

WASHINGTON, D.C. May 15, 2009

TO: NCSJ Leadership and Interested Parties

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



In Brief: Russia policy debate; Ukraine update

Dear Friend,

In Washington, the debate is in full swing about what type of relationship the United States needs with Russia. As the two countries prepare for the July meeting of their Presidents, policy experts are churning out position papers, op-eds and articles. In particular, members of the previous administration and others are quite vocal about not changing the nature of the relationship with Russia at the expense of other countries in the Region. The Obama Administration has given some assurances that good relations with Russia will not harm U.S. support for and interests in other countries. There are a few articles detailing these concerns in the update.

Interesting developments are also occurring in Ukraine. President Yushchenko won his court case to prevent an early election in October; as of now, the election is set for January 2010. Unfortunately for him, he still has a lot of ground to make up in the polls.

The Israeli Ambassador to Ukraine and several prominent Jewish leaders were harshly criticized by a small Ukrainian political party for interfering in Ukraine's affairs. In an unjustified attack against the Ambassador, the party questioned her right to raise concerns about xenophobia and extremism in Ukraine.

Interestingly, as these attacks were leveled, the Ukrainian government was co-sponsoring an international conference in Kyiv on intolerance and racism. The conferees heard about a slight decrease in the number of anti-Semitic incidents in 2008, but noted the need to remain vigilant, as overall extremist activities are on the rise.

Energy issues in the region are coming to the forefront again. Increases in oil and gas prices have strengthened the ruble and slightly improved the Russian government's economic outlook for 2010. However, the government has also expressed great concern about a new agreement to build alternative pipelines that bypass Russia. The agreement addresses European worries about previous disruptions of energy supplies originating in Russia. Please see the related articles in the update for more information.

Finally, I want to remind you of our upcoming Board of Governors meeting on Tuesday, June 9 from 10:00 a.m. to 1:00 p.m., at our offices in Washington. We will focus on the upcoming summit and current conditions that affect the Jewish communities of the former Soviet Union. **Today is your last day to reserve hotel rooms at the discounted rate** – [click here](#) for more information, and to register.

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. May 15, 2009

-----INDEX OF ARTICLES-----

1. *Ukraine: court rejects date for presidential election; Medvedev sees first signs of Russian recovery: reports*  
Briefs, May 14, 2009
2. *Putin Says NATO Exercises in Georgia Hinder U.S.-Russia Relations*  
By Ellen Barry  
New York Times, May 11, 2009
3. *Dangerous Work in Moscow*  
By Fred Hiatt  
Washington Post, May 11, 2009
4. *Georgian president faces 4 fiercest opponents*  
By Catrina Stewart and Misha Dzhindzhikhashvili  
AP, May 11, 2009
5. *No Breakthrough in Georgia Crisis Talks*  
AFP, May 11, 2009
6. *Ukraine conference aims to fight intolerance*  
JTA, May 11, 2009
7. *Kremlin Proposes Tighter Control of Court System*  
Moscow Times, May 12, 2009
8. *Medvedev Pretends to Lead*  
By Vladimir Ryzhkov  
Moscow Times, May 12, 2009
9. *Diamonds on Ice*  
By Andrew E. Kramer  
New York Times, May 12, 2009
10. *Russia plays up its international role – especially in Mideast peace*  
By Howard LaFranchi  
Christian Science Monitor, May 11, 2009
11. *Medvedev says parties should take part in debates*  
By Steve Gutterman  
AP, May 13, 2009
12. *Kremlin: Battles over energy may lead to wars*  
By Vladimir Isachenkov  
AP, May 13, 2009

13. *Putin's Ninth Year in Power Russia's new president hasn't changed the nature of the regime*  
By Garry Kasparov  
Wall Street Journal, May 13, 2009
14. *Bye Bye, Eurasian Pipelines?*  
By Ariel Cohen  
New York Times, May 13, 2009
15. *Pesach Celebrated in Crimea with Help From the World Union*  
World Union for Progressive Judaism, May 14, 2009
16. *Will Russia Help the United States with Iran?*  
By Mark N. Katz  
Washington Institute for Near East Policy, May 13, 2009
17. *Ukraine party accuses Israeli envoy of 'interference'*  
JTA, May 14, 2009
18. *Kremlin Sees Threats In Economy, Energy*  
By Nikolaus von Twickel  
Moscow Times, May 14, 2009
19. *Russia vetoes deal on OSCE monitors in Georgia*  
Reuters, May 13, 2009
20. *Europe wasted 20 years since Cold War: Gorbachev*  
By Michael Stott  
Reuters, May 13, 2009
21. *Revise NGO Law to Protect Rights In Review Ordered by President, Change Law to Meet International Standards*  
Human Rights Watch, May 13, 2009
22. *Ruble Roars Back to 4-Month High*  
By Ira Iosebashvili  
Moscow Times, May 14, 2009
23. *Russia Criticizes EU's "Southern Corridor" Gas Pipeline Plan*  
AFP, May 14, 2009

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#### **#1a**

#### **Ukraine: Court Rejects Date for Presidential Election Reuters, May 14, 2009**

President Viktor A. Yushchenko won a tactical victory Wednesday when a top court struck down the October date set by Parliament for the presidential election. The popularity of Mr. Yushchenko, left, has plummeted, and he remains locked in a political struggle with a former ally, Prime Minister Yulia Tymoshenko. Parliament, in rare unity, voted overwhelmingly last month to hold the election on Oct. 25. But the president appealed to the Constitutional Court, saying the election should not take place until early next year. The court's ruling appeared to back his position that under the Constitution, the vote should be in the last month of his fifth year in office; he became president in January 2005.

