

WASHINGTON, D.C. March 20, 2009

TO: NCSJ Leadership and Interested Parties

**FROM: Richard Stone, NCSJ Chairman;
Alexander Smukler, NCSJ President;
Mark B. Levin, NCSJ Executive Director**



In Brief: Continued concerns; Obama-Medvedev meeting in April

Dear Friend,

I am increasingly concerned about the situation confronting Jewish communities in the former Soviet Union. Our brethren are facing political and economic challenges unlike anything we have seen since the late 1990s.

From the removal of rabbis in Russia to the ongoing financial fiasco in Ukraine, the environment is becoming less hospitable. On a larger scale, there is growing xenophobia, ultra-nationalism and intolerance – particularly among young people.

While FSU Jews do not confront state-sponsored anti-Semitism, incidents of street or popular anti-Semitism appears to be on the rise. Unlike other parts of the world that are confronting the "new anti-Semitism" tied to the existence of the State of Israel, the former Soviet Union continues to experience "traditional" expressions of anti-Semitism. Much of this can be traced to scapegoating for the faltering economic environment throughout the region. Unemployment, higher inflation and antipathy toward migrant populations are only a few of the specific reasons for this deteriorating situation. NCSJ is working with both community leadership and government officials to reverse these terrible trends.

Instead of enjoying spring fever, Washington is beginning to experience another type of malady – summit fever. Think tanks and the media are focusing on next month's meeting between the U.S. and Russian Presidents, examining what should and should not be on the agenda.

Unfortunately, there are still members of the political establishment pressing for a stronger relationship with Russia at the expense of other countries in the region. Regular readers of the update know I remain firmly opposed to this. The United States has many interests that intertwine with Russia, but we also have important and vital interests with many countries in the region. We do not have to make an either/or choice. This week's update has several articles describing the most important issues surrounding this first meeting between Obama and Medvedev.

Sincerely,

A handwritten signature in black ink that reads 'Mark B. Levin'. The signature is written in a cursive, flowing style.

Mark B. Levin
Executive Director



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

NCSJ WEEKLY NEWS BRIEF
Washington, D.C. March 20, 2009

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#1a
Rabbinical group presses Russia on rabbis
By Devorah Lauter
JTA, March 13, 2009

Two Orthodox Rabbis in Russia may have had their visas revoked for "racial and discriminatory" reasons, according to the Rabbinical Center of Europe.

In a statement made available to the JTA on Thursday, the group formally asked Russian authorities to investigate why two rabbis lost their visas and were forced to leave the country for what may be technical reasons, "unrelated to national security or proper enforcement of the immigration rules."

The RCE warned that if rabbis Yisroel Silberstein from Vladivostok and Zvi Hershcowitz from Stavropol were indeed pushed out of Russia unlawfully, the government should "issue forceful instructions" to local immigration authorities.

"We remember too well the past abuses of our people at the hands of bureaucrats with personal agendas, and demand that you ensure that we do not return to those terrible dark times," concluded the statement.

The RCE, which represents some 700 Orthodox rabbis in Europe, drafted the statement during its annual meeting in Paris from March 2 to 4.

Silberstein left Russia after a court in Vladivostok rejected his Feb. 25 appeal that he violated terms of his visa by serving as a religious leader. His visa had been issued for promoting cultural ties, according to Russia's Interfax agency.

Silberstein had been in Russia for 2 1/2 years, as a representative of the Chabad-run Federation of Jewish Communities of Russia, according to lubavitch.com. The same Web site said he left for New York following the Feb. 25 appeal.

#1b
Chief rabbi: Russian Jews fear future
JTA, March 15, 2009

Russian Jews fear for the future of their community in the wake of the deportation of two rabbis, a Russian chief rabbi said.

Rabbi Berel Lazar's comments came on the sidelines of a meeting Wednesday in Tula between Russian President Dmitry Medvedev and leaders from Russia's four official religions.

"In the face of the negative impact of the financial crisis, which has exacerbated material problems, some are starting to look for guilty parties among those they don't like. This is called xenophobia, but it leads to extremism and fascism," Lazar said, according to the Interfax news agency.

Medvedev met with religious leaders in a largely symbolic meeting at which he asked for their help in preventing extremism by raising moral youth.

"It is necessary to introduce young people to intercultural dialogue and cooperation, to nurture it in a spirit of tolerance," Medvedev said, according to a Kremlin transcript. "Russian patriotism aims to maintain ethnic harmony."

The Chabad-led Federation of Jewish Communities has taken steps to push back against the expulsion of its rabbis from the country, putting it in rare conflict with the government.

Rabbi Yisroel Silberstein left Russia after a court in Vladivostok rejected his Feb. 25 appeal that he violated terms of his visa by serving as a religious leader. His visa had been issued for promoting cultural ties, according to Russia's Interfax agency. Silberstein had been in Russia for 2 1/2 years as a representative of the Federation of Jewish Communities, according to lubavitch.com. The same Web site said he left for New York following the appeal.

On Feb. 11, another federation emissary, Rabbi Zvi Hershcowitz of Stavropol, was expelled over visa issues.

While more than 60 percent of Chabad's rabbis are Russian-born, Chabad maintains that its task would be impossible without foreign help.

Lazar for the time linked the financial crisis and the idea that the loss of wealth might place the Jewish community in danger.

"So far we have been able to preserve interreligious peace in the country," he said. "During the crisis, we need to strengthen it."

#1c

New program to encourage FSU aliyah JTA, March 15, 2009

Israel's Cabinet approved a program to encourage aliyah from the former Soviet Union.

The more than \$7 million program approved Sunday will be funded equally by the Jewish Agency for Israel and the Ministry of Immigrant Absorption, according to the Jerusalem Post.

The program, for immigrants who come during 2009, can support up to 1,300 households. It will provide about \$6,000 to help cover the first year of rent and for vocational training. The program is in addition to the regular absorption basket offered to all new immigrants.

About 800,000 potential olim are living in the former Soviet Union, according to the Jerusalem Post.

#1d

Rally demands Georgian president's resignation AP, March 15, 2009

More than 2,500 demonstrators marched through the Georgian capital on Sunday calling for President Mikhail Saakashvili's resignation.

Lawyers, journalists, teachers, doctors and others gathered in downtown Tbilisi to denounce what they called Saakashvili's repressive rule, chanting "Saakashvili, go away!"

While Georgians rallied around their leader against Russia during last August's war, many blame Saakashvili for authoritarian trends and accuse him of botching the war.

Russia recognized Georgia's breakaway provinces of Abkhazia and South Ossetia after the war and deployed thousands of troops there.

"He lost our territories," Nukri Kantaria, a teacher, said at the rally. "If he doesn't leave, we will lose more territories."

Georgia's location on a key export route for Caspian Sea oil and gas has made it a target in the geopolitical struggle between Russia and the U.S.

Most of Saakashvili's opponents share his pro-Western stance, but some say he has hurt the country's interests by failing to forge normal relations with Russia.

Georgia's opposition parties are preparing to launch a wave of street protests to force Saakashvili out if he doesn't step down voluntarily by April 9. Saakashvili has rejected opposition demands and said he would serve through the end of his term in 2013.

Saakashvili has overseen economic growth and sought to decrease Russia's influence after two centuries of domination, courting Europe and particularly the United States. But he also frightened Georgians and alienated allies with a violent crackdown on protesters in November 2007, showing what critics call a strong authoritarian streak.

Speakers at Sunday's rally accused authorities of rigging the January 2008 vote in which Saakashvili won a second term. Many assailed the president for abusing media freedom and blamed his government for putting political opponents in jail.

#1e

Ukrainian activists demand end to racism

JTA, March 15, 2009

Activists in Kiev posted anti-racism advertising on 100 street lights in the Ukrainian capital.

Politicians, artists, singers and sports figures joined a news conference at the UNIAN Ukrainian news agency on March 12 to talk about creating a broad front to reduce racism and violent attacks on those with a non-Slavic appearance. The activists demanded changes to the criminal code.

The action is a joint project of the SOS Racism nongovernmental organization and the Kiev state administration aimed at Kiev residents.

Billboard owners supported the initiative and proposed the free publicity, which calls on citizens to combat xenophobia and racism.

SOS Racism organized an anti-racism march in Kiev last year and sent a petition to the president of Ukraine.

Observers say that racist attacks in Ukraine comprised the largest number of attacks and murders in recent years. The number of attacks against minorities in Ukraine also has increased in recent years.

#1f

Ukraine lawmaker concerned about neo-Nazi rise

JTA, March 15, 2009

Ukraine's parliament speaker said he is concerned about the threat of neo-Nazism in Ukraine.

Vladimir Lytvyn at a number of meetings with Crimea residents last week expressed concern over the strengthening of the position of neo-Nazi organizations in Ukraine, the UNIAN news agency reported Thursday.

Nazi elements have become "acclimated on our ground," he said in Simferopol.

Lytvyn has seen the threat firsthand in many areas of Ukraine, saying that in many regions, "when they march and cry 'Glory to nation, Death to enemies,' everyone applauds."

Lytvyn, who also expressed concern about the financial crises, said that radical forces "threaten the country."

#1g
Financial crisis slams Russia's billionaires
JTA, March 16, 2009

Russia's Jewish billionaires lost more than two-thirds of their wealth in 2008, according to figures released by Forbes magazine.

At the same time, wealthy Jewish philanthropists with ties to the former Soviet Union also saw their fortunes drastically reduced in the latest sign that it will be difficult for the Russian-speaking Jewish community to depend on the largesse of local donors.

How the losses will curtail the billionaires' philanthropy cannot be predicted but funding, especially in Jewish education, already has seen significant cuts.

In Russia alone, Jewish billionaires collectively saw the value of their assets and holdings drop from \$99.4 to \$32.1 billion. A JTA analysis of the Forbes list released last week includes only those Jewish billionaires who have given to Jewish philanthropies or openly identify themselves as Jewish.

In all, 55 Russians dropped off the magazine's annual list of billionaires this year, and the 32 that remain all lost significant chunks of wealth.

Most notably, Roman Abramovich and Mikhail Fridman, who have lent significant financial support to philanthropic efforts in recent years, saw their fortunes plummet in 2008. Forbes said Fridman, No. 20 on the list, lost \$14.5 billion, but the prominent Russian business daily Vedomosti said the magazine overstated his losses along with his colleagues at the Alfa Group. The group includes several other Jewish philanthropists who started a fund last year to develop Jewish identity in the region.

Abramovich, who now manages his wealth from Britain, in recent years has regularly funded the construction of synagogues and other Jewish buildings across the former Soviet Union for the Chabad-run Federation of Jewish Communities. While new construction projects are off the table for now, the projects that were in place before the economic crisis hit will be completed, said Baruch Gorin, a spokesman for the federation.

Four Russian Jews fell off the billionaires' list completely, including Moshe Kantor, the former head of the Russian Jewish Congress, who lost \$1.9 billion. The list concurred with previous reports that Lev Leviev, for years the largest donor to education programs in the former Soviet Union, had lost more than two-thirds of his \$4.5 billion fortune. The Or Avner school network, which he founded and continues to fund, had its budget cut by one-third.

Aside from Russia, big-name Jewish donors from Ukraine lost nearly two-thirds of their wealth as well in a country where the financial system is teetering on the edge of collapse.

#1h
Relative of Israel's first president beaten
JTA, March 17, 2009

A Russian woman related to Israel's first president was beaten in her home in an attack that had anti-Semitic overtones.

Tatyana Bogotyreva, a distant relative of Chaim Weizmann, was injured when a tenant attacked her overnight on March 11 as she slept in her Moscow apartment, while calling her a "kike," a report by Jewish.ru said Tuesday.

After drinking vodka, the attacker broke into Bogotyreva's room and woke her, demanding that she fix the television. Bogotyreva screamed and a neighbor summoned the police.

The officers detained the tenant, but he was released the following day. Police have not decided whether to press charges against the man. Bogotyreva went to the hospital with bruises on her back, legs and shoulders.

She said it wasn't the first time her family has suffered for being Jewish.

