," he said, Interfax reported.

Moscow and Tbilisi each accuse the other side of preparing for aggression in Abkhazia, and concerns are high that the tensions are so aggravated that a small incident could touch off new fighting in the region that has had de facto independence since a 1990s secessionist war.

Russia maintains peacekeeping troops there and has boosted their numbers in recent weeks, saying it aims to protect Russian citizens from alleged Georgian plans to seize control of Abkhazia by force. Georgia alleges that Russia is preparing to annex Abkhazia.

#15
McCain Consultant Is Tied To Work for Ukraine Party
Political Group Had Opposed Pro-Western Bloc
By Mary Jacoby and Glenn R. Simpson
Wall Street Journal, May 14, 2008

A consultant to Sen. John McCain hired a public-relations firm last year to burnish the U.S. image of a Ukrainian political party backed by Russian leader Vladimir Putin, according to documents filed with the Justice Department.

The lobbying firm of Davis Manafort Inc. arranged for the public-relations firm's work through an affiliate last spring, at the same time Davis Manafort was being paid by the Republican presidential candidate's campaign. The firm is co-owned by lobbyist Rick Davis, manager of Sen. McCain's presidential campaign, and longtime Republican strategist Paul Manafort.

The Arizona senator has endorsed a political movement in Ukraine that is at odds with the Putin-backed Party of Regions.

The work for the Ukrainian party represents the latest issue to arise for the McCain campaign involving aides' ties to foreign interests. Last weekend, the campaign parted ways with two former lobbyists for the military government of Myanmar after their ties were reported in Newsweek.

This year, Democratic presidential candidate Hillary Clinton demoted her chief campaign strategist, Mark Penn, after it emerged that he was advising the Colombian government on how to win passage of a free-trade agreement that she opposed. Mr. Penn is also world-wide chief executive of Burson-Marsteller, a public-relations and lobbying firm.

McCain campaign spokesman Brian Rogers said Mr. Davis receives no income from Davis Manafort, although he still owns a share of the firm. "He earns no money from their activities while he is on leave," Mr. Rogers said.

The spokesman said the Ukraine lobbying activities weren't relevant to the campaign. "There has been no greater enemy of the status quo and corrupt lobbying practices in Washington than John McCain," he said.

Working for foreign interests is legal, but it can be politically hazardous for lobbyists and the politicians they advise. The issue is becoming harder for politicians to avoid because globalization has made such work lucrative, drawing some of Washington's best political talent.

Some of the best-paying but most-controversial contracts in Washington involve companies and individuals allied with the Kremlin. In addition to its work for the Party of Regions, the Davis Manafort lobbying firm has pursued business deals with Russian billionaire Oleg Deripaska, the Washington Post reported in January. In 2006, Mr. Davis introduced Mr. McCain to Mr. Deripaska, a supporter and confidant of Mr. Putin, according to the Post.

The Wall Street Journal reported last year that Mr. Deripaska has been barred from the U.S. for allegedly lying to the FBI about his involvement with organized crime.

Details of Davis Manafort's Ukraine work were contained in a late January filing with the Justice Department. According to those documents, Daniel J. Edelman Inc., parent of the prominent Edelman public-relations firm, was paid \$35,000 a month last year to promote the Party of Regions by Davis Manafort International LLC, a Delaware corporation set up in March 2007.

"Davis Manafort International LLC is directed by a foreign political party, the Ukraine Parties [sic] of Regions, to consult on the political campaign in Ukraine," the filing states.

Chris Deri, an Edelman employee who worked on the contract, said its work took place in the summer and fall of 2007 and was "almost entirely focused on U.S. media."

Mr. Manafort didn't respond to emailed questions. An aide said he was unavailable.

The Party of Regions is based in Russian-speaking eastern Ukraine. In Ukraine's presidential election in 2004, Mr. Putin campaigned for the party's leader, Viktor Yanukovich. Reports of intimidation and other voting irregularities led to massive street protests. Ukraine's top court ordered a new election, which was won by pro-Western candidate Viktor Yushchenko.

In recent years, the Party of Regions has moderated some of its pro-Russian positions and moved closer to the West, supporting Ukrainian membership in the European Union.

There is other evidence the firm has had ties to the Ukrainian party. When Mr. Yanukovich, the prime minister at the time, came to Washington in 2006, Mr. Manafort accompanied him at a breakfast for journalists at the Willard Hotel, Serhiy Kudelia, a Ukrainian journalist, said in an interview last year.