#### **#1b**

#### **Medvedev sees first signs of Russian recovery: reports AFP, May 14, 2009**

MOSCOW - The Russian economy is showing the first signs of an improvement but there can be no slackening of efforts to ensure a full recovery from the global slump, President Dmitry Medvedev said Thursday.

"The fact that we can see the first signs of an improvement in the situation is no reason to relax. We must not relax, we must work hard every day," Medvedev told regional representatives according to Russian news agency reports.

"I have something to ask of you -- do not slack off," he told a meeting of provincial governors in Kirov, about 900 kilometres (600 miles) east of Moscow.

The worst global slump since the 1930s has battered Russia's economy, which is heavily dependent on exports of oil, gas and other raw materials whose prices have plummeted as global demand has fallen.

The economic development ministry has said the economy could shrink by six percent this year after contracting by an alarming 9.5 percent in the first quarter.

In recent weeks, the price of oil has firmed up, however, and this has helped drive gains on the stock market and in the ruble, helping to ease the pressure on the government as it struggles to get the economy back on track.

## **#2**

### **Putin Says NATO Exercises in Georgia Hinder U.S.-Russia Relations**

**By Ellen Barry**

**New York Times, May 11, 2009**

MOSCOW — Prime Minister Vladimir V. Putin said Sunday that the planned "reset" in relations between Russia and the United States had been hampered by NATO exercises in Georgia, and that he hoped the United States would "step on the brake hard" to prevent the relationship from deteriorating.

In an interview with Japanese news services before a visit to Tokyo, Mr. Putin also said negotiations on strategic nuclear weapons should be linked to changes in the United States' planned missile-defense system. Russia has long complained that proposed missile-defense facilities in Poland and the Czech Republic would pose a threat to Russia, and Mr. Putin said offensive and defensive capacities were "inseparably bound up."

"I don't think you have to be an expert to see that if one side wants to or has an umbrella against various threats, it can begin to suffer from the illusion that it is permissible to do whatever it likes, and then its actions will become many times more aggressive and the threat of a global confrontation will reach a danger level," he said.

"Russia will, of course, link the issues of missile defense and everything related to it with strategic offensive weapons," he said. He went on to say that Russia was encouraged by the United States' disarmament agenda and was ready to begin talks about replacing the 1991 Strategic Arms Reduction Treaty, or Start, which expires in December.

Mr. Putin emphasized that the "reset," a term used by Vice President Joseph R. Biden Jr., was a United States initiative rather than a Russian one. He said that Russia welcomed the overture, but that the military exercises in Georgia that began last week were "a signal in a different direction" and a show of support for President Mikheil Saakashvili of Georgia. He went on to characterize Mr. Saakashvili's government as undemocratic, citing a clash between the police and protesters and a brief military mutiny in Georgia last week.

"We believe this is a step backward," he said of the exercises, run by NATO's Partnership for Peace program, which includes nations that are not members of the alliance. "But we understand that it takes time for brakes to take effect. We very much hope that the current U.S. leadership will step on the brake hard and slow down the negative trends in the development of links between our states."

He also said he and President Dmitri A. Medvedev had not yet decided which posts they would seek when Mr. Medvedev's term expires in 2012. Mr. Putin was constitutionally barred from seeking a third consecutive

presidential term last year but could run again in 2012. He said the decision would center on their handling of the financial crisis.

"Both President Medvedev and I will decide what we will do — both he and I — depending on the results of our work," he said. "As for him personally, you should ask him, but I repeat, I have known him for a long time and I know that he is a very decent man and he will look at his political future proceeding from the interest of the country and the results of our joint efforts. Time will tell."

### #3

#### **Dangerous Work in Moscow**

**By Fred Hiatt**

**Washington Post, May 11, 2009**

Tanya Lokshina did not set out to put her life in danger as a human rights campaigner in Russia.

A decade ago she was earning an advanced degree in comparative literature at Brandeis University in Waltham, Mass., comparing Bulgakov and Moliere. To make some extra cash, and taking advantage of her fluency in Russian and English, she took a job helping to catalog the Andrei Sakharov archives, then housed at Brandeis.

One thing led to another, and Lokshina, 35, found herself back in her native Moscow as deputy director for Human Rights Watch. What started as a sidelight has become, though Lokshina is not so presumptuous as to say so, a vocation.

"It can't be just a job," she says during a recent visit to Washington. "When there are people dying around you, and some of them are friends -- it's not just a job."

As the Obama administration prepares for a July summit at the Kremlin, the nature of the Russian regime and the possibility of constructive cooperation with it are very much up for debate. Pessimists note that the regime is more opaque than ever -- outsiders do not know even whether the president, Dmitry Medvedev, wields real power -- while its army is illegally occupying parts of neighboring Georgia. Optimists say that recent official statements indicate an eagerness for better relations with the United States.

"The signals are completely mixed," Lokshina agrees.

On the one hand, she says, it has been "a horrifying year." The murders in January of her friend Stanislav Markelov, 34, a human rights lawyer, and a young reporter who was with him; the beating of human rights activist Lev Ponomarev, 67, in March; the assassinations in Vienna and Dubai of opponents of the Kremlin-installed ruler of Chechnya; the continuing repression of free media and civic organizations; the political trials of businessmen who have crossed the regime -- it all makes the situation appear "absolutely catastrophic," she says. "Out of control."