"My family suffered all through the Soviet years because of our relation to Chaim Weizmann," she said, adding that family members were called into the KGB offices and pressed for information, according to Jewish.ru.

#1i

Ambassador: Crisis in Ukraine could hurt Jews
JTA, March 19, 2009

Israel's ambassador to Kiev warned that the current financial crisis could lead to an increase of violence against Jews.

Ukrainian Jewish leaders said the ambassador's claims were exaggerated.

In a secret report to the Israeli Foreign Ministry, Zina Kalay-Kleytman warned that the economic and political crisis in Ukraine could lead to physical violence against Jews, according to a report Tuesday by the IzRus.co.il Israeli Web site, which covers news of interest to Russian-speaking immigrants to Israel.

The March 3 reportedly stated that crisis situation in Ukraine, where the economy has taken a major hit and the government is essentially paralyzed by political infighting, increases the likelihood of an "explosion in street violence" against Jews.

In reaction to the ambassador's report, the Israeli foreign ministry convened a March 8 meeting of experts on Ukraine who concluded that Kleytman was "exaggerating the situation."

Still, the panel of Israeli and Ukrainian experts said it will be necessary to closely monitor the situation.

"According to our statistics, we find a decrease of the anti-Semitic publications and attacks in Ukraine compared with previous years," Josef Zissels, a long time Jewish community leader, told JTA. "We'll monitor the situation closely and we'll get more concrete results in the fall."

According to those monitoring anti-Semitic incidents in Ukraine, anti-Semitic attacks and propaganda dropped in 2008, while the number of racist attacks and reports of neo-Nazi activity is on rise in the country of 46 million residents and about 250,000 Jews.

Ukraine is teetering between chaos and dictatorship, according to Kost Bondarenko, director of the Kyiv Horshenin Institute for Management Problems.

Vladimir Lytvyn, Ukraine's parliament speaker, last week expressed concern over the strengthening of the position of neo-Nazi organizations in Ukraine.

#1j

Russian circus goes ape with its Jewish wedding
By Grant Slater
JTA, March 19, 2009

It's a most unusual "wedding."

A man dressed in Chasidic regalia speeds in a go-cart around Moscow's one-ring Circus Nikulina. Aziz Askaryan then dismounts and leads two gangly orangutans -- one in a suit and kipah, the other in a full bridal gown -- on a lurching matrimonial march toward a hastily constructed chupah in front of a guffawing audience.

The mock Jewish wedding between two orangutans has been the closing number for weeks in Act I of the famed Moscow circus, whose theme is "Empire: A Magical Show with Bright National Flavor."

It has stirred some conversation among Jewish leaders here. But most say that the act, which might raise eyebrows in the West, is met in Moscow with giggles or yawns.

"I think it's maybe in bad taste, but you must know that Russia is different than Western nations in its humor," Baruch Gorin, a spokesman for the Federation of Jewish Communities of Russia, told JTA.

Russians see the act through the prism of a longtime love of the circus with a pinch of Russian humor that often makes light of minorities, including off-color jokes about "Yids," among others.

If anything, the show is a nod to an array of ethnic groups that comprise the Russian empire: a magician is dressed as Caucasian mountain man, acrobats are dressed as Cossacks and other performers are dressed as Ukrainians.

The only difference in the Jewish number is that Askaryan, wearing fake sidecurls and a tallit, has primates playing the roles of the Jews. The scene evokes a visceral reaction -- laughter for most, shock for others.

Multiple attempts to reach Circus Nikulina by telephone for comment went unanswered.

The circus is one of Russia's oldest, located in the heart of Moscow in a permanent complex that seats some 2,000 people. Its clowns famously were awarded status as People's Artists of the Soviet Union.

Some Russian Jewish leaders noted that the circus included Jews among those who comprise the fabric of Russia's power, which may not have been the case in other times.

"They took Jews as an example of the nation that exists in Russia; they didn't single them out," said Motya Chlenov, head of the Moscow office of the World Congress of Russian Jewry. "Maybe it's not smart; maybe it's a silly thing. But it's not pushing an anti-Semitic purpose."

#1k

Camps getting \$4.8 million to enroll Russian speakers

JTA, March 19, 2009

A group of philanthropists from the former Soviet Union will give \$4.8 million to enroll Russian-speaking children in American overnight summer camps.

The five-year partnership between the Genesis Philanthropy Group and the Foundation for Jewish Camp is to implement a multi-pronged plan that includes specialized recruitment for Russian-speaking Jews, an initiative to help FJC camps create a targeted curriculum for Russian speakers and partnerships with a program that runs exclusively Russian-speaking camps.

"Research in the U.S., combined with on-the-ground experience in the former Soviet Union, indicates that Jewish summer camp can be a transformative and engaging Jewish experience for Russian-speaking Jewish children and youth much as it has been for decades for North American Jewish children," said Jerry Silverman, the CEO of the Foundation for Jewish Camp.

The FJC plans on sending some 2,000 children to camp over the next five years through the program. It estimates that there are some 50,000 Russian speaking camp-aged Jews in North America.

"Genesis Philanthropy Group is committed to ensuring that Jewish culture, heritage and values are preserved among Russian-speaking Jews worldwide," said Stan Polovets, the CEO and board member of Genesis.

Launched in 2007 by five Russian businessmen, Genesis in the past 18 months has provided more than 30 grants to Israeli, American and FSU programs totaling more than \$10 million.

#2

Biden sees WTO bar to Russia as outdated - Russian business head RIA Novosti, March 14, 2009

U.S. Vice President Joe Biden considers the Jackson-Vanik amendment and Russia's exclusion from the WTO outdated, the head of the Russian Union of Industrialists and Entrepreneurs said.

Alexander Shokhin was speaking in Washington late on Friday after talks with Biden as part of a Russian business delegation to the U.S. capital.

"From the start of our meeting the vice president emphasized that he considers Russia's absence from the WTO an anachronism and relic of previous years," Shokhin said. "Furthermore, the vice president refreshed in our memory an old theme, which we have been raising for almost 20 years, about the Jackson-Vanik amendment, and he emphasized that this is also anachronism."

The Jackson-Vanik amendment to a 1974 U.S. trade law restricts trade with countries that have non-market economies and restrict emigration.

Shokhin said that Biden showed the United States understood that "pressing the reset button" in bilateral relations - as the vice president said in his first major foreign policy address in Munich in February - would not work without an economic component.

The industrialists' head said he was encouraged by the U.S. position, and pleased that during the course of their three days of meetings with businesspeople and officials they had been received as equals.

"In the course of our meetings we described in detail the steps that the Russian government is taking to overcome the financial crisis," Shokhin said. "Our views on the global crisis and ways to get out of it were heard with interest by our American counterparts. This means that we are received as equal partners."

The Russian Union of Industrialists and Entrepreneurs delegation included Viktor Vekselberg, the owner of the Renova Group and major shareholder of the TNK-BP oil joint venture; Vladimir Yakunin, head of state-run Russian Railways company; and Oleg Vyugin, the chairman of the MDM-Bank board of directors and former head of the Federal Financial Markets Service.

#3

Russia's Richest Woman Seeks Aid, Drawing Double Takes By Ellen Barry New York Times, March 14, 2009

A year ago, Yelena Baturina unveiled the grandest plan yet in a building career that has remapped swaths of Moscow. It was called Project Orange, an avant-garde Norman Foster complex shaped like slices of fruit, with a tinted facade that would cast an orange glow over the Moscow River.

Last week, in a sign of the extraordinary times, Ms. Baturina applied for about \$1.4 billion in government loan guarantees for her construction company, Inteko. The fortunes of Ms. Baturina, a onetime factory worker, had soared along with those of her powerful husband, Mayor Yuri M. Luzhkov of Moscow. She is Russia's richest woman, with a personal fortune that Forbes magazine estimated in 2008 at \$4.2 billion.

Reports of oligarchs seeking financial aid have come to sound commonplace this year, and it is hard to detect much reaction, let alone outrage, among Muscovites. But Ms. Baturina's request did capture some attention, particularly among those who took a dim view of the city's recent building boom.

"It's effrontery," said Sergei S. Mitrokhin, an opposition lawmaker in Moscow's city legislature. "She has no understanding of ordinary life, or ordinary people. She lives in her own golden world, from which she looks out at the reality that surrounds her, and of which she has no understanding."

In a statement, Inteko said it would use the government loans to expand its manufacturing base, replacing obsolete cement factories and other facilities throughout Russia. After hearing the request, a working group at Russia's Ministry for Economic Development asked the company to return in two weeks with a more detailed analysis of how the money would be spent.

Ms. Baturina disappeared from Forbes's annual ranking of billionaires this year, along with the eight other Russian developers who had appeared there. It has been a grim season for Russia's construction titans, as credit has vanished and real estate prices have gone into a swoon.

Banks are facing the problem of whether to accept half-finished construction projects as collateral, and brand-new offices — planned when high-end commercial spaces were selling for \$2,000 per square meter — are standing empty.

Vladimir Pantyushin, a Moscow real estate analyst, said the government would be well advised to step in, despite the "shock of having a gold mine and seeing it in front of your door asking for money." Otherwise, he said, major developers may begin defaulting on loans, sending panic rippling through the market.

"We are near the borderline," said Mr. Pantyushin, the head of economic and strategic research for Jones Lang LaSalle, a global real estate firm. "We really are in danger of facing major bankruptcies."

Ms. Baturina, 46, is one of Russia's few female industrialists. Inteko, the company she founded in 1991, made plastics, including cups and dishes for one Mr. Luzhkov's pet projects, a fast-food chain called Russkoye Bistro. In 1997, the company won a major contract to produce 82,000 plastic seats for Luzhniki Stadium.

As high-rise condominiums and office buildings crowded into Moscow, Ms. Baturina became a billionaire and a power broker. Mr. Luzhkov has lashed out at billionaires who "bought yachts and luxury items" during the boom years, and said "incompetents working for big money — that is one of the causes of the crisis." More recently, though, he has spoken in favor of nationalizing construction companies, "not in order to pursue state capitalism, but in order to minimize the pain of surviving this period, and restore those sectors to a normal financial condition."

Ms. Baturina's application drew scant notice on television, but dozens of angry readers sent in comments to online news sources, complaining of "thieves" and "mobsters" and "brash gamblers." One reader, who identified herself as Lyubov, said she would like to ask Ms. Baturina for "at least 100,000 rubles," about \$2,900.

"It is so difficult to live on my 4,000-ruble pension," she wrote. "I have forgotten the smell of apples."

#4

Russian leader Medvedev to reveal his income

By Vladimir Isachenkov

AP, March 15, 2009

Russia's President Dmitry Medvedev said Sunday that he will publicly declare his income and encouraged other officials to fight corruption by disclosing relatives' incomes and assets.

Most government officials are obliged by law to declare their income and assets but many are believed to declare figures that hide their true income from graft, and use family members to hide their assets. New laws require disclosure of family members' holdings.

"That significantly expands the sphere under control," Medvedev said in a television interview. He acknowledged that some corrupt officials could still use proxies to hide their assets or move them offshore.

Medvedev, a former lawyer and law professor, has repeatedly called for stronger rule of law in Russia and pledged to combat rampant corruption. But there have been few signs of progress since he took over the presidency last May from Vladimir Putin, who shifted into the prime minister's chair.

Medvedev said that the current law required him to reveal his income only when he was running for president, but he decided to do that on an annual basis beginning this year.

"I hope that other officials will do the same," he said.

Medvedev said at a Kremlin meeting on corruption Tuesday that progress in fighting graft has so far been "extremely modest" and that a mechanism to check and verify officials' income declarations is yet to be created.

He said that prosecutors filed charges last year against 12,000 officials accused of corruption.

Anti-corruption watchdog Transparency International has ranked Russia near Bangladesh, Kenya and Syria on a global corruption index. A Russian prosecutor said last summer that government officials' income from corruption amounts to the equivalent of about one-third of the national budget.

Experts said the scale of official corruption increased under Putin, who sought to tighten state control over the economy during his eight-year tenure and rolled back on post-Soviet freedoms.