When Mr. Yanukovich spoke at the Center for Strategic and International Studies think tank in Washington, Mr. Manafort was in his entourage, according to Steven Pifer, the former U.S. ambassador to Ukraine.

The previously-undisclosed Jan. 28 filing shows that the Edelman firm was hired by Davis Manafort to work on influencing public opinion in the United States. The effort was aimed at "select top-tier media in the U.S.," as well as "experts and analysts focused on the former Soviet Union," the Edelman filing states.

U.S. law generally requires Washington consultants to register with Congress or the Justice Department when they take on foreign clients who have dealings with the government or are seeking to influence public opinion. But many lobbyists and consultants in Washington seek to avoid controversy over their foreign clients by not registering, citing a variety of loopholes such as exemptions for legal work.

Davis Manafort hasn't registered as a foreign agent.

#16

Ukrainian minister vows to fight hate

JTA Brief, May 8, 2008

A Ukraine official in a meeting with the country's U.S. ambassador vowed to fight anti-Semitism.

Ambassador William Taylor and Dr. Aleksandr Sagan, the head of the State Committee of Ukraine on Nationalities and Religions, met Sunday in Kiev to discuss interethnic and interfaith relations in Ukraine, the importance of interethnic education for children, and countering xenophobia and anti-Semitism.

After Taylor expressed concern about anti-Semitism, xenophobia and racial intolerance, Sagan agreed that state authorities are paying insufficient attention to the issues. Sagan said an agreement with the Ministry of Education will establish classes to promote interethnic tolerance for children in kindergartens, schools and institutions of higher education.

Sagan also said the enactment of his bill offering protection to Ukrainian national and ethnic minorities would bring government protection of ethnic minorities nearer international standards.

He said Torah scrolls in the government's hands should be returned to the Jewish community of Ukraine, but the law must be changed to elaborate on the responsibilities of the recipient Jewish organizations.

#17

Minsk Ghetto victims remembered

JTA Brief, May 11, 2008

Belarusian Jews remembered the mass killing of Minsk Ghetto Jews 65 years ago.

Hundreds paid their respects at the Yama Memorial in the Belarusian capital on May 9, the day Belarus celebrates its victory in World War II and Jews bring flowers to and pray at the stone monument.

Some 5,000 victims were killed in the ravine on March 2, 1943. Yama was the former Soviet Union's first monument to Holocaust victims.

Among the victims who were shot and buried in the "Death Pit" were children from a Jewish orphanage and sick people from the ghetto isolation hospital.

"Yama is a holy place for every Jew in Belarus," Jakov Basin, the vice head of the Belarusian Jewish Community, told JTA .

Belarusian Jews erected the stone monument in Minsk in 1946. It is the only Jewish monument in the former Soviet Union that survived Soviet dictator Joseph Stalin, according to Basin. Soviet authorities destroyed a similar monument in Vilnius, Lithuania.

The sculptor and the poet who created Yama were arrested in 1952 and imprisoned until Stalin's death in 1953.

Belarusian Jews come to Yama several times a year to commemorate the ghetto victims and their relatives who perished in Holocaust.

"The family of my great-grandfather perished in the Kiev ghetto," said Nina, who attended the commemoration, told JTA. "I can't go there. I think that it does not matter in which city I'm bringing flowers to a monument."

#18

TAJIKISTAN: A RULING FAMILY FEUD APPEARS TO TURN BLOODY

Eurasianet, May 9, 2008

As if Tajikistan didn't have enough problems, now it appears that President Imomali Rahmon's family is beset by intrigue. In a twist worthy of a television soap opera, Rahmon's son, Rustam, reportedly shot Hassan Sadullayev -- his uncle, and the president's brother-in-law -- in connection with a struggle for control of one of the country's leading banks.

The shooting reportedly occurred May 2, with Rustam Rahmon supposedly wounding Sadullayev in the neck with one pistol shot. According to a report distributed by the Ferghana.ru news website, Sadullayev was med-evacuated to Germany for treatment, but he died there May 8.

The motive for the shooting was allegedly a family feud over control of Orienbank, one of Tajikistan's largest financial institutions, according to a report distributed by Uzmtronom, a local Central Asian news website. Sadullayev headed the bank, but in recent months, one of the president's daughters, Takhmina, who owns one of Dushanbe's major construction firms, reportedly sought to wrest control of the bank from her uncle. When

negotiations failed to yield an agreement, Rustam Rahmon apparently decided to help his sister resolve the dispute by other means.