On the other hand, she notes, Medvedev has formed a human rights council, listened seriously to its concerns and promised to consider amending the law that has been used to shut down and control advocacy groups. No one knows whether the president -- as opposed to former president and current prime minister Vladimir Putin -- enjoys any authority. But, Lokshina says, "I would give him the benefit of the doubt, for the time being. . . . It's important for him to implement his rhetoric, which is very good."

As then-president Putin choked off more and more freedoms, the Bush administration was first oblivious, then impotent. Because of Guantanamo and associated abuses, Lokshina says, "no one asked what the United States could do. The high ground was lost, and so was influence."

Obama's new course at home, she says, has changed that equation. The beating of Ponomarev took place on the day of Obama's meeting with Medvedev in London, and "it was immensely important" that Obama put the event on their agenda. The Russian regime cares about its image abroad, and so if Obama wants he can have an impact on human rights and its protectors, she says. "The best way to do it is not to lecture Medvedev, but to raise it -- raise it as one partner would with another."

Lokshina talked with Markelov the night before he was murdered. When an acquaintance called her the next day to say that the lawyer had been shot in the street, she was incredulous.

"I just laughed. He was one year younger than I am, he had two young kids, very alive, very vibrant," she says. "The sort of guy you cannot imagine in a coffin."

Asked whether his killing heightened her sense of danger, Lokshina demurs. Human Rights Watch has taken security precautions; she can travel abroad; people working for smaller, Russian organizations, without outside backing, are far more vulnerable. But, she acknowledges, "anyone who is working on human rights abuses in Russia . . . is part of a group at risk."

Markelov's killing, like that of every journalist and human rights activist murdered in the Putin era, remains unsolved. Was it ordered from on high, or undertaken by a low-level agent implicated by one of Markelov's campaigns or lawsuits? No one knows.

Another activist recently told me that this is the biggest difference even from Soviet days, when no KGB agent would dare act on his own authority. "Now people feel there is no one to complain to," Lokshina agrees. "You are on your own."

Which is all the more reason for Obama to remind his counterpart that Lokshina and her comrades, dead and alive, are not forgotten.

#### **#4**

**Georgian president faces 4 fiercest opponents**  
**By Catrina Stewart and Misha Dzhindzhikhashvili**  
**AP, May 11, 2009**

TBILISI, Georgia- Georgia's pro-Western president faced four of his fiercest opponents Monday for talks after a month of street protests and demands for his resignation.

Mikhail Saakashvili has refused to step down as president of this former Soviet nation until his term ends in 2013. Opponents say his resignation is the only issue they are prepared to discuss.

Nino Burdzhanadze, a former ally who has emerged as Saakashvili's most prominent critic, said she believes nothing will come of the meeting and refused to attend.

The four opposition members taking part said they would announce the results of the meeting, along with any further action, at an afternoon rally in the capital, Tbilisi.

Georgia, a key transit route for Central Asian gas, has been caught between Russia and the West in a struggle over political and economic influence.

Tensions escalated in August with a war between Georgia and Russia, triggered by a Georgian assault to retake the breakaway region of South Ossetia. Russia responded with a five-day armored assault that crushed the Georgian military.

Many Georgians blame Saakashvili for the disastrous campaign, but Saakashvili on Monday reiterated his contention that Russia started the war.

"We never had any plans to provoke Russia," Saakashvili told Russia's Ekho Moskvyy radio station.

Georgia's opposition has led a campaign of anti-government protests since April 9 that have crippled Tbilisi by blocking roads and entrances to government buildings.

Violent clashes Wednesday between police and protesters left dozens injured, and injected new vigor into the opposition movement. More than 10,000 people attended Saturday's protest outside Parliament to call for Saakashvili's resignation. A smaller crowd of around 3,000 gathered Sunday.

Many who are now in Georgia's opposition helped sweep Saakashvili to power in the 2003 Rose Revolution, but became disenchanted with the president's actions.

They charge that he has undermined the judiciary, stifled media freedom and failed to strengthen democracy in the Black Sea country.

A brief and bloodless mutiny at a tank base outside Tbilisi last week raised questions about Saakashvili's grip on power. The mutiny occurred on the eve of NATO military exercises in Georgia, which Russia has strongly condemned.

Russian Prime Minister Vladimir Putin said in an interview Sunday that the NATO exercises, which run through June 3, signal Western support for Saakashvili and "a step backward" in U.S.-Russia relations.

Speaking with the Japanese media before a planned visit to Tokyo, Putin accused Saakashvili of leading a violent crackdown on democracy.

"Rallies are violently dispersed. Opposition leaders are wounded, shot at with rubber bullets. There is blood in the streets. There are ... mutinies in the armed forces," he said, according to a text of his comments posted on the Russian government's Web site. "Against this background it has been decided to hold military exercises."

Putin said he hoped the U.S. would "step on the brake hard, and slow down the negative trends" in U.S.-Russia relations.

## **#5**

### **No Breakthrough in Georgia Crisis Talks**

**AFP, May 11, 2009**

TBILISI-- Direct talks between Georgian President Mikhail Saakashvili and the opposition ended Monday (11 May) with no sign of resolving a month-long stand-off that has raised fears of instability.

Opposition leaders said the talks with Saakashvili had failed to make any progress, more than a month into demonstrations that have disrupted life in the capital.

"Saakashvili thinks that everything is very well (in the country) and we think that everything is very bad.... There was no other result of this meeting," opposition leader Levan Gachechiladze, a former presidential candidate, told journalists after the talks.

He said protests would continue and that the opposition would announce further plans later Monday.

Another opposition leader, former UN envoy Irakli Alasania, said deep differences remained despite the talks.