"Fighting corruption in our country is a particularly difficult task that will require colossal efforts and patience," Medvedev said. "It will take years."

Russian entrepreneurs face endless checks by police and tax authorities, sanitary inspectors, fire brigades and numerous other officials. Traffic police solicit bribes by citing drivers for fabricated offenses, parents slip extra rubles to teachers in exchange for better grades and hospital patients grease the palms of doctors for better care.

"We must react to such things immediately, because corruption starts at grassroot level and spreads to the very top," Medvedev said. "We must cut its roots, because when people see these things happening everywhere they lose heart."

#5

Behave to survive, Medvedev tells Russian oligarchs

By Oleg Shchedrov

Reuters, March 15, 2009

President Dmitry Medvedev on Sunday urged Russia's richest businessmen to repay their "moral debts" to society during the economic crisis.

"Perhaps nowhere in the world has business developed as fast as in our country," Medvedev said in an interview due to be broadcast on state television on Sunday night.

"People have been getting very rich in a very short time," he said, according to the script posted on the Kremlin website (www.kremlin.ru). "Now it is time to return debts, moral debts, because the crisis is a test of maturity."

Russia's rapid transition to a market economy in 1990s gave birth to a group of super-rich businessmen known as "oligarchs".

An economic boom on the back of high prices for oil, gas and metals, has allowed them to earn fortunes. But the fall in commodity prices and the global credit squeeze has badly hit most of the oligarchs, placing them at the mercy of the Kremlin.

Russia's private sector owes about \$500 billion in foreign debt with \$130 billion due this year, according to central bank data. Analysts have said the payments are likely to bankrupt many big businessmen unless the state helps.

The government initially promised \$50 billion to help pay corporate foreign debts but the facility allocated in state corporation VEB was frozen after \$11 billion was distributed.

Medvedev and his powerful Prime Minister Vladimir Putin, have told businessmen the government was not planning to bail out all of them.

KEEPING JOBS IS CLUE

A tough line on oligarchs can help the Kremlin win additional support badly needed during the crisis from ordinary Russians, traditionally critical of the oligarchs.

The Kremlin worries social unrest could destabilise the country and undermine its current political system.

SACRIFICE WEALTH

In the interview, Medvedev said the number of jobless in Russia has reached 6 million, including 2 million officially registered.

He said businessmen should be prepared to sacrifice part of their wealth to keep jobs for their employees.

"If a man becomes a real businessmen, he can appreciate his employees and will try to put off part of his ideas, some of his personal consumption to maintain his staff, keep paying it, and save the business he was running in the past years," Medvedev said.

"But if the man starts panicking, if he sells business, runs away somewhere, that means he is a wrong businessmen. He simply did his business and now decided to get rid of it."

Accusations of anti-patriotic behaviour have been leveled against oligarchs, many of whom live lavishly abroad buying yachts and soccer clubs. Medvedev made clear their behaviour during the crisis could be crucial for their survival after the turmoil is over.

"He who survives tough crisis conditions will be an effective businessmen, an effective manager in the best sense of the word," he said. "I think this is very important."

#6

Medvedev Welcomes Criticism On Crisis

By Ira Iosebashvili

Moscow Times, March 16, 2009

President Dmitry Medvedev urged regional lawmakers to debate the government's anti-crisis policies and said he would welcome criticism.

In a notable departure from Vladimir Putin's Kremlin, which rarely tolerated criticism, Medvedev said open discussion of anti-crisis measures among the lawmakers was "permissible and even necessary," as was criticism of the state's efforts to rescue the economy.

"It would not be surprising if there was criticism about the course that has been taken," although "arguments in its favor" should be presented as well, he said at a Kremlin meeting with the lawmakers.

Medvedev, however, also contrasted Russia's handling of the crisis with that of neighboring countries and took a clear swipe at one of them, presumably Ukraine, where he said political infighting had brought the economy to the edge of collapse.

"We do not have political problems, which is good, because a country that goes through a crisis with political difficulties has a high risk of experiencing a default," he said. "Look at what our neighbors are doing. There is a permanent state of political tension and internal clan war over there, and it complicates an already difficult situation."

The relationship between the regions and the central government should change, with regional lawmakers taking more responsibility for making decisions, he said.

"This is a new time," he said. "The responsibility of all levels of governments has grown significantly."

The regions should share their experiences in fighting the crisis with the state and among themselves, he said.

"A council of lawmakers could aid the exchange of information between regions," he said. "It is also necessary to build a system of vertical communication with the federal center."

Regional administrations should cut their spending on things like "palaces" and "certain kinds of entertainment complexes" but keep vital social budgets, including those on "primary infrastructure facilities and housing" intact, he said.

The president also railed against "irresponsible, weak and incompetent" managers in government, and said the state must get rid of them. A reserve of qualified officials is needed "at every level of government," he said.

The government is working on a new anti-crisis plan that is to be presented on March 19. It will be accompanied by a revised budget that will show an 8 percent budget deficit, the country's first in a decade, as well as additional support to banks and companies if the financial crisis worsens, First Deputy Prime Minister Igor Shuvalov said.

Medvedev reiterated comments made by government officials that the budget could be revised should the price of oil sink lower than \$41 per barrel.

In an unorthodox move, Medvedev also called for the state to examine the possibility of allowing citizens to mine gold in order to combat unemployment. "If something can be done about this, let's try to do it," he said.

#7

Russia's ruble defense shows signs of success

By Lidia Kelly and Andrew Langley

Wall Street Journal Europe, March 16, 2009

After managing a slow-motion devaluation of the ruble that lasted two months, Russia appears to have set a floor for the currency and staved off the speculative attack many had predicted.

Observers agree that the currency remains susceptible to weakness in commodity prices and a renewed bout of risk-aversion among international investors. Yet the results seem to vindicate January's policy shift, contradicting, at least for now, those who proclaimed Russia was setting itself up for a losing battle.

"We've been a little surprised by how remarkably stable the ruble has been," said Lars Rasmussen, an analyst at Danske Bank in Copenhagen.

Trading against a basket of currencies comprising dollars and euros, the ruble stood at 39.2 Friday. Since the central bank's Jan. 22 announcement of the trading band, the 26-ruble-to-41-ruble range has held strong, thanks mainly to stable oil prices and stricter control over ruble liquidity. After losing 21% against the basket

between Nov. 11 and Jan. 22, the ruble has since shed less than 7%, even as currencies in neighboring Eastern European nations have dived sharply.

The ruble began its decline last summer as oil prices fell from all-time highs and Russia's clash with neighboring Georgia prompted investors to start pulling capital out of the country.

Boasting the world's third-biggest foreign-exchange reserves, the central bank stepped in to defend the currency. The process lasted until late January, during which time the authorities, rather than risk the disruption to business and loss of public confidence through a one-step move, spent billions of dollars defending a series of declining ruble levels.

At the time, faced with a steep drop in its foreign-currency reserves, Russia changed course and halted the currency's decline, choosing instead to limit the availability of rubles and hope oil prices would remain firm.

Indeed, the main factor behind the ruble's recent strength has been the relative stability in the price of crude oil -- Russia's key export and the main driver of its explosive economic growth for most of the decade. Like prices elsewhere in the world, Russia's Urals blend has found support around the \$40-a-barrel level in recent months. While a far cry from July's \$141.67 peak, it has provided Russian investors with some reassurance.

#8

A new Cuban missile crisis?

By Fred Weir

Christian Science Monitor, March 15, 2009

A top Russian military official has confirmed that the Kremlin is thinking of parking some of its strategic bombers in Cuba or Venezuela, within easy range of the continental United States.

That's just one of several options currently under discussion in Moscow that, if carried out, would see Russia's armed forces take up positions around the world on a scale unseen since the cold war ended almost two decades ago.

Venezuelan President Hugo "Chavez has proposed to us a whole island with an airfield that we can use for temporary basing of strategic bombers," Maj. Gen. Anatoly Zhikharev, chief of Russia's strategic aviation forces, told journalists on Saturday.

"There are four or five airfields in Cuba with 4,000-meter-long runways, which absolutely suit us," he added. "If the two chiefs of state display such a political will, we are ready to fly there."

In late 2007 Russia resumed its cold war-era bomber patrols along the North American coast, using lumbering 1950s-vintage turboprop Tu-95 Bear bombers as well as a few needle-nosed supersonic Tu-160s, which were introduced in the 1980s.

But Russian generals complain that in the absence of refueling and maintenance facilities in the western hemisphere, the planes are able to remain as little as half an hour on station before beginning the long flight back to their bases in Russia.

As the Monitor reported recently, two Tu-160s visited Venezuela last September as part of joint war games that included a large flotilla of Russian warships and a visit to the region by Russian President Dmitry Medvedev.

Last week, the two Georgian breakaway statelets of Abkhazia and South Ossetia, whose de facto independence was established by Russian military intervention against Georgia last summer, offered long-term leases for the construction of Russian military bases on their territory. Russian media reports suggest those bases, housing thousands of troops and naval facilities on the Black Sea, are likely to be completed by year's end.

And Moscow has recently been in talks with former Soviet allies about re-establishing cold war-era naval bases at Cam Ranh Bay in Vietnam and Tartus in Syria as well as taking steps to beef up its own regional security alliance with several countries of the ex-USSR.

But some experts suggest that the noises coming out of Moscow about basing nuclear bombers in Cuba or Venezuela could be just a propaganda gimmick in advance of forthcoming US-Russian negotiations for a new strategic accord.

"Talking about building Russian bases near the US is a good way to get Washington's attention, and drive home the point that this is exactly what they've been doing to us for years," says Irina Zvigelskaya, an expert with the independent Center for Political and Strategic Studies in Moscow.

She says that Moscow still has an institutional memory of the stinging diplomatic defeat suffered by the USSR in 1962, after Soviet leader Nikita Khrushchev deployed medium-range nuclear missiles in Cuba, and no one in the Kremlin today is likely to repeat that mistake. But for Moscow, she adds, US intentions to station strategic anti-missile weapons near Russia's borders and the continuing Washington-backed drive to include Georgia and Ukraine into NATO, are seen as similar encroachments on Russia's strategic comfort zone.

"We are hopefully going to see some rethinking of the US-Russian relationship, and so we are positioning our arguments. The talk of basing Russian bombers in Cuba is more of a bargaining ploy than a real plan," Ms. Zvigelskaya says.

#9

Ukraine Is Used To Life On The Edge. Is This The Year It Slips Over?

By Brian Whitmore

RFE/RL, March 15, 2009

Not long ago, Andriy Lalak was treated like one of BM Bank's most valued customers. But when he shows up there now, employees avoid him like the plague.

For over a month, Lalak has been trying unsuccessfully to withdraw 100,000 hryvnia (\$11,700) from his account, money he says he needs to expand the small trading company he runs in the western Ukrainian city of Lviv.

But Ukraine's cash-strapped banks, reeling from declining liquidity and a choked-off credit market, have suspended all cash withdrawals. Lalak and a small group of friends have begun to stage daily protests outside the bank.

"We are defenseless. We have no recourse," Lalak tells RFE/RL's Ukrainian Service. "It is as if there is a conspiracy not to return money to depositors like myself. Money needs to be liquid. It needs to be invested in businesses. I wanted to buy an apartment to expand my business. But as a result of this situation, my business can't develop."

Lalak's situation is hardly unique. Ukraine is struggling through a mushrooming economic crisis that the country's weak and warring political institutions appear increasingly incapable of addressing. Unemployment and inflation are on the rise, the currency is tanking, and GDP growth is shrinking at an alarming pace.

And as if all that isn't enough, the president and prime minister are barely on speaking terms as a debilitating default and crippling energy crisis looms.

Last week, Ukraine narrowly averted a new gas conflict with neighboring Russia when it paid off the final \$50-million installment of a \$360-million gas bill to Gazprom just hours after Russian Prime Minister Vladimir Putin threatened to cut off supplies for the second time this year. Difficult negotiations loom with the International Monetary Fund over an emergency loan.

Getting through the current crisis, which many economists call the worst global downturn since the Great Depression, presents a daunting challenge for even the most cohesive and focused governments -- and Ukraine's government is neither.