Rahmon, according to some reports from outside Tajikistan, has threatened to severely punish any source within Tajikistan who divulges details of the incident, the Uzmtronom report stated. Orientbank's capital assets are reported to be about \$47 million.

Reports of instability within the ruling family do not bode well for the country's efforts to resolve a burgeoning social and economic crisis. The country suffered through severe shortages of heat and electricity during the winter, and is now grappling with spiraling inflation. In addition, the government has faced criticism for corrupt practices in recent weeks from international creditors.

Prior to the reported shooting incident, Sadullayev was considered one of the most powerful individuals in Tajikistan, with authority rivaling that of Rahmon himself.

But in just the last month, several signs have surfaced that suggest Sadullayev's power was fading. The first hint came April 8, when Imruz, a popular radio station controlled indirectly by Sadullayev, suddenly went off the air, due to "technical" issues. After it began broadcasting in the summer of 2007, Imruz gained a large listenership by featuring independent coverage of political developments. It was one of the few stations that provided an outlet for opposition politicians to express their views.

Sadullayev was also embroiled in a protracted court case involving fraud at the Tajikistan Aluminum Plant, one of the country's key economic assets. Sadullayev was a top official in a company called CDH, based in the British Virgin Islands and responsible for trading much of Tajikistan's aluminum output. The court case has generated controversy in Tajikistan after the public disclosures of the fact that Rahmon's administration has paid \$120 million in legal fees to British lawyers, an amount equivalent to about 5 percent of Tajikistan's GDP. Tajikistan is the poorest country in Central Asia.

#19

POSSIBLE RAPPROCHEMENT BETWEEN ARMENIA AND TURKEY

By John C. K. Daly

Eurasia Daily Monitor, May 9, 2008

Among the "frozen conflicts" left over from the implosion of the USSR in December 1991, the economic implications of Armenia's 1988 to 1994 conflict with Azerbaijan over Nagorno-Karabakh are perhaps the most striking, as Armenia's economy has until recently stumbled along while Azerbaijan's has soared, floating on a tidal wave of oil exports.

One of the unpleasant diplomatic byproducts of Yerevan's dispute with Baku over Nagorno-Karabakh was Turkey's decision in 1993 to close its 204-mile-long border with Armenia in a show of solidarity with Azerbaijan. Turkey had no formal diplomatic ties with Armenia, but ironically, the previous year Turkish Prime Minister Suleyman Demirel had opened the border with Armenia for humanitarian aid, thereby clouding diplomatic relations with Azerbaijan, even as it was supporting the Azerbaijan side in the dispute over Nagorno-Karabakh at the United Nations (Hurriyet, November 13, 24, 25, 27, 1992).

With economic considerations undoubtedly in mind, Armenian Foreign Minister Eduard Nalbandian recently extended an olive branch to Turkey. On May 6, during a meeting with French Foreign Minister Bernard Kouchner in Paris, Nalbandian said, "For its part, Yerevan is ready to establish relations with Ankara without any preconditions. Our nations and the whole region [would] benefit from it" (Interfax, May 6). This echoes earlier, similar government pronouncements. On June 5, 2005, when addressing the Black Sea Forum for Dialogue and Partnership, then Armenian President Robert Kocharian announced, "We are ready to continue dialogue with Azerbaijan about the settlement of the Nagorno Karabakh conflict and with Turkey on establishing relations without any preconditions" (www.panarmenian.net, June 5, 2005). Last June then Turkish Foreign Minister Abdullah Gul and Armenian Foreign Minister Vardan Oskanian met on the sidelines of a Black Sea Economic Cooperation Organization summit in Istanbul, where Oskanian told Gul that Armenia wanted to improve ties with Turkey, which would be facilitated by reopening the border. Gul responded that

Armenia should first work to resolve the Nagorno-Karabakh dispute with Azerbaijan (Daily Star, June 26, 2007).

While Armenia's disputes with Azerbaijan date back to the twilight years of the Soviet Union, its issues with Turkey are nearly a century old, focusing on the tragedies in eastern Anatolia during World War One. Armenia labels the death of hundreds of thousands of Armenians there genocide, a charge that Turkey strongly rejects. Armenian advocates for years have been urging the U.S. government to label the events as such, adding stress to relations between Washington and Ankara.