"The differences are still there, we have different views on how the crisis can be resolved," he said.

But Alasania, considered a moderate, also said the talks were an important first step in bringing the country out of political crisis.

"It is very important that this meeting took place.... It was very important to discuss this in person with the president," he said.

Saakashvili made no immediate comment but was expected to make a statement later.

The protests, which began on April 9, have been the biggest demonstrations against Saakashvili's rule since a war last August with Russia over the breakaway South Ossetia region.

Opposition leaders offered talks with the government last week after riot police clashed with protesters in the first serious outbreak of violence since the protests began. Police said nobody was seriously injured.

The clashes and a brief bloodless military mutiny last week have raised fears of wider unrest in Georgia, which is currently hosting controversial NATO military exercises that have infuriated Russia.

Saakashvili has hinted that Russia is trying to stir up trouble in its southern neighbour and has had a hand in the protests.

The opposition accuses Saakashvili of mishandling the war with Russia and of becoming increasingly autocratic since coming to power after the peaceful 2003 Rose Revolution.

About 20,000 opposition supporters rallied in central Tbilisi on Saturday. Protesters have set up dozens of mock jail cells, blocked main streets in the capital for weeks and threatened to expand protest actions by blocking key highways.

Saakashvili told Russia's Echo of Moscow radio that the protests, and the government's tolerance of them, were a sign of maturing democracy.

"This shows that Georgia has gone a long way on the path to democracy. Our society is maturing," he said.

Tensions have increased in recent days but officials have vowed there would be no repeat of events in November 2007 when riot police used water cannon, tear gas and rubber bullets to disperse thousands of protesters.

## **#6**

### **Ukraine conference aims to fight intolerance**

**JTA, May 11, 2009**

KIEV, Ukraine -- An international conference on the fight against racism and intolerance was held in Kiev.

Participants in the May 7 conference, which was organized by the Council of Europe's European Commission against Racism and Intolerance, encouraged the adoption of a comprehensive body of civil and administrative anti-discrimination laws to combat anti-Semitism and racism. They agreed that it was important to closely monitor the situation and that training was needed in the struggle.

Members of the European Commission against Racism and Intolerance, Ukrainian government officials and representatives of judicial institutions, researchers, academics and representatives of nongovernmental organizations attended the conference.

Ukraine is strengthening its efforts in the fight against racism and intolerance, participants said, including the ratification by Ukraine of Protocol No. 12, which enacted a general prohibition against discrimination.

"The situation concerning Jews improved a little bit in Ukraine in comparison with previous years and is more or less normal," Vyacheslav Likhachyov, monitor and member of the Association of Jewish Organizations and Communities in Ukraine, told the roundtable.

Some Jewish activists and observers, however, said the reports could be politically motivated and questioned the accuracy of statistics, as Ukraine lacks proper monitoring of anti-Semitism.

According to groups monitoring anti-Semitic incidents in Ukraine, attacks and propaganda dropped in 2008 and the beginning of 2009, while the number of racist attacks and reports of neo-Nazi activity was on rise in the country of 46 million, which includes approximately 250,000 Jews.

"The situation with anti-Semitism is vibrant in Ukraine and in general stable but at the same time alarming," Mikhail Frenkel, leader of the Association of the Jewish mass media in Ukraine, told JTA, referring to the glorification of some controversial World War II commanders in Ukraine and advertising by SS-affiliated groups in western Ukraine during the current financial crisis that could lead to an increase of violence against Jews.

Jewish Ukrainian lawmaker Aleksandr Feldman, leader of the Ukrainian Jewish Committee, in April urged in an open letter President Victor Yuschenko to pay attention to the rapid growth of fascism in Ukraine.

Nina Karpachova, Ukraine's parliamentary commissioner for human rights, said she was concerned by the sounding of "neo-Nazi slogans in Ukraine again."

## **#7**

### **Kremlin Proposes Tighter Control of Court System Moscow Times, May 12, 2009**

President Dmitry Medvedev proposed tightening control over selection of the Constitutional Court's president on Friday, in a move attacked by one former court member.

State Duma deputies on Friday were presented with amendments to existing legislation that would curb the right of the 19 Constitutional Court judges to elect their own president for a three-year term, Interfax reported.

Medvedev currently nominates judges to the 19-member court, who must be then be ratified by senators in the Federation Council, but the judges alone have the autonomy at present to pick their president.

Several Duma deputies with United Russia made supportive comments on the planned changes. "The proposals made by the president would take into account the practices in the other judicial systems of the Russian Federation and make them uniform in practice," said Deputy Vladimir Pligin, chairman of the Duma's Constitution and State Affairs Committee, Interfax reported.

But the plan met immediate criticism. A retired deputy chairwoman of the court, Tamara Morshchakova, told Ekho Moskv radio that it would cut judicial independence.

"This is a clear decrease in the level of democracy and the level of independence in the Constitutional Court," Morshchakova said. "It is also bad because in the long term it is the way to stagnation."

A government official said Medvedev's general aim was not to quash the court's independence but to bring its procedures in line with the other legal appointments and prevent internal intrigues over how the president is selected.

At present, Russia's two top judicial appointments, the head of the Supreme Court and the prosecutor general, are confirmed by a vote of the Federation Council, based upon the nomination of the president.

## **#8**

### **Medvedev Pretends to Lead By Vladimir Ryzhkov Moscow Times, May 12, 2009**

One year after President Dmitry Medvedev took office, it is clear that his "tandemocracy" with Prime Minister Vladimir Putin does not work. Furthermore, their modernization efforts have accomplished little if anything at all.