Observers say the endless bickering between President Viktor Yushchenko and Prime Minister Yulia Tymoshenko, allies in the pro-Western Orange Revolution just four years ago, is tearing the elite apart and handcuffing anticrisis efforts as the government seeks foreign assistance to ward off economic catastrophe.

"There is a total inability among the Ukrainian elite to deal with the crisis, at the economic and also at the political level," says Eugeniusz Smolar, director of the Warsaw-based Center for International Relations. "This is a time of national crisis and they are acting as if it were one of those standard mini-crises that they have been facing. This is not like that. This is a mega-crisis."

Looking Over The Brink

And it is a mega-crisis that many analysts fear could cause social unrest, opening the door to possible meddling by Russia, and potentially destabilizing a strategically important country. Just a few years ago, Ukraine -- a sprawling country of 46 million people tucked between Russia and the European Union -- was touted as one of the region's most promising young democracies. Now, that legacy is deeply in doubt.

In recent weeks, truckers angry over high taxes briefly blocked the vital Kyiv-Odessa highway. Kiosk owners in Kyiv have demonstrated against the city's plans to force them to buy new stalls. And workers at a combine factory in Kherson, in eastern Ukraine, briefly occupied the city hall to protest wage arrears. Entire towns, unable to pay utility bills, have gone days without heat or water.

Ukrainians have proven remarkably resilient in difficult times, but analysts say the current crisis could push this well-worn tolerance for economic pain to the breaking point.

"Ukrainians really have an ability to muddle through difficult situations. They also have this ability to go to the edge, look over the brink, and then draw back. The problem is that if you go to the brink too many times, you can slip over," says Steven Pifer is a former U.S. ambassador to Ukraine who is now a visiting fellow at the Brookings Institution.

"This is a year where the Ukrainians, if they are not careful, could end up in a very difficult situation, or could end up missing the opportunity to reduce just how difficult this year is going to be."

Ukraine's economy is largely dependent on steel and chemical exports, both of which have plummeted amid declining global demand.

Industrial production has fallen by 34.1 percent in January alone, the sharpest drop since Ukraine won independence in 1991. The country's main stock market, the PFTS index, has tumbled 33 percent this year. Unemployment hit 3.2 percent in January, and workers are bracing for more job losses as key steelmakers cut production.

The sharp downturn is reminding Ukrainians of the hardships they endured in the early 1990s following the breakup of the Soviet Union.

"People remember times when they were not paid for months and they had to rely on some small plot of land outside of town from which they brought back potatoes," Smolar says. "People thought they put these bad times behind them. But it is not impossible that these bad times are returning."

Hostage To Politics

In an effort to avert a default on its sovereign debt and to stabilize its banking system and currency, Ukraine turned to the IMF last year for a \$16.4-billion bailout loan -- but those negotiations have been hampered by the ongoing feud between Yushchenko and Tymoshenko.

The IMF released the first \$4.5-billion tranche of the loan in November. But after Tymoshenko's government put forward a budget projecting a 5-percent deficit in February, the IMF -- which is demanding a smaller deficit -- refused to release the second \$1.9-billion installment.

The IMF is also seeking a gradual increase in Ukraine's retirement age, which is currently 60 for men and 55 for women, and an end to state subsidies for natural gas to households. Both are moves that the prime minister, who is looking ahead to next year's presidential elections, is reluctant to make.

Tymoshenko won votes in the September 2007 parliamentary elections by promising lavish social spending and has been loathe to cut the budget or inflict pain on voters in an election year. Yushchenko, for his part, sought a lower deficit and supported further spending reductions.

Anticipation of the presidential elections, expected in January 2010, is shaping the agenda of both Tymoshenko and Yushchenko, and each has been reluctant to give the other any kind of political advantage as an anticrisis program is debated. The main opposition leader and former prime minister, Viktor Yanukovich, who controls the largest single faction in parliament, is also planning to seek the presidency.

Amid the impasse, the fiscally conservative Finance Minister Viktor Pynzenyk resigned, saying his job had become "hostage to politics."

Observers say the mismanagement and feuding among Ukraine's rulers is exacerbating an already dire situation.

"To a large extent, this crisis simply has to be lived through. It is going to get worse for objective reasons. Unfortunately the corruption and incompetence of the current government is making things worse, there is no question," Ivan Lozowy, a Kyiv-based political analyst, says.

Yushchenko announced a budget review on March 2 after meeting with Tymoshenko, and the two agreed to set aside their differences to reach a compromise that would be acceptable to the IMF. The IMF, in turn, has relaxed its target budget deficit from less than 1 percent of GDP to 3 percent.

No sooner had the president and premier reached an understanding on the budget than a fresh conflict erupted over energy. On March 4, armed agents from the Ukrainian Security Service (SBU) raided the offices of the state-run gas company Naftogaz. The SBU, which is loyal to Yushchenko, says it was investigating corruption in the company, which is seen as loyal to Tymoshenko.

The protracted conflict between the president and prime minister, analysts say, threatens to erode the country's rapidly declining international credibility.

"It feeds into this unhealthy battle that goes back and forth. It runs the risk at some point -- if we haven't passed that point already, in some countries -- that they stop taking Ukraine as a serious entity," Pifer says. "Serious countries don't have this level of conflict."

Halyna Tereshchuk of RFE/RL's Ukrainian Service contributed to this report from Lviv

#10

Kremlin loyalist says launched Estonia cyber-attack

By Christian Lowe

Reuters, March 12, 2009

An activist with a pro-Kremlin youth group said Thursday he and his friends were behind an electronic attack on Estonia two years ago that paralyzed the NATO state's Internet network.

Ex-Soviet Estonia blamed the Russian government for the attack at the time, though Moscow denied involvement. The incident prompted the NATO military alliance to review its readiness to defend against "cyber-warfare."

Konstantin Goloskokov, an activist with Russia's Nashi youth group and aide to a pro-Kremlin member of parliament, said he had organized a network of sympathizers who bombarded Estonian Internet sites with electronic requests, causing them to crash.

He said the action was a protest against the dismantling in 2007 of a Soviet-era monument to the Red Army from a square in the center of Estonia's capital Tallinn. The removal prompted two nights of rioting by mainly Russian-speaking protesters.

"I was not involved in any cyber-attack. What I did and what my friends did was no kind of attack, it was an act of civil disobedience, absolutely legal," 22-year-old Goloskokov told Reuters in a telephone interview.

"Its aim was to express our protest against the policy of soft apartheid which has been conducted by the leadership of Estonia for many years and the climax of which was the dismantling of the ... soldiers' (monument) in Tallinn."

OVERLOADED WEBSITES

"We made multiple requests to these sites," he said. "The fact that they could not withstand this is, strictly speaking, the fault of those people who from a technical point of view did not equip them properly."

He said his action -- known as a distributed denial-of-service attack -- was his own initiative and he received no help either from Nashi or from Russian officials.

The creation of the youth group was masterminded by Kremlin officials and its activists have had audiences with former President Vladimir Putin, who is now prime minister. Nashi's former leader is now the head of a government agency.

Nashi stages regular protests outside the embassies of Western states with which the Kremlin has disagreements, and its activists picket meetings of opposition parties.

Kristina Potupchik, a spokeswoman for the organization, said it had nothing to do with jamming Estonian Internet sites. "If anything did happen, it was the personal initiative of Konstantin Goloskokov," she said.

Russian officials allege that Estonia routinely discriminates against its Russian-speaking minority and accuse European institutions of turning a blind eye.

The decision to move the Red Army monument in Tallinn was seen in Moscow as a deliberate snub to the sacrifices the Soviet Union made to liberate eastern Europe from German occupation during World War Two.

But Estonians, like many eastern Europeans, say Nazi rule was replaced by decades of brutal Soviet repression which only ended with the fall of the Berlin Wall.

Estonia's government denies discriminating against Russian-speakers. It said the presence of the Red Army monument in the center of the capital was causing public order problems, and moved it instead to a military cemetery.

#11

Obama urged to oppose Georgia, Ukraine NATO bids

AFP, March 16, 2009

President Barack Obama should stop encouraging Georgia and Ukraine's bids to join NATO in order to improve relations with Moscow, a bipartisan commission recommended in a report Monday.

Led by former senators Gary Hart, a Democrat, and Chuck Hagel, a Republican, the commission made 19 recommendations, taking aim at NATO's eastward expansion, a sore point in US relations with Moscow during the previous administration.

"Accept that neither Ukraine nor Georgia is ready for NATO membership and work closely with US allies to develop options other than NATO membership to demonstrate a commitment to their sovereignty," it said.

"A special relationship with NATO short of membership could serve the same function as membership, and would be a useful way to ensure that those Ukrainians and Georgians seeking to join NATO do not become discouraged," it said.

While arguing that it was necessary to resist Russian efforts to re-establish the sphere of influence of the former Soviet Union, the report urged the administration to "take a new look at missile-defense deployments in Poland and the Czech Republic."

It called for "a genuine effort to develop a cooperative approach to the shared threat from Iranian or other missiles."

On economic matters, the report recommends that Washington facilitate Russia's admission to the World Trade Organization, and quickly revoke the Jackson-Vanik amendment, a Cold War measure that has placed limits on trade with Russia since 1974.

The report was presented to Obama's national security adviser, Jim Jones, and the Vice President Joe Biden, Hagel said at a news conference.

Hagel and Hart were received last week by Russian President Dmitri Medvedev.

#12

Belarusian builds monument to Holocaust victims

By Yuras Karmanau

AP, March 17, 2009

Nikolai Ilyuchik was 11 when his mother first told him how the Nazis killed all the Jewish men in their Belarusian village during World War II.

Three decades later, in defiance of the local government, Ilyuchik has built his own memorial to the six men shot Aug. 2, 1941, on the outskirts of Bogdanovka. It was something he just had to do.

"I was shaken by my mother's stories, because there was almost nothing in our textbooks about the Holocaust," the 42-year-old fireman said. "I built the monument to honor the memory, not for money or glory."

The Holocaust has been hushed up and largely forgotten in Belarus, a former Soviet republic between Poland and Russia where 800,000 Jews lost their lives during the war.

Even though President Alexander Lukashenko in 2007 compared Jews to pigs, the Belarusian government denies the existence of anti-Semitism. It pays lip service to Holocaust victims while at the same time allowing the destruction of Jewish cemeteries.

"In school textbooks, the history of the Holocaust is told in several paragraphs," Belarusian Jewish community leader Yakov Basin said. "In encyclopedias and academic literature, the history of the Jews is still suppressed."

Belarus lumps Jews together with all those who died during World War II, rather than acknowledging they were victims of genocide, he said.

About one-third of its population died in the war, including about 90 percent of the Jews, who formed a substantial minority in the predominantly Slavic nation. Only about 25,000 Jews remain in the nation of 10 million.

Soviet-era monuments erected on the sites of mass shootings of Jews noted the deaths only of "Soviet citizens."

So the determination of Ilyuchik, a Christian, to honor a handful of Jews was met with deep suspicion in the regional government, which threatened to hit him with huge fines if he put up a monument on village land. But he pushed ahead with support from his family, neighbors and Protestant church, building the monument from metal and concrete in his own yard.

He then called on his three sons — 12-year-old Anton and 11-year-old twins Viktor and Vitaly — to build a gravel footpath from the village to the site of the killings, about a kilometer (half mile) away. The boys also laid stones around the monument.

"The children would come home and simply collapse from exhaustion," said their mother, Raisa Ilyuchik. "For them it was a difficult history lesson."

Before the Nazis invaded the Soviet Union in June 1941, five Jewish families lived in Bogdanovka, then a village of 1,000 people 150 miles (250 kilometers) southwest of the capital, Minsk.

There is no historical record of the Jews or their fate, so Ilyuchik questioned elderly villagers and appealed for information through the local newspaper about the six men who were shot — two blacksmiths, two farmers, a trader and a rabbi.

They are honored on the monument, a black candle rising from the center of a concrete Star of David. Six red teardrops run down the side like dripping wax.