For Yerevan, the net result of its foreign policies toward Baku and Ankara has been diplomatic isolation, which in turn has slowed potential growth rates and had a deleterious effect on the economy.

In 2007 the Central Intelligence Agency estimated Armenia's GDP growth rate at 13.7 percent, Azerbaijan's at 31 percent and Turkey's at 5.1 percent. The CIA concluded, "Armenia will need to pursue additional economic reforms in order to improve its economic competitiveness and to build on recent improvements in [eliminating] poverty and unemployment, especially given its economic isolation from two of its nearest neighbors, Turkey and Azerbaijan" ("Armenia," "Azerbaijan," "Turkey," 2008 CIA World Factbook).

A bitter truth for Armenia is that while it is adjacent to a rising oil producer, the vast majority of Armenia's energy is produced with fuel imported from Russia, including gas and nuclear fuel for the Metsamor nuclear power plant. Its main domestic energy source is hydroelectricity.

Yerevan's diplomatic isolation meant that Armenia was excluded from the \$3.6 billion, 1,092-mile-long Baku-Tbilisi-Ceyhan (BTC) pipeline, but Azerbaijan in turn was forced to pay a price for its unwillingness to negotiate, as the BTC was forced to take a lengthy detour around Armenia, adding substantially to the project's cost and causing delays in construction. Armenia continues to lose out on regional developments, such as the Kars-Tbilisi-Baku railway line, due to be completed in 2010.

While Turkey has consistently maintained that resolving the Nagorno-Karabakh issue is a precondition for normalizing its relations with Armenia, Ankara has attempted to assist in facilitating peace negotiations, convening the Foreign Affairs Ministers of Turkey, Azerbaijan and Armenia in trilateral discussions in 2002 in Reykjavik and 2004 in Istanbul, all to no avail. Interest in resolving the impasse led the new administration of U.S. President George W. Bush to convene a diplomatic summit in Key West in April 2001 between the former presidents Robert Kocharian of Armenia and Heydar Aliyev of Azerbaijan, again without results ("Remarks with President Kocharian of Armenia, and President Aliyev of Azerbaijan at Key West Peace Talks," Secretary Colin L. Powell, Key West, Florida, April 3, 2001, www.state.gov).

An honest broker may now again be at the table. The French co-chair of the OSCE Minsk Group, Bernard Fassier, has given some faint cause for optimism on the issue, stating, "France treats both Armenia and Azerbaijan as friends and its position is completely impartial. It would assist development if the borders were open not only between Turkey and Armenia but also between Azerbaijan and Armenia. Nobody is interested in the poverty and the misfortune of its neighbor. Closed borders do not hinder Armenians from traveling to Turkey by air or from working in Turkey. It shows that relations between the two countries are not completely disturbed. We hope for a peaceful solution to all problems between the countries. The normalization of relations between Turkey and Armenia will help resolve the Nagorno-Karabakh conflict. Simultaneous resolution of these two problems is possible" (AzerTag news agency, May 5).

For Yerevan, the choices are as stark as they are unpalatable. Concessions must be made on its territorial and ideological disputes with its neighbors if it wishes to gain the diplomatic traction to participate in the economic growth of eastern Anatolia and the southern Caspian. If events of the last decade and a half have proven anything, it is that Turkey and Azerbaijan, in particular, can get along without Armenia more easily than Armenia can prosper without them, preconditions or no preconditions.

#20

**Uzbek prisoner dies of suspected torture - father
Reuters, May 8, 2008**

An Uzbek prisoner who died while serving a 15-year sentence on charges of religious extremism had violent marks on his body indicating injuries from torture, his father said on Thursday.

Uzbekistan's government is accused in the West of tolerating no dissent and allowing the use of torture in jails. President Islam Karimov, in power since 1989, has denied the allegations.

Odil Azizov, 25, died on May 4 in a prison hospital in the capital Tashkent where he had been moved from the Zhaslyk prison, his father said. Rights groups say Uzbekistan keeps most its political prisoners at Zhaslyk in a remote western desert.

Reuters could not reach justice officials for comment on Thursday despite repeated attempts.

Azizov's father told Reuters his son's body was covered with signs of torture when it was handed over to him on Monday.

"I saw a large stain and bruises on the left side of his chest. ... His feet were swollen," Makhmud Azizov said by telephone from the eastern city of Kokand where he lives.