According to a Levada Center survey conducted in April, 76 percent of Russians approve of Putin's work as prime minister, and 67 percent approve of Medvedev's job performance. Putin also holds more than a 10 percent lead over his successor in ratings for overall trust and policies -- 48 percent and 37 percent, respectively. In a hypothetical early election, Putin would earn 28 percent of the vote to Medvedev's 19 percent. Only 2 percent of

those questioned perceived the president's actions as representing fundamentally new policies, and 11 percent think that he is gradually shifting his political course. But a full 80 percent of respondents are certain that Medvedev is essentially, or even completely, continuing Putin's course.

The country's tandem therefore continues as before, with one ruler reigning and the other one pretending to lead.

One year after the inauguration of its third president, Russia continues to be ruled by a narrow circle of the country's elite, handpicked by Putin from among his friends, former KGB colleagues and acquaintances from his St. Petersburg days – including Medvedev.

During his first year in office, Putin made a number of changes crucial to establishing his hold on authority: He replaced all of the siloviki ministers, established new institutions, appointed presidential envoys to seven federal districts, replaced a host of important government ministers, brought in new directors for all state-controlled television stations and put the whole television broadcasting system under his personal control. By contrast, during his first year as president, Medvedev made only necessary or minor staffing changes such as the long overdue replacement of Ingush President Murad Zyazikov. All of Putin's key appointments are still at their posts, and they have even gained in political and economic importance.

Moreover, both chambers of the parliament are still led by Putin loyalists: Boris Gryzlov and Sergei Mironov. In addition, United Russia -- with Putin as its leader -- continues to hold a constitutional majority not only in the parliament but in most regional legislative bodies as well (although United Russia won fewer seats than expected in recent regional and municipal elections). The result of the party-governed bureaucracy is that it can maintain control over local authority as well, as seen in the scandalous mayoral election in Sochi.

In addition, Putin completely dominates economic policy. He personally makes all decisions regarding the size of the federal budget, the use of the Reserve Fund and what sector or company will get government bailout funds. Putin prefers to make such decisions "on the spot," making it clear who is really calling the shots. Recall the recent visits to the AvtoVAZ in Tolyatti and to a factory producing train cars in Tver.

The president has the constitutional authority to formulate foreign policy, but the whole world witnessed how Putin was the first to enunciate Russia's position during the first days of Georgia war. Medvedev also chose to include Putin when French President Nicolas Sarkozy flew to Moscow to broker a peace agreement. The concept of Russian foreign policy that Medvedev announced on July 12 made no changes or additions to Putin's foreign policy of the previous decade. Russia continues to see itself as surrounded by rivals and even enemies, bouncing from one foreign policy conflict with its neighbors to another: Georgia, ongoing conflicts with the Baltic states, gas disputes with Ukraine and diplomatic demarches with NATO.

The picture become complete if you add to all of the above: the unsolved murder of Novaya Gazeta journalist Anna Politkovskaya, the murders of journalist Anastasia Baburova and lawyer Stanislav Markelov in the center of Moscow, new criminal proceedings against former Yukos CEO Mikhail Khodorkovsky and his former business partner Platon Lebedev, anti-democratic changes to the Constitution extending presidential and deputy terms, continued censorship of television and the absence of any structures for reforming the economy.

If something has changed in Russia over the past year, Medvedev is the last to have had a hand in it.

*Vladimir Ryzhkov, a State Duma deputy from 1993 to 2007, hosts a political talk show on Ekho Moskvy.*

**#9**

**Diamonds on Ice**

**By Andrew E. Kramer**

**New York Times, May 12, 2009**

MOSCOW - The global recession sapped demand for all kinds of commodities -- like steel and grain -- yet small burlap bags are still arriving by the planeload at Russia's state-owned diamond company.

Each day, the contents of the bags spill into the stainless steel hoppers of the receiving room. The diamonds are washed and sorted by size, clarity, shape and quality; then, rather than being sent to be sold around the world, they are wrapped in paper and whisked away to a vault -- about three million carats worth of gems every month.

"Each one of them is so unusual," said Irina V. Tkachuk, one of the few hundred people, mostly women, employed to sort the diamonds, who sees thousands of them every day.

"I'm not a robot. I sometimes think to myself 'wow, what a pretty diamond. I would like that one.' They are all so beautiful."

It could be years before another woman admires that stone. Russia quietly passed a milestone this year: surpassing De Beers as the world's largest diamond producer. But the global market for diamonds is so dismal that the Alrosa diamond company, 90 percent owned by the Russian government, has not sold a rough stone on the open market since December, and has stockpiled them instead.

As a result, Russia has become the arbiter of global diamond prices. Its decisions on production and sales will determine the value of diamonds on rings and in jewelry stores for years to come, in one of the most surprising consequences of this recession.

Largely because of the jewelry bear market, De Beers's fortunes have sunk. Short of cash, the company had to raise \$800 million from stockholders in just the last six months.

The recession also coincided with a settlement with European Union antitrust authorities that ended a longtime De Beers policy of stockpiling diamonds, in cooperation with Alrosa, to keep prices up.

Though it is a major commodity producer, Russia has traditionally not embraced policies that artificially keep prices up. In oil, for example, Russia benefits from the oil cartel's cuts in production, but does not participate in them.

Diamonds are an exception. "If you don't support the price," Andrei V. Polyakov, a spokesman for Alrosa, said, "a diamond becomes a mere piece of carbon."