Their families were rounded up and sent to a ghetto. Ilyuchik was unable to determine whether any of the women or children had survived.

But two teenage boys who managed to escape the Nazis were saved by Ilyuchik's grandfather, who hid them in his barn for about six months. They later joined partisan forces fighting with the Red Army, where they became friends with Ilyuchik's father.

"Belarusians and Jews won this victory together," Ilyuchik said.

For support for his project, Ilyuchik turned to his pastor and fellow villagers, about half of whom belong to the same Protestant church. His pastor allowed him to keep the 10 percent of his income he usually gives to the church so he could buy the building materials.

Protestants are a small minority in Belarus. Roman Catholics make up about 15 percent of the population and the overwhelming majority belong to the Russian Orthodox Church.

Ilyuchik's church and Jewish groups offered to collect money for the monument, but he said it was important to him to do it himself.

So far, the regional government has not made good on its threats to fine him, and the monument has become a fixture in the village, where 2,000 people now live.

Children visit the monument on school excursions, and newlyweds come to lay flowers, honoring a Soviet tradition in which brides and grooms visit war memorials on their wedding day.

"When I see flowers on the monument I know that the memory of the murdered Jews is alive," Ilyuchik said, straightening a wreath that someone had left.

#13

Russia to rearm military as NATO expands: Medvedev

By Dmitry Solovyov

Reuters, March 17, 2009

President Dmitry Medvedev, who is seeking to improve chilly ties with the United States, said on Tuesday Russia would rearm its military and boost its nuclear forces because U.S.-led NATO is expanding toward its borders.

"Attempts to expand the military infrastructure of NATO near the borders of our country are continuing," Medvedev told an annual meeting with the Defense Ministry's staff.

Russia sees plans by the previous U.S. administration to grant NATO membership to ex-Soviet Ukraine and Georgia, and to deploy elements of a U.S. missile shield in Eastern Europe, as a direct threat to its national security.

And while appreciating U.S. President Barack Obama's desire to give ties a fresh start Medvedev, who will meet Obama in London on April 1, has said he expects Washington to match declarations with deeds.

Medvedev told Russia's top military brass that the prospect of NATO's expansion, combined with a threat of local crises and international terrorism, "requires a modernization of our armed forces, giving them a new modern shape."

Medvedev said the large-scale modernization of the army and navy would begin in 2011.

"The primary task is to increase the combat readiness of our forces. First of all, our strategic nuclear forces. They must be able to fulfill all the necessary tasks to ensure Russia's security," Medvedev said.

On Monday, Moscow announced budget cuts due to the economic crisis but Medvedev said Russia had the resources to modernize its military, despite the economic crisis.

"A modern military well-trained and well-equipped with modern weapons...is a guarantee of our protection from any potential threat or attempts to put pressure on our nation," the Russian leader said.

Defense Minister Anatoly Serdyukov told Medvedev that by 2020, 70 percent of the weaponry in the armed forces' arsenals would be the most modern in their category, up from 10 percent currently, Russian news agencies reported.

REFORM AFTER GEORGIAN LESSONS

Facing scathing criticism by the opposition and staunch resistance from many generals, the Kremlin launched this year an ambitious reform, seen by analysts as the most radical change in the armed forces since the end of World War Two in 1945.

The reform aims to turn the largely demoralized armed forces into less numerous but mobile and better equipped ones.

Military experts say the reform was prompted by Russia's five-day war with Georgia last August. Russian troops quickly advanced and seized large chunks of Georgian land after Tbilisi tried to retake its rebel South Ossetia province by force.

But the war also exposed a lack of modern weapons, such as hi-precision ammunition, modern communications systems and spy drones.

Russia's armed forces are set to shrink to 1 million servicemen by 2012 from today's 1.13 million. The number of officers will be more than halved to 150,000 from 355,000.

The army will receive this year hundreds of the latest T-90 main battle tanks and advanced armored personnel carriers, in line with information published earlier by the Defense Ministry.

Air forces will get about 50 jet fighters and roughly the same number of helicopters in 2009, including new Mi-28N all-weather day-and-night ones known under NATO's name "Havoc."

Russia has also started sea tests of its first Borei-class (Arctic Wind) nuclear submarine, to be armed with the latest Bulava (Mace) intercontinental ballistic missiles.

The Defense Ministry has pledged to roll out the nation's first fifth-generation jet fighter in August.

#14

Russian human rights organizations lacking funds to continue work under crisis conditions Interfax, March 16, 2009

The world financial crisis has been telling on the work of Russian human rights organizations; some of these have been reducing salaries; other human rights groups do not know whether they will have sufficient funds for work next year.

"The crisis has been taking its toll. The available funds have been going down and we have been reducing our projects," the For Human Rights group leader and veteran of the Russian human rights movement, Lev Ponomarev, told Interfax on Monday.

"We have not been reducing our work in the human rights area, we have not sacked any employees, but we are reducing wages. Also, we will be relying more on volunteers," he said.

The For Human Rights group has been getting grants from foreign foundations, he said. "We attempted once to get a state grant through the Public Chamber but failed," he said.

The head of the oldest Russian human rights organization, the Moscow Helsinki Group, Lyudmila Alexeyeva is concerned over the funding her group will need next year.

"We have always had problems with funding, and currently these problems are especially serious. Foreign and Russian foundations have much smaller reserves now. This fact is not telling upon us right now, because we received funding before the crisis. But next year is very problematic," she told Interfax on Monday.

"We are appealing to many foundations. We shall know between June and September whether we shall get any grants for next year," she said.

#15

Obama may visit Russia in July: report AFP, March 18, 2009

US President Barack Obama could pay his first visit to Russia in early July, the Russian daily newspaper Kommersant reported Wednesday, citing unnamed diplomatic sources.

The visit would include more in-depth talks than will be possible when Obama meets Russian President Dmitry Medvedev for the first time next month, the newspaper said, citing a source close to the Russian foreign ministry.

Obama and Medvedev are due to meet on the sidelines of the G20 summit in London in early April.

The most likely dates for Obama's visit to Russia are just ahead of the G8 summit to be held in Italy from July 8 to 10, Kommersant said.

Citing sources in Washington, the newspaper said that former US secretary of state James Baker would arrive in Moscow this week to help lay the groundwork for Obama's visit.

Also this week, a group of prominent US foreign policy veterans including former secretary of state Henry Kissinger will visit Moscow for a series of meetings with Russian officials, including Medvedev, Kommersant said.

The tone of US-Russian relations has warmed since Obama's inauguration and officials from both sides have pledged to work closely on renegotiating START, a landmark Cold War-era nuclear arms control treaty that expires in December.

Ties between the two countries deteriorated badly under the administration of former president George W. Bush due to disputes over a range of issues, including NATO expansion, last summer's war in Georgia and missile defence.

#16

High Inflation Raises Specter of Social Unrest

By Ira Iosebashvili

Moscow Times, March 18, 2009

Her job is safe and her salary hasn't been cut by a single ruble, yet Svetlana Nikolayeva says she feels the effects of the financial crisis as badly as anyone.

"Every time I go shopping, I can afford less and less," said Nikolayeva, a 41-year-old single mother who lives in a two-room apartment with her younger brother and autistic son. "It's not just food. Children's clothes, medicine, communal services -- it's all getting more expensive."

The rising cost of goods has confronted Nikolayeva with some painful decisions, like deciding which medicine her son needs least so she can afford to buy him the ones that are crucial for his health. It has also changed her opinion of the government, which she staunchly supported less than a year ago.

"There's a feeling right now like everyone is out for themselves," she said. "Putin and Medvedev don't care about my money. They're too busy worrying about their own."

The inflation rate rose to a four-month high of 13.9 percent in February, from 13.4 percent in January, as the weaker ruble drove up the price of imports. Inflation for 2009 through March 10 was 4.5 percent, compared with 3.9 percent for the same period last year, according to the latest figures from the State Statistics Service.

The Economic Development Ministry forecasts inflation of 13 percent to 14 percent this year, and Finance Minister Alexei Kudrin said over the weekend that he expects the rate to slow in the second half of 2009. But other top government officials, including Kremlin economic aide Arkady Dvorkovich, have said it could rise to as high as 15 percent, a number many economists see as a threshold.

"When you have inflation that is higher than 10 percent, it is an economic problem," said Yevgeny Gontmakher, a sociologist and former deputy social protection minister in the 1990s. "When it is higher than 15 percent, certain vulnerable groups begin to suffer, and it quickly becomes a social and political problem."

When times were good, inflation was the government's only real economic headache. Last year, the government stubbornly stuck to its inflation target of 10.5 percent, even after it became apparent that galloping growth and government spending ahead of State Duma and presidential elections would push the figure higher.

Since last fall, however, the government has turned its attention to more pressing issues: billions of dollars to revitalize the financial system, help industry cover their foreign debt and allow for a gradual devaluation of the ruble. Inflation -- which is only worsening as the government heads toward deficit spending to rekindle economic growth -- is now receiving surprisingly short shrift, economist say, and it is reaching levels that could cause social unrest.

Russians saw double- and even triple-digit inflation in the 1990s amid economic reforms and ruble devaluation. While the decade is remembered as a time of simmering social discontent, a young, relatively undeveloped economy with plenty of room to grow kept the situation from coming to a boil, said Alexei Makarkin, an analyst with the Center of Political Technologies.

"In the '90s, inflation was accompanied by the birth of new economic sectors, new opportunities that people could pursue if they had initiative and drive," Makarkin said. "Today, there are fewer opportunities. Many of these sectors are already at full capacity, and there is nowhere for people to go but into the streets to protest."

So far, anyway, the streets have been relatively calm. Even with a devalued ruble, widespread layoffs and salary cuts, unrest over economic upheaval has been muted across the country, with the biggest protests taking place in the Far East port of Vladivostok, where hundreds were detained in January demonstrations over higher tariffs on imported cars.

While dissatisfaction with the government is growing, it has not yet reached a point sufficient to ignite protests. A survey released last week by state pollster VTsIOM found that one in five Russians was prepared to protest the government, but 60 percent said they thought that mass protests were unlikely.

Even as frustrations rise, Russians still overwhelmingly approve of President Dmitry Medvedev and Prime Minister Vladimir Putin, who have 71 percent and 78 percent approval ratings, respectively, according to a survey conducted in late February by the independent Levada Center.

"Inflation becomes a trigger for unrest when it is combined with other factors, like wage arrears or mass unemployment," Makarkin said. "Right now, pensioners are getting their money on time; unemployment is growing, but not at an alarming rate.

"The threats are out there, but they haven't reached critical levels," he said.

Yet the Levada survey indicated that only 40 percent of Russians thought that the country was on the right track, down 20 percentage points from September. And a separate Levada poll released earlier this month showed that more than 60 percent of Russians either "respect" or "understand" potential protesters of the government's economic policies. Almost 40 percent said protests against the state's economic policies were likely in their town or city.

Discontent could be much more keenly felt in the poorer segments of society, even with inflation currently below 15 percent, because inflation tends to hit basic food and nonfood items harder, Gontmakher said.

"For the poor and the needy, inflation is actually higher than for everyone else," he said. "If we have 13 to 15 percent, those who are dependent on the government will be experiencing the effects of 20 percent inflation."

The Central Bank raised interest rates last month from 9 percent to 10 percent, partially to combat inflation brought about by the ruble's steep drop. A short time later, Dvorkovich said the state would spend more on pensions, child benefits and regional budgets, incrementally raising them to keep up with inflation rates.

The Central Bank has also pledged to prevent further devaluation in the ruble, which leads to price increases on imported goods.

A few government officials have spoken out about inflation as well, most notably about rising food prices.

"If a pensioner walks into a store and sees that a loaf of bread is selling for 45 rubles and a packet of milk is selling for 35 rubles, what kind of mood will he be in when he leaves that store?" First Deputy Prime Minister Viktor Zubkov said last month.

But First Deputy Prime Minister Igor Shuvalov said last Wednesday that the state would not cap food prices because "such a decision would not be wise."

Shuvalov did say, however, that the government would control prices of pharmaceuticals.