"When he was dying I appealed to all government bodies for urgent surgical treatment but nothing was done. ... They (prison officials) were just waiting for his death," he said, adding his son had complained of mistreatment while serving his term.

Azizov was jailed in 2001 after a court charged him with crimes that included violation of the constitution, membership of an Islamic organisation branded as terrorist by the Uzbek government, and distribution of illegal religious books.

In a November 2007 report, the United Nations accused Uzbek police and prison staff of "routine use of torture" to extract confessions. The Uzbek government denies the accusations.

Uzbekistan has been under pressure in the West since troops fired on protesters in the eastern town of Andizhan in May 2005. Witnesses said hundreds of protesters were killed. The government said troops fired only at Islamic extremists.

Some western nations have pointed to an improvement in the Uzbek rights situation this year after the former Soviet nation showed signs of willingness to activate contacts with the West and decided to pardon a number of prisoners.

Last month, the European Union chose to maintain its suspension of sanctions on Uzbekistan for another six months, but said they could be reapplied if human rights conditions do not improve.

Surat Ikramov, a prominent Uzbek rights defender, said the situation in prisons was dire, with at least 20 inmates dying of various causes every month.

He said another prisoner, 26-year-old Abdurakhim Tashpulatov, died in late April after telling his mother that he could die in prison because of threats from his prison wardens.

He was also serving a long sentence on charges of religious extremism, Ikramov said. Justice officials could not be reached for a comment on this case either.

"Half of them are those who die of torture. And the authorities thoroughly hide this by putting pressure on relatives," Ikramov told Reuters. "The fight is under way to annihilate these people (religious prisoners) physically".

#21
NATO Allies Set Up Cyberdefense Center

The Moscow Times, May 15, 2008

Seven NATO allies signed a deal Wednesday to create a research center in Estonia to boost the alliance's defenses against cyber-attacks, which are seen as a growing threat to military and civilian computer networks.

Estonia was exposed to an unprecedented wave of cyber-attacks last year that crippled government and corporate computer networks following a dispute with Russia over the relocation of a Soviet war memorial. Many Estonians suspect that the Kremlin was behind the virtual strikes, but Moscow has denied involvement.

Defense chiefs from Estonia, Latvia, Lithuania, Germany, Italy, Spain and Slovakia all signed the agreement to provide staff and funding for the center in the Estonian capital, Tallinn.

"It is a cooperative effort to bring all the best minds together in cyberdefense," said U.S. General James Mattis, NATO's top commander in charge of the modernization of the alliance's armed forces. "We cannot say that we are not going to defend the web that everybody needs."

The United States will join the project as an observer, and other NATO nations may join later.

The agreement was signed during a regular meeting of chiefs of defense staff from the 26 allies.

The cyberdefense center will be operational in August, although the formal opening is planned for 2009. A staff of 30 specialists will conduct research and training on cyberwarfare. They will also be ready to help NATO members respond to any future attacks against computer networks.

"The attacks against Estonia last year were cyberterrorism, to say the least," said Major Raul Rikk, who heads the center. "The job of the center is to create new capabilities to fight against new threats."

Experts will be recruited from various NATO member states and fields of work, including information technology, science, military and finance, Rikk said in Tallinn.

"The center is very unique in that sense," he said.

However, some experts remain doubtful about the usefulness of the new center. Russian security analyst Andrei Soldatov said it was likely to misinterpret the real threat of cyberterrorism.

"Terrorists don't attack sites that are the best defended -- like a defense ministry -- but sites that offer public services, such as banks. You can't protect this sector with one big shield," he said.

Estonia, one of Europe's most Internet-savvy nations, proposed the center back in 2003, but it was only after last year's cyber-attacks that alliance leaders were fully convinced it was needed, Rikk said.

The assault on Estonia's system came days after Estonia decided to relocate a Soviet war monument from downtown Tallinn, triggering riots among the country's ethnic Russian minority and infuriating Moscow.

The web sites of major banks, newspapers and government ministries were jammed by so-called denial-of-service attacks, in which hackers overload a single network by directing massive traffic to the site.

Some sites simply crashed. Others, such as those of banks, were forced to restrict foreign access, leaving Estonian account holders traveling abroad without access to cash.

Investigators said as many as 1 million remotely steered computers were used in the attacks.

Ironically, the center lies just opposite the military cemetery where the war monument was relocated.