In an attempt to carefully calibrate its re-entry on the global market, without forcing prices still lower, Russia is relying on two things: the Soviet-era precious gem depository -- created to hold jewelry confiscated from the aristocracy after the 1917 revolution -- and capitalist investors, whom Alrosa hopes will buy diamonds as an investment, like gold.

Russia is taking a leadership role in other ways, too.

Sergei Vybornov, Alrosa's chief executive, said that he had helped persuade the central bank of Angola -- which, like Russia, is still relatively flush with oil money -- to buy 30 percent of the production of Angola's diamond mines, keeping these stones off the market.

And last fall, Alrosa began what it called the St. Petersburg Initiative, along with De Beers and other large producers, to invest collectively in generic diamond advertising, akin to De Beers's promotion of the slogan "Diamonds are forever." Russia assumed the task as De Beers has principally shifted to promoting its own branded gems.

Still, it is a precarious time for the Russian diamond company to assume leadership of the industry.

Until last year, De Beers produced about 40 percent of the global rough stone supply, and Alrosa 25 percent. But De Beers, which is prohibited under its European Union antitrust agreement from stockpiling, closed mines in response to the glut in rough stones. Russia is loath to do that, as authorities in Moscow, gravely concerned about potential unrest by disgruntled unemployed workers, try to keep workers on the payroll.

In the first quarter, De Beers reduced output by 91 percent compared with the previous year. The diversified mining companies Rio Tinto and BHP Billiton also curbed production.

Meanwhile, the market for wholesale polished diamonds, worth about \$21.5 billion, is expected to fall to about \$12 billion in 2009, according to Polished Prices, an analytical service for the industry.

Rough diamond prices have fallen even more, as much as 75 percent since their peak last July at some auctions.

The two markets are distinct. Typically, about 60 percent of a rough diamond is lost as dust or shavings in the cutting process.

Mr. Vybornov blames diamond traders who pledged diamond stocks as loan collateral for part of the world glut. When credit dried up last fall, banks and other creditors seized those gems and sold them, he says, flooding the market. By December, his company decided to withdraw entirely from the market rather than further erode prices.

Russia historically remained mostly a behind-the-scenes player, perhaps because Soviet authorities would have had to perform some ideological gymnastics to promote a product consumed principally by the rich of the capitalist world.

Instead, twisting politics, the Soviets concluded a semisecret agreement with apartheid-era De Beers to sell Siberian diamonds in a way that would not undercut the market.

After the collapse of the Soviet Union, the Russian diamond industry created a formal alliance with De Beers, selling the South African company half of each year's production at a discount intended to subsidize De Beers's generic diamond advertising undertaken in the 1990s, mostly in the United States.

Now, the Russians are in the driver's seat.

Charles Wyndham, a former De Beers evaluator and co-founder of Polished Prices, said Russia had thus far managed the transition well: withholding gems to make more money in the long run rather than further depressing the market.

"Whatever one wants to say about the Russians, they certainly aren't stupid," Mr. Wyndham said.

Alrosa is seeking to jump-start demand by selling gems under long-term contracts to wholesale buyers in Belgium, Israel, India and elsewhere. Under these contracts, six of which have been signed, prices are set at a midpoint between the peak last August and this winter, and fixed for a period of several years.

"A diamond ring should not cost \$100," Mr. Vybornov said. "We don't want that type of client."

Alrosa is also working with a Moscow investment bank, Leader, a subsidiary of the Russian natural gas monopoly Gazprom, to market diamonds to investors. Under the plan, investors would buy diamonds but the gems would not be released to jewelers for several years.

It is a program, essentially, of outsourcing the stockpiling function to investors in exchange for the chance to profit from a possible recovery in the market.

At one of Alrosa's cutting shops in one of Moscow's outer districts, Aleksandr A. Malinin, an adviser to the president of Alrosa, showed a typical collection that might become the basis for such an investment vehicle.

The gems fit in a felt box about the size of a laptop computer.

The larger stones, a circular-cut 10 carat flawless white and a princess-cut yellow, were estimated at about \$400,000. The smaller ones ranged from \$16,000 to \$100,000. But the value of the box, while surely several million dollars, is something of a mystery just now given the depressed market.

How the buy-in price for the stones will be set, and how the company will determine when the price goes up and down, is unclear, Mr. Malinin said.

"We have to tell people that diamonds are valuable," he said. "We are trying to maintain the price, just as De Beers did, as all diamond producing countries do. But what we are doing is selling an illusion," meaning a product with no utility and a price that depends on the continued sense of scarcity where there is none.

At the Alrosa unit that receives diamonds, called the United Selling Organization, where about 90 percent of the output of the Siberian mines arrives for processing, Elena V. Kapustkina pours about 45,000 carats of diamonds through a stainless steel sieve every day to sort them by size.

"It's just a job," she said.

When asked whether diamonds had lost their romance for her, Ms. Kapustkina paused, looked down at the pile of gems on her table and blushed.

In fact, she said, her husband, a truck driver, gave her a half-carat ring 22 years ago. "Of course I love it," she said. "It's from my husband."

## **#10**

### **Russia plays up its international role – especially in Mideast peace**

**By Howard LaFranchi**

**Christian Science Monitor, May 11, 2009**

United Nations, N.Y. - Russia is moving to reassert its role in the Middle East – and in particular in the Israeli-Palestinian peace process – as President Obama prepares to receive principal leaders in the conflict at the White House in the coming weeks.

Russian Foreign Minister Sergey Lavrov chaired a special meeting Monday of the United Nations Security Council that endorsed the idea of holding a Middle East peace conference in Moscow this year. In a presidential statement, the Security Council also called on all parties to honor past international accords – a clear nudge to a wavering Israeli government to embrace the concept of a two-state solution, in which a new Palestine would exist next to Israel.

Also on Monday, Israeli Prime Minister Benjamin Netanyahu met in Egypt with Egyptian President Hosni Mubarak, declaring that Israel wants to renew negotiations with the Palestinians "in the coming weeks." But he again refrained from endorsing a two-state solution.

The New York meeting, which drew the foreign ministers of France, Britain, and Japan, among others, comes as Mr. Obama prepares to receive the new Israeli prime minister at the White House on May 18. Mr. Netanyahu will be followed soon thereafter by Palestinian Authority President Mahmoud Abbas and Egyptian President Hosni Mubarak.

All eyes will be on those meetings – especially on Netanyahu's to see if he continues to omit public mention or endorsement of a two-state solution.

But as the rotating president of the Security Council, Russia sees an opportunity to insert the international community – and raise Russia's own profile – in the Middle East proceedings, experts in the region say.

"It's about showing Russia is a player," says Daniel Levy, co-director of the Middle East Task Force at the New America Foundation in Washington. With the crucial Washington meetings coming up, the international community "and in particular the Russians want to have a hand in that and to influence that," he says.

At a press conference following the Security Council meeting, Mr. Lavrov noted that the United States, in a Council statement delivered Monday by Susan Rice, the US ambassador to the UN, called for "integrating" the Arab peace

initiative of 2005 into the peace process. The Arab peace initiative, which was not enthusiastically embraced by the Bush administration, calls for full Arab recognition of the state of Israel, in exchange for Israel accepting a Palestinian state over most of the West Bank and Gaza.

The presidential statement, Lavrov emphasized, calls on all parties to work forward from established principles and signed accords "and not to start from Square 1" – a signal to Israel to end its ambiguity about a two-state solution.

Lavrov chaired the New York meeting on the same day that Moscow announced that Obama will visit Moscow on July 6-8 for a summit with President Dmitry Medvedev. That coincidence only underscores how recent steps by Moscow are as much about establishing a new leadership role in international diplomacy as they are about the Middle East peace process, some regional analysts say.

"What they are doing here is taking advantage of their one-month presidency of the UN Security Council," says Richard Murphy, an independent international consultant and former US ambassador to Syria and Saudi Arabia.

Russia is also more interested in establishing a working relationship with the US as part of its international role, Mr. Murphy says, and less drawn to antagonizing the US.

The former Soviet Union's strident support of Palestinian rights in the 1970s and '80s "was as much about its opposition [to the US] as it was fondness for the Palestinian cause," he says. But now, working with the US and playing a constructive leadership role on the Security Council is a bigger part of establishing a new global leadership role, he adds.

"There was a time when the Russians had a much better relationship with the Palestinians than we had, when they cultivated the Palestinian leadership as they did the Syrians," Murphy says. "But that role has blurred with the end of the cold war, and one gets the sense they are still finding their way in terms of the role they can play."

## **#11**

### **Medvedev says parties should take part in debates**

**By Steve Gutterman**

**AP, May 13, 2009**

President Dmitry Medvedev took a thinly veiled swipe at his predecessor Vladimir Putin's political party Tuesday, saying it should be mandatory for parties seeking seats in parliament to participate in debates.

Putin's United Russia party refused to take part in televised debates before elections in 2007 that increased its control over the State Duma, Russia's lower house of parliament.

Medvedev, Putin's chosen successor, has vowed to continue the course set by his mentor, who became prime minister the day after Medvedev took office just over a year ago. Both have said they are running the country in tandem.

But Medvedev's remarks in a meeting with Communist Party leaders appeared part of an effort to show he is fostering greater political diversity after eight years of increasing Kremlin control during Putin's presidency. Medvedev also signed a bill Tuesday that will make it easier for parties to win seats in future elections.

"We should not have unipolarity in international relations or inside the country either. A society that has no poles has no source of development," he said, adding that the Soviet Union's single-party system contributed to its demise.

"This is why I consider the obligatory participation of all parties in debates to be of fundamental importance," Medvedev said in comments shown on state-run television. "If a party does not take part in debates, then it's not very clear what it stands for."

Medvedev runs little risk of repercussions: United Russia, which detractors compare to the Soviet-era Communist Party, is fair game for critics under Russia's unspoken rules of political conduct. The party has even faced criticism from Putin, who backed it in the parliamentary elections and became its leader last year but has never actually joined.

Medvedev has also criticized Putin's Cabinet \_ a popular lightning rod for disgruntled politicians and people on the street \_ but has been careful not to criticize Putin himself.

The remarks could open Medvedev to allegations of hypocrisy, since he refused to debate while running for president. Vocal Kremlin critics were kept off the ballot through technicalities, and the election results were widely seen as preordained.

Medvedev's March 2008 election and the December 2007 parliamentary vote marked the culmination of years of tightening Kremlin control over politics under Putin. As president, he abolished gubernatorial elections and used a pliant parliament to enact electoral laws he said were needed to strengthen Russia after a series of deadly terrorist attacks. Critics said they were designed to consolidate power in his hands.

Before the 2007 election, races between individual candidates were abolished and new legislation required parties to win at least 7 percent of the votes cast to gain seats in the State Duma.

Under the law signed Tuesday by Medvedev, a party that wins between 6 percent and 7 percent will get two of the Duma's 450 seats and party winning between 5 percent and 6 percent will get one seat.

While the law relaxes rules Putin put in place, it not clear that Medvedev's move marks a break with the prime minister. Putin may have approved or even initiated the change to improve Russia's democratic credentials without jeopardizing his party's dominance.

The next parliamentary elections are scheduled to be held late in 2011. Putin, who was constitutionally barred from seeking a third consecutive term last year, has not ruled out a return to the presidency in 2012.

## **#12**

### **Kremlin: Battles over energy may lead to wars**

**By Vladimir Isachenkov**

**AP, May 13, 2009**

MOSCOW (AP) -- A Kremlin policy paper says international relations will be shaped by battles over energy resources, which may trigger military conflicts on Russia's borders.

The National Security Strategy also said that Russia will seek an equal "partnership" with the United States, but named U.S. missile defense plans in Europe among top threats to the national security.

The document, which has been signed by President Dmitry Medvedev, listed top challenges to national security and outlined government priorities through 2020.

"The international policy in the long run will be focused on getting hold of energy sources, including in the Middle East, the Barents Sea shelf and other Arctic regions, the Caspian and Central Asia," said the strategy paper that was posted on the presidential Security Council's Web site.

"Amid competitive struggle for resources, attempts to use military force to solve emerging problems can't be excluded," it added. "The existing balance of forces near the borders of the Russian Federation and its allies can be violated."

The paper didn't elaborate or name any specific nations.

Medvedev's predecessor Vladimir Putin, who is now Russia's powerful prime minister, often accused the West in the past of trying to expand its clout in the ex-Soviet nations and push Russia out of its traditional sphere of influence. The Kremlin has fiercely opposed NATO's plans to incorporate its ex-Soviet neighbors, Ukraine and Georgia.

Russia currently controls most natural gas export routes out of the former Soviet region, but that grip is coming under growing pressure from China and the West.

The European Union, which depends on Russia for about one-quarter of its gas needs, has sought alternate supply routes, including the prospective Nabucco pipeline that would carry the Caspian and Central Asian gas to Europe but skirt Russia.

Intensifying rivalry for influence in the ex-Soviet region fomented tensions and helped stage the ground for last August's war between Russia and Georgia, which sits astride a key export pipeline carrying Caspian oil to Western markets.

The war erupted when the U.S.-allied Georgian President Mikhail Saakashvili sent troops to regain control over the separatist province of South Ossetia, which had close links with Russia. After routing the Georgian army in five days of fighting, Russia recognized both South Ossetia and another Georgian rebel province of Abkhazia as independent nations and permanently stationed nearly 8,000 troops there.

The war in Georgia has badly strained Russia's ties with the West.

President Barack Obama's administration has sought to rebuild ties with Moscow, which plummeted to a post-Cold War low under his predecessor and focus on negotiating a new nuclear arms control deal. Medvedev and other Russian officials have hailed what they called the new administration's constructive approach and voiced hope that Washington will drop plans to deploy missile defense sites in Poland and the Czech Republic - a top irritant in U.S.-Russian relations.

Reflecting the Kremlin's hope for better ties with Washington, the strategy paper said Russia will seek "equal and full-fledged strategic partnership with the United States on the basis of coinciding interests."

But it warned that missile defense plans and prospects to develop space-based weapons remain a top threat to Russia's security, and said Russia will seek to maintain a nuclear parity with the United States. However, it added that Russia's policy will be pragmatic and will exclude a new arms race.

## **#13**

### **Putin's Ninth Year in Power Russia's new president hasn't changed the nature of the regime**

**By Garry Kasparov**

**Wall Street Journal, May 13, 2009**

It has become fashionable to speak of change and liberalization in Russia under President Dmitry Medvedev. May 7 marked his one-year anniversary in office. He has recently granted an interview with an opposition newspaper, allowed a few human-rights activists to criticize Russia's regime, and even started a blog. There is also a new administration in Washington that wants a fresh start with foreign powers.

However, Mr. Medvedev's gestures have not been matched by policy. It is more appropriate to think of Russia as living under Vladimir Putin's ninth year in power. Mr. Putin is now prime minister but still in charge. His agenda of oppression and plunder is still the course in Russia. The Kremlin's willingness to install its candidates in office and persecute its opponents remains undiminished.

Last month, the Putin government inserted itself into the mayoral election in Sochi, a resort town on the Black Sea that has been selected to host the 2014 Winter Olympics.

The International Olympic Committee (IOC) picked the subtropical Sochi after what must have been an extraordinary lobbying effort on behalf of the Russian government. Sochi has a near total lack of infrastructure needed to support an event as large as the Olympics. Getting the city ready for the Games will result in a massive looting of the state treasury to construct, among other things, vast new developments on swampland. Russia is budgeting \$15 billion for the project, while Canada is spending \$2 billion on the 2010 Vancouver Games. Look for friends of Mr. Putin to benefit from the coming splurge on construction.

Sochi's residents are being pushed out of their homes and construction will proceed regardless of whether cemeteries or wetlands stand in the way. The construction will be an ecological as well as a human-rights catastrophe. Will the IOC intervene or say even a word? Will the leaders of the Free World be so eager to press the reset button with Russia that they too will say nothing?

Sochi's residents are speaking up and, surprisingly, in the mayoral election held there in late April there was a real opposition candidate. Sochi native Boris Nemtsov is a charismatic leader who served as deputy prime minister under Boris Yeltsin in the 1990s. As has become standard practice in our elections, however, the United Russia incumbent, Anatoly Pakhomov, refused to debate or even mention his rival. Meanwhile, the media dutifully served up United Russia propaganda by publishing outlandish slanders against Mr. Nemtsov. (Including accusations that he tried to