Not all economists think that inflation will rise this year. Yevgeny Gavrilenkov, chief economist at Troika Dialog, said he expects inflation to ease this year, although it will remain in the double digits. "A great deal depends on government spending," he said. "If the government spends generously, then that will prolong inflation."

A revised budget was sent to the government Monday that envisions an 8 percent budget deficit, its first since the economic collapse of 1998.

Gontmakher said the problem is not fixable by monetary policy alone. "This is all a result of incorrect economic policy, dependence on oil and rampant corruption," said Gontmakher. "Until the system changes, these problems will persist."

He cautioned that "it could be as little as a few months until people are driven to do something."

Nikolayeva, for her part, laughed at the idea of taking to the streets in protest. "I'm really not the type," she said. "But who knows. Maybe somebody else?"

#17

Russia Signaling Interest in Deal on Iran *Analysts Say Still, Obama Effort Faces Obstacles* By Philip P. Pan and Karen DeYoung Washington Post, March 18, 2009

As President Obama seeks to recast relations with Russia and persuade it to help contain Iran's nuclear ambitions, he must win over leaders who are deeply suspicious of U.S. intentions and who have long been reluctant to damage what they consider a strategic partnership with Iran. But the Kremlin has indicated it is willing to explore a deal with Washington, and analysts say it may be more open to new sanctions against Iran than expected.

The Obama administration has all but decided not to make a new push for sanctions until after it tries engaging Iran diplomatically and improving ties with Moscow, according to administration officials and Russia analysts. If the overture to Iran fails, as many expect, administration officials believe they will be able to make a stronger case for sanctions to Russian leaders they hope will be more invested in a new relationship with the United States.

In a meeting last week with a bipartisan commission studying U.S. policy toward Russia, President Dmitry Medvedev expressed alarm in "very graphic language" over Iran's successful test launch of a satellite last month, linking it to Tehran's nuclear program, said Dmitri Simes, director of the commission.

"Medvedev said it demonstrated how far-reaching Iran's nuclear ambitions are, and that he was very concerned," said Simes, who is also president of the Nixon Center in Washington. "He felt it was a clear challenge to both Russian and American interests and said he would like both countries to work on this challenge together."

In another sign of Russian concern, Iranian Defense Minister Mostafa Mohammad Najjar traveled to Moscow last month for talks that were expected to focus on delivery of Russia's advanced S-300 anti-aircraft missile

system, which Iran says it has signed a contract to buy. But Russian media reported that the Kremlin informed him it was putting the deal on hold. Both the United States and Israel have objected to the sale.

In remarks during Najar's visit, Deputy Foreign Minister Sergei Ryabkov denied that Russia was toughening its stand toward Iran, but called for intensification of international efforts to settle the nuclear standoff. He appeared to accept the Obama administration's argument that progress on the Iranian issue could help remove another major problem in U.S.-Russia relations -- American plans to build a missile defense shield in Eastern Europe.

Simes said Russian leaders appear to be signaling their interest in striking a strategic bargain with Washington. "They want to send a message to the Obama administration that they're prepared to have a new relationship, but it will have to be quid pro quo," he said. "If they have to sacrifice their special relationship with Iran, they want to see a change in their relationship with the United States."

Russia has backed three rounds of sanctions against Iran in the U.N. Security Council but blocked a fourth set of sanctions last summer as relations between Washington and Moscow soured after the Russian-Georgian war in August. In the meeting last week, Simes said, Medvedev indicated that Russia was willing to consider "serious sanctions" against Iran but argued that sanctions alone would not be enough and should be accompanied by a new package of incentives for Iran to cooperate.

What Obama is willing to offer to either Russia or Iran is unclear. The administration is conducting separate internal reviews of U.S. policy toward Iran and Russia, and administration officials declined to discuss the strategy on the record while the reviews are ongoing.

Secretary of State Hillary Rodham Clinton has already said Iran will be invited to an international conference on Afghanistan in The Hague on March 31. Other moves under consideration in the policy review include low-level contacts in countries where both the United States and Iran have embassies, further discussions on cooperation in Afghanistan and a proposal for each country to open a representative office in the other's capital.

Meanwhile, the administration has said it plans to "reset" relations with Russia and quickly engage Moscow in nuclear arms control talks. After meeting in Geneva this month, Clinton and Russian Foreign Minister Sergei Lavrov agreed to make a priority of negotiating a pact to replace the landmark Strategic Arms Reduction Treaty, which is set to expire in December. Clinton said she wanted Obama and Medvedev to have a general plan for a new treaty before they meet for the first time at the Group of 20 summit in London on April 2.

Administration officials believe putting the arms control talks at the top of the agenda will reinforce Russia's self-image as an equal partner that shares the same goals as the United States. At the same time, the administration appears to be playing down high-profile issues that angered Russia during the Bush administration, including the missile defense shield and the push to bring Ukraine and Georgia into NATO. Other moves under discussion include a drive to repeal the Jackson-Vanik amendment, the Cold War-era measure imposing trade sanctions on Russia and other countries because of human rights violations.

But Russian analysts said the administration's approach faces several hurdles. Russia does not want Iran to build a nuclear weapon, but it sees the problem with less urgency than the United States and believes the prolonged standoff with Tehran gives it leverage over Washington. In addition, analysts said, Russia's leaders will be wary because previous administrations promised better relations but then ignored Russian concerns on issues such as missile defense and NATO expansion.

Russian leaders may also prefer to continue demonizing the United States to divert public anger as Russia weathers a severe economic crisis, said Georgy Mirsky, a foreign policy scholar at the Institute of World Economy and International Relations in Moscow.

Vladimir Sotnikov, a research fellow at the Moscow State Institute of International Relations, said U.S. officials overestimate Russia's influence on Iran and underestimate the Islamic republic's strategic value to the Kremlin. Russia sees Iran as an important partner in a volatile neighborhood, and it appreciates, and worries about,

Iran's influence on Muslim populations in southern Russia and in the neighboring countries of the Caucasus and Central Asia, he said.

At the same time, Russia can apply only limited economic pressure on Iran, he said. With less than \$3 billion in bilateral trade annually, far behind Japan, China, Germany and Italy, Russia doesn't make the list of Iran's top 10 trading partners.

Alexander Pikayev, a top arms control scholar in Moscow, said Russian policy toward Iran will be determined by competing interest groups and political factions. Defense manufacturers and the atomic energy industry oppose tougher sanctions, for example, but the United States could win over the latter by reviving a bilateral pact on civilian nuclear cooperation that was frozen after the Georgian war, he said.

Pikayev said Medvedev may be more likely to support sanctions because a breakthrough in U.S. relations would boost his political stature at home and set him apart from his powerful predecessor, Prime Minister Vladimir Putin. Putin might resist, but his relationship with Iranian President Mahmoud Ahmadinejad is said to be strained and he surprised Russia's foreign policy establishment by endorsing earlier U.N. sanctions, Pikayev said.

"The consensus for improved relations with the United States is wider than for any Iran policy," Pikayev said. "That gives the U.S. some room to maneuver."

#18

Moldova Parliamentary Elections

Sen. Benjamin L. Cardin (D-MD)

Congressional Record, March 17, 2009

Mr. President, with the coming parliamentary elections scheduled for April 5, Moldova is once again at a crucial juncture in its domestic political development.

In recent years, Moldova's cooperation with the United States has deepened, with steady progress through the initial stages of the Millennium Challenge Threshold Program, which promises to bring significant material assistance to Moldova in the near future. Additionally, Moldova has advanced in its quest for greater European integration. To continue to build upon and consolidate these positive developments, it is crucial that the current campaign and voting on April 5 be conducted in a manner consistent with Moldova's commitment to meeting OSCE election standards.

Since achieving independence in 1991, Moldova has had a generally positive record in conducting and respecting the results of free elections. However, there have been shortcomings and it is essential that Moldova avoid repeating practices that have drawn criticism in previous contests.

Specifically, national and local authorities must make every effort to ensure a level and transparent playing field for all candidates during the campaign and avoid the use of administrative resources to hamper political rivals. It is also important that the authorities make efforts to ensure access to the media for all candidates and representatives of political parties. Finally, law enforcement bodies must safeguard the public's basic right to freely and publicly assemble to express their views in a peaceable manner.

As Chairman of the Commission on Security and Cooperation in Europe, I would underscore the importance that all involved in Moldova's upcoming parliamentary elections ensure compliance with international norms. This is crucial, not only for the future of democratic reform in Moldova, but also for the country's further economic development and progress along its chosen path of European integration.

#19

**Russia's Jewish community fears for its future; Foreign missions in jeopardy
AsiaNews, March 18, 2009**

Two rabbis are expelled for conducting missionary activities on a tourist visa. Medvedev claims he does not want to interfere in religious affairs. Justice Ministry announces new law to regulate foreign missionary activity.

Russia's Jewish community is concerned for its future. "It is a very depressing signal for us," said Berel Lazar, chief rabbi of Russia. "Jews have begun to fear for the future of their community in Russia for the first time in many years."

What concerned Lazar (pictured here with Russian President Medvedev) was the deportation of Rabbi Zvi Hershovich of Stavropol and Rabbi Yisroel Silberstein of Primorye.

The two clergymen are US citizens in Russia on a tourist visa where they performed missionary activities without the proper residency papers for anyone entering the Russian Federation for religious purposes.

Both rabbis said that without their presence certain Jewish communities would be without guidance.

"The case is greatly complicated by the fact that the list of specialties for receiving workers' visas does not include clergy," the Federal Jewish National and Cultural Authority said.

From 1998 to 2003, 30 religious leaders were thrown out of Russia, Jews but also Catholics and Protestants.

The issue of visas for foreign clergymen has been highly controversial. With Putin in the Kremlin and Aleksij II at the helm of the Russian Orthodox Church, visa renewals have been a tool in the hands of Russian authorities to rid the Russian federation of unwanted missionaries, whatever their religion.

The year 2002 was the *annus horribilis* when several Catholic priests were expelled on an ambiguous charge of proselytism. They included the parish priests of Vladimir (Fr Stefano Caprio), Jaroslavl' (Fr Stanislaw Krajnjak), and Rostov-on-Don (Fr Eduard Mackewicz), plus the bishop of the Siberian diocese of Saint Joseph in Irkutsk, Mgr Jerzy Mazur.

Despite claims by President Medvedev of not wanting to interfere in religious affairs, his decisions to accentuate the connection between the Kremlin and the Orthodox Church and some actions by the Justice Ministry towards religion and minority Christian groups have raised fears that it might be like 2002 all over. There are fears that actions designed to buttress the legitimate primacy of Orthodoxy might restrict religious freedom for other communities of believers.

A few days after the deportation of Zilbershtein and Hershovich, on 12 March, the Russian Justice Ministry announced a draft bill to regulate missionary activities.

To "begin with, we shall define the term of missionary activity," said Sergej Miluskin, head of the Non-commercial Organisations Department at the Russian Justice Ministry.

The bill shall also stipulate the conditions for missionary activity and the rules of administrative liability for unlawful missionary outreach.

The new bill will address situations like those of Zilbershtein and Hershovich.

Foreigners who preach in Russia on a tourist visa should expect deportation for violating the immigration law and a big fine, he said.

#20

US, Russia must work through 'strained' ties: Lugar
Agence France-Press, March 19, 2009

WASHINGTON — An influential US Senator warned Thursday that US-Russia relations will be "strained for some time" but urged speedy efforts to extend a nuclear cooperation accord that expires December 5.

"The foundation of the US-Russian strategic relationship is at risk of collapsing in less than nine months," Senator Richard Lugar, the top Republican on the Senate Foreign Relations Committee, said in a statement.

At issue is the verification regime for the 1991 START nuclear pact, which committed Moscow and Washington to cut their arsenals, including reducing missiles to a maximum of 1,600 and warheads to no more than 6,000.

"We should carefully set priorities. Solidifying the START verification regime must be the primary focus," Lugar said as the committee opened a hearing on efforts to thaw chilly US-Russia relations.

In early March, US Secretary of State Hillary Clinton said after meeting with her Russian counterpart, Sergei Lavrov, that both sides agreed renewing the accord was "of the highest priority."

Lugar, one of the two US architects of a program aimed at safeguarding Moscow's post-Soviet nuclear stockpiles, cautioned against expecting too much from efforts to ratchet up US-Russia cooperation on key issues.

"We should recognize that US-Russian relations are likely to be strained for some time," said the Indiana senator, his party's leading foreign policy voice, adding: "We should be realistic in assessing the prospects for cooperation."

Lugar said the global economic crisis was causing "severe pain" to Russia and that "would seem to increase incentives to cooperate" on key issues, like nuclear programs in Iran and North Korea, and the war in Afghanistan.

But recent actions by Moscow on those three crucial matters "have exhibited a reflexive resistance to US positions even when we have substantial commonality of interest," he warned.

Lugar accused Moscow of using its westward energy exports "as a political weapon" and said Russia's war in Georgia showed "an aggressiveness that has made comprehensive negotiations on regional problems impractical."

"In this context, we should avoid ratcheting between excessive expectations and severe disappointment," he said.

Lugar said Russia and the United States must seek renewed cooperation on curbing the spread of nuclear, chemical, and biological weapons before a conference next year on the Nuclear Non-proliferation Treaty.

The lawmaker renewed a call for an "international nuclear fuel bank" that would provide cheap atomic fuel to countries that abandon uranium enrichment and reprocessing, a key step towards getting a nuclear arsenal.

#21

Kerry holds hearing on resetting Russia relationship
By Foon Rhee
Boston Globe, March 19, 2009

Senator John F. Kerry convened a hearing today on US-Russia relations, saying that he "wholeheartedly" agrees with President Obama that it's time to "reset" the relationship.

"In recent years, America's relationship with Russia has reached arguably its lowest and least productive phase in two decades," the chairman of the Senate Foreign Relations Committee said, according to prepared remarks released by his office. " While it is not yet clear what this new chapter in our relations can bring, it is clear that our common interests demand that we try to work together more constructively.

"Our differences are real, but so too is our potential to cooperate and even lead together on global challenges," Kerry added. "From Iran's nuclear program to human rights in Burma to our presence in Afghanistan, there is scarcely an issue of global importance which would not benefit from greater cooperation with Russia. Our challenge will be to ensure that, to the extent possible, we enlist Russia to act not just as a great power but also as a global partner."

In recent months, Russian and US leaders have sparred over the Russian incursion into Georgia last August, a proposed US anti-missile system in Poland, and other issues.

Witnesses scheduled to testify at the hearing include Andrew Kuchins, director and senior fellow at the Center for Strategic and International Studies; Ariel Cohen, senior research fellow at the Heritage Foundation; and Stephen Sestanovich, senior fellow at the Council on Foreign Relations.

#22

Kremlin Doles Out Funds to NGOs

By Nikolaus von Twickel

Moscow Times, March 19, 2009

The Kremlin has named five nongovernmental organizations that will decide on the allocation of 1.2 billion rubles (\$35 million) of state grants to NGOs this year.

The list, published on the Kremlin's web site Wednesday, contains relatively unknown organizations loyal to the government. They all are run by prominent members of the Public Chamber, an advisory body set up by then-President Vladimir Putin in 2005. At least two of them have links to United Russia, the country's dominant political party, which is also headed by Putin.

Critics criticized the fund distributing process as nontransparent, but Nikolai Skorovarov of the National Welfare Fund, which will hand out the lion's share of the money, said the distribution process would be fair and accountable.

"We will set up a commission and properly evaluate every application we receive," he said.

Skorovarov, an adviser to the fund's president, Alexei Molyakov, said the 500 million rubles at its disposal would go to social projects exclusively. Applications will be taken by late spring, and grant decisions should be expected by September, he said.

The National Welfare Fund was set up in 1999 on Putin's initiative during his first stint as prime minister to coordinate aid for armed forces personnel, according to the fund's web site.

Maria Slobodskaya, director of the Civil Society Issues Institute, which will distribute 160 million rubles, said priority would be given to anti-crisis projects leading to social stability.

"In hard times, NGOs can act against extremism, xenophobia and rising social tensions," she said in e-mailed comments.

Olga Kostina, whose organization Resistance has been allocated 170 million rubles, said her organization's share would go to human rights groups, especially those with projects focusing on workers' rights.

Kostina defended the Kremlin's decision to earmark less money this year than last. "It is not tragic that the sum is a little lower," she said, Interfax reported. It is logical that grants are reduced in line with cuts for government agencies, she said.

In 2008, the Kremlin allocated 1.5 billion rubles, 20 percent more than this year. The state program in support of NGOs started in 2006, when it was worth 500 million rubles, Interfax reported.

Lev Ponomarev of the Institute of Human Rights said he had given up applying for money after receiving nothing in 2006. "This is not a transparent process, and I do not see a chance of getting any money for my organization," he told The Moscow Times.

His comments were echoed by Sergei Lukashevsky, director of the Demos Center, an independent civil liberties watchdog. "The lack of transparency irritates us very much," he said.

He explained that in the past, rights organizations that did receive money later were subject to bureaucratic difficulties because, as he put it, "the authorities did not see the money as a grant but as direct state funding."

Matthew Schaaf, NGO liaison officer at Human Rights Watch Moscow, said it was "great that the government supported NGOs," but there have been concerns about the funds' allocation in the past.

In previous years, "several prominent human rights organizations did not receive grants, and some concluded they were not eligible for political reasons," he said.

But he added that last year, some of the rights organizations did receive grants. "That is progress," he said.

Schaaf also said some of the organizations' ties to United Russia raised questions but that it was impossible to say if this had any effect on grant-making.

One of the five organizations, the "State Club - Fund for a Personnel Reserve," which has been allocated 270 million rubles, is headed by three prominent United Russia lawmakers, including Mikhail Margelov, who heads the Federation Council's International Relations Committee.

The Institute of Societal Concepts, which got 100 million rubles, is headed by Valery Fadeyev, the Kremlin-friendly editor of Expert magazine.

But Olga Drozdova, a project officer at the Agency for Social Information, a think tank devoted to the promotion of nonprofit organizations, said her organization, which is often critical of the government, won a grant for a humanitarian project in last year's round.

"There is no basis for saying the money will be allocated unfairly and inefficiently, because nobody has really looked into the matter," she said.

The Kremlin's release of NGO money comes as Russian NGOs wait for the government to publish a long-anticipated list of foreign organizations eligible to offer tax-free grants. Barring that list, many grants from abroad cannot be paid out, because they are conditioned on nontaxation.

#23

Khodorkovsky challenges Russia's president to depart from policies of powerful predecessor

By Lynn Berry

AP March 18, 2009

Imprisoned former oil tycoon Mikhail Khodorkovsky challenged Russia's president in an interview published Wednesday to depart from the policies of his powerful predecessor .

Khodorkovsky was arrested in 2003 after angering Vladimir Putin, who was president at the time. Putin is now prime minister.

Khodorkovsky now faces a new trial that could keep him in prison well past the next presidential election in 2012.

The trial is being closely watched for any indication that Putin's successor as president, Dmitry Medvedev, might take a softer approach to Khodorkovsky.

Khodorkovsky is serving an eight-year sentence on fraud and tax evasion charges after a legal onslaught widely seen as politically motivated. His Yukos oil company was bankrupted and its main assets gobbled up by the state oil company Rosneft as the Kremlin strengthened its grip on Russia's energy riches.

In a rare interview published Wednesday in the magazine Sobesednik, Khodorkovsky said he respects Medvedev "as the legitimate president of Russia" although he does not fully understand his political views.

"But since he did not steal Yukos, he cannot fear me," Khodorkovsky is quoted as saying. "The future will reveal the rest."

As for Putin, Khodorkovsky said he tries to look at him now as a historical figure.

"Russia had such a president and now it doesn't," he said. "Whether he governed Russia well or not is for the next generation to say."

Although Putin remains the more powerful leader, Medvedev's pledges to strengthen the rule of law in Russia and increase the independence of the courts have given Khodorkovsky's supporters some reason to hope for a fair trial.

His lead lawyer, Vadim Klyuvgant, said Tuesday that the defense expects Medvedev to fulfill his constitutional duty as president and allow the judge to make an independent ruling.

Khodorkovsky and his business partner Platon Lebedev are accused of embezzling more than \$25 billion from Yukos, a charge their lawyers say is absurd. The trial is scheduled to start March 31.

#24

The Russia Opportunity

Washington and Moscow don't have to be enemies.

By Bill Bradley

Foreign Policy, March 18, 2009

Barack Obama has an opportunity to establish a new relationship with Russia that will make the world a safer place. With ties between the two countries being the most strained they've been in decades, the U.S. president seems to recognize there must be changes in his country's approach to Russia.

The Russians themselves seem uncertain about the direction of U.S. policy. Since Obama was elected, Russian President Dmitry Medvedev vowed to place missiles on the border of the European Union in response to any United States missile defense radar in Poland and Czechoslovakia, then decided to pull them back. Prime Minister Vladimir Putin has blamed the United States for the global financial crisis and also expressed optimism about the new U.S. president. Defense Minister Sergei Ivanov welcomed a conciliatory foreign policy speech from Vice President Joe Biden at the same time that his country, by pressuring Kyrgyzstan to kick out a U.S. military base, made it clear that Moscow wants to be included in any dialogue about Central Asia.

The current tension between the United States and Russia is not necessary, nor was it inevitable. As a former senator, and as someone who has invested a lot of time and hope in the opportunities opened up by the fall of the Berlin Wall, I regret that the last 16 years have produced a series of strategic blunders leading to a gigantic

missed opportunity. The truth is that we have badly mismanaged our relations with Russia since 1992, and our actions may have created a self-fulfilling prophecy of a more contentious relationship between our two countries.

That would be a terrible outcome. We need Russia to work with us to reduce each of our stockpiles of nuclear weapons, to control nuclear proliferation, to safeguard nuclear materials, to fight the war against Islamic terrorism, and to prevent Iran from becoming a nuclear power. Instead, U.S. policies toward Russia under the last two presidential administrations have ignored Russia's stated national interests even as they have aggravated age-old ethnic hatreds and continued to promote Cold War-era military projects.

The roots of today's heightened tensions started in the Clinton administration with its failure to properly assist a fallen communist state in moving to democratic capitalism or to seek a genuinely strategic partnership with our former Cold War adversary. Instead of doing those two things -- difficult as they may have been to accomplish -- we did the wrong thing: expand NATO eastward ever closer toward Russia.

In the 1990s, most policymakers in Washington either basked in what they called the Cold War victory over Russia or became preoccupied with remaking that nation in the image of a narrow brand of American capitalism. The Washington consensus was that with its military hollowed out and its economy no bigger than Denmark's, Russia's influence in a world of market states had disappeared. This attitude was captured in Strobe Talbott's memoir in which he quoted then President Bill Clinton, who was preparing for a meeting with his Russian counterpart Boris Yeltsin, saying to his chief Russian advisor, "We keep telling Ol' Boris, 'Now here's what you gotta do next -- here's some more shit for your face.'"

Politics 101 says that when somebody with whom you've had extensive dealings goes bankrupt you call them up on the phone and say, "You know, it's been tough. But you're going to be back. I'm with you. And, here's a little help if you want it." That's what you do if you're a good politician because if the bankrupt individual does "get back," you want him to remember your help and your caring. But when Russia was bankrupt in the 1990s, we were neither understanding nor effective in the kind of help we gave.

During the Cold War the U.S. government appealed to the Russian people with a vision of a better way. But when the Soviet Union came to an abrupt end in 1991 we seemed to have forgotten the compassionate lesson of Lend-Lease during World War II -- that it is possible to give tangible help to the Russian people and gain their appreciation for the assistance.

We increasingly filtered the American vision through one man: Boris Yeltsin. The Russian people assumed that since we were backing Yeltsin 100 percent, whatever he did, we were for it. When economic reform created 1,500 percent inflation, we failed to tell the Russian people that we understood how destructive an impact it had on their lives, with, among other things, their pensions and life savings being destroyed overnight. During this time, the U.S. government did very little of significance to help Russians directly or even symbolically.

Consider this comparison: at Clinton and Yeltsin's first meeting in 1993 in Vancouver, Clinton offered \$1.6 billion to help a Russia whose territory extends through 11 time zones. Compare that to the proposed \$1 billion we're offering tiny Georgia today. Clinton's offer fell tragically short of the mark.

From 1993 to 1997, beyond supporting IMF infusions, the United States provided just \$4.7 billion in direct assistance. Not only was American assistance to Russia long on rhetoric and short on impact, but hundreds of millions of those funds went into the pockets of American consultants, planners, and advisors who went up the learning curve over and over again even as billions more of IMF funds were stolen by the then ruling elite of Russia. Only pennies actually reached the Russian people.

Not only did we fail to influence the course of Russian reform, we actually created an anti-American backlash in reaction to our hyped and their dashed expectations. In adopting an arrogant and uncaring policy toward Russia, we forgot that it took a U.S.-Russian partnership to end the Cold War. We forgot that a country with a continental territory, vast national resources, and a proud people could never be counted out.

In George W. Bush's first term, things got further off track quickly and disastrously. Clinton had expanded NATO to Poland, the Czech Republic, and Hungary. Bush then expanded the trans-Atlantic alliance to Latvia, Estonia, and Lithuania, former territories of the Soviet Union itself. The Russians protested, as they had the first expansion of NATO. We told them they had nothing to fear from this latest enlargement because it was not aimed at them.

We reiterated that it was just the inexorable march of democracy. Besides, what could they do about it? We were powerful, and they were weak. And to demonstrate our power, Vice President Cheney went to Lithuania, on Russia's doorstep, in May 2006 and gave a provocative anti-Russian speech.

After September 11, the first world leader to telephone President Bush was the new president of Russia, Vladimir Putin. He offered sympathy and solidarity. And, at the United Nations, Russia supported the "blank check" resolution to go after al Qaeda and the Taliban -- a resolution that allowed us to take all necessary steps in Afghanistan in response to 9/11. Without Russia's active support, China might not have come on board. On top of that, the Russians facilitated the flow of supplies in our efforts to organize anti-Taliban factions in Afghanistan, and suggested other ways that we might further our efforts there based on their bitter 10-year experience in the same country.

Putin even approved of the United States using military bases in former Soviet Central Asia to aid in our efforts against the Taliban. For this help, Bush showed his gratitude by abrogating the ABM Treaty -- the treaty that in Russian minds had ratified Russia's status as a superpower -- and by seeking to make those bases in "the Stans" a permanent part of the United States' global base architecture.

The next mistake came when the Bush administration decided to place components of a missile defense radar system in Poland and the Czech Republic. We told Russia the shield wasn't aimed at them. When the Russians pointed out that the radar covered about 40 percent of their territory, we protested that the shield was meant only to protect Europe from Iran -- even though Europe hadn't asked for the protection, and even though Iran had no nuclear weapons.

And then came Kosovo independence. The Russians strenuously objected to it. A moment of walking in their shoes would tell you why. Russia has more than 100 ethnic groups -- Chechens being among them. Many are regionally concentrated. Naturally, the Russians were fearful of a precedent being set for ethnic separatism throughout their vast country, but especially in the perpetually boiling Caucasus. Such separatism, like that pursued in Kosovo, could turn the map of Russia into something that looks like Swiss cheese. The Russians vociferously objected in meeting after meeting as the proposed independence day approached. All we had to do was to keep the existing autonomous arrangement in place and not insist on total separatism.

But we didn't. Finally, the Russians (partially contradicting their earlier statements) said that if we went ahead with Kosovo independence, they would begin to look for where they could apply the principle that we were establishing -- specifically mentioning South Ossetia and Abkhazia, two provinces of Georgia which, ever since the dissolution of the Soviet Union in 1991, had wanted independence due to deep ethnic hatred for Georgians.

We seemed oblivious to the Russian warnings, blinded by the fact that they were weak and we were strong. And so, along with much of Europe, we recognized the independence of Kosovo. (Interestingly, Spain voted against it fearing the effect of the precedent on the Basque separatist movement in their own country.) For the first time since the Helsinki Accord in 1975, a territory had been taken from a nation against its expressed desires. Politicians patted themselves on the back and gave speeches about freedom and democracy, seemingly oblivious to the fact that once the genie of ethnic separatism comes out of the bottle -- legitimized by a false comparison to self-determination as it is widely understood in the United States -- its expression becomes totally unpredictable. Indeed, we had just set ourselves up for future trouble in Georgia and perhaps even Ukraine, where Russian enclaves in Crimea are looking increasingly to Moscow.

So after all these blunders, is there still an opportunity to put the partnership back on a productive path? I believe it is possible -- even though we have lost 16 years of potential cooperation. But it will require a renewed

focus on overall strategic objectives -- nuclear issues, Islamic terrorism, Iran, and Afghanistan -- not on emotions of the moment and ideological crusades.

I remember talking to a Chinese official one time. He said, "Why are you Americans so interested in small countries? What about the big countries?" Russia is a big country. It may no longer espouse an ideology of world revolution, but a U.S.-Russian rivalry will still make the achievement of our big objectives in the world more difficult and will make the world a more dangerous place and America less secure.

Russia is never going to mirror the United States. I remember giving my first speech about Putin's hostile intentions toward Russian democracy in 2001. Russians will always chart their own way. It may seem to us that they inexplicably have given up political freedoms without a whisper of protest. But Putin and Medvedev remain popular, despite the mounting economic hardships. Russia today is not the Soviet state of the Gulag or the Ukrainian famine. Still, the speed with which limited authoritarianism has reasserted itself seems startling.

Russia wants to be part of the world but free to figure out how to modernize its own country. As long as it respects the full political sovereignty of neighbors such as Georgia and Ukraine -- that is, it doesn't try to control their internal affairs or dictate their regimes -- it shouldn't have to fear foreign military bases in countries that abut its territory.

The U.S.-Russian joint focus should be on actions that actually do make the world a safer place. If the cost of getting that genuine convergence of strategic interests and results on the ground is giving up radars in Poland and the Czech Republic, and being honest about the very unlikely prospects for Ukrainian or Georgian membership in NATO, I would say it's a small price to pay.

For any of this to happen, we have to treat the Russian government with respect and as a world power. We have to listen closely to their concerns, to build bridges between our two peoples, and to regularly put ourselves in their shoes. On the Russian side, there's got to be flexibility and good will toward our intentions. There needs to be tangible progress in the areas of our mutual strategic interests. The hostile pride and needless gamesmanship on their part that now infuses too many diplomatic discussions must give way to a genuine search for common ground.

Some say Russia will always be an imperial power seeking to control its neighbors militarily. I say it can be a responsible 21st century state that plays an important role in building a more stable world. Any genuine strategic working relationship is going to require courageous leadership in the United States, because, as we saw after the Russian military moved into Georgia, or when President Obama's statement that he wanted a better relationship with Russia was met by a chorus of negative voices, the old Cold War reflex remains ready at hand.

During the war in Georgia, Senator John McCain memorably proclaimed, "We are all Georgians." To this I respond, "No, we are all Americans." The sooner we recognize how central Russia is to American interests, the sooner we can form the basis of a meaningful partnership.

#25

Officials: oil-rich Azerbaijan scraps term limits

By Aida Sultanova

AP, March 19, 2009

Election officials in Azerbaijan said Thursday that citizens overwhelmingly voted to scrap presidential term limits in the oil-rich country courted by Russia and the West.

Opposition leaders claimed the constitutional referendum was rigged and vowed to dispute the outcome in court. A small European observer mission said, however, that the vote was transparent and it had seen no violations.

The official result opens the door for indefinite rule by President Ilham Aliyev in a Caspian Sea nation that critics say is closer to a monarchy than a democracy. The Central Election Commission reported nearly 92 percent of voters approved abandoning the limit of two consecutive presidential terms, with 71 percent turnout in the country of 8 million people.

Azerbaijan's Caspian oil fields and its location straddling a strategic corridor for westward oil and gas exports from Central Asia - bypassing Russia and Iran - make it a focus in the struggle between Moscow and the West for regional influence.

Aliyev is the son of the late Geidar Aliyev, who ruled Azerbaijan first as the Communist Party boss during the Soviet times, then as president in 1993-2003. He has courted Western oil money and moved to strengthen ties with the U.S., including by sending troops to Iraq, while maintaining mostly friendly ties with Russia.

The commission said voters on Wednesday also approved changes include establishing financial and other benefits for former presidents and prohibiting presidential and parliamentary elections during wartime.

Nagorno-Karabakh, a territory within Azerbaijan, has been controlled by Armenians since a war that ended with a shaky cease-fire in 1994. Without a settlement of its status, a new armed conflict remains possible.

Aliyev opponents claimed the vote was riddled with violations encouraged or organized by the state. They said their observers witnessed abuses including ballot-box stuffing and multiple voting. Ali Kerimli, head of the Popular Front party, said the opposition believes actual turnout was no more than 15 percent.

"The referendum was not free or fair and we do not consider it valid," Kerimli told a news conference. He said the official results "do not reflect the will of the people."

"The vote showed that the people have said 'no' to the ruling regime," said Isa Gambar, leader of the opposition Musavat party.

The leader of a four-member observation mission from the Parliamentary Assembly of the Council of Europe, Belgian Paul Wille, said the delegation had not witnessed violations. Reading a statement, he said the referendum was "transparent, well organized and held in a peaceful atmosphere" but that there should have been more discussion of the issues in the media ahead of the vote.

Opposition leaders had said before the vote that they suspected its timing reflected government concerns that plunging oil prices and economic troubles could damage its popular support and weaken its grip.

Aliyev, 47, won his second term in October in an election that opponents called unfair and foreign observers said fell short of international democratic standards.

Opposition parties have reported serious government pressure in recent years and Western governments have expressed concern over the state's treatment of critics and the independent media.

With ballots from more than half the polling places counted, only 8 percent of voters supported the current limit of two consecutive five-year presidential terms, Central Election Commission chairman Mazahir Panakhov said.

Other oil-rich ex-Soviet republics have made similar changes. Lawmakers in Kazakhstan waived term limits for the long-ruling president in 2007, and Russia's leadership pushed through a law last year extending the presidential term from four years to six.

Voters approved a total of 41 changes to Azerbaijan's constitution, Panakhov said. The official turnout was far above the 25 percent needed to make the referendum count, and each proposed change required a simple majority of votes cast.

#26
Ukraine Ambassador to the United States, Dr. Oleh Shamshur, Proposed as Foreign Minister of Ukraine
Reuters, March 17, 2009

President Viktor Yushchenko proposed Ukraine's ambassador to the United States as foreign minister on Tuesday after his predecessor was sacked in the aftermath of a row with the prime minister.

The president's press service said the candidature of Oleh Shamshur would be submitted to parliament for approval. It was unclear when debate would take place or whether Shamshur, 53, would win sufficient support in the often fractious chamber.

The job of foreign minister is one of two cabinet posts proposed directly by the president under Ukraine's constitution. A broader cabinet shuffle has long been expected, with the job of finance minister also vacant. A career diplomat, Shamshur, has also served as deputy minister and head of the ministry's section dealing with the European Union.

As he has been on Washington since 2005, Shamshur has been absent for much of Ukraine's turmoil between Ukraine's pro-Western leadership generally pitting Yushchenko against his estranged ally, Prime Minister Yulia Tymoshenko.

Ukraine's previous foreign minister, Volodymyr Ohryzko, was dismissed by parliament this month after clashing with Tymoshenko. Deputies said he sent a directive to Ukrainian embassies critical of the prime minister.

Ukraine's foreign policy, based on integrating with the West, is generally not subject to criticism, though the opposition Regions Party, friendlier to Russia, backs a more moderate, slower approach to closer ties and membership of NATO. Tymoshenko has accused the president for being too strident in his criticism of Russia, particularly in his denunciation of Russia's military incursion into Georgia last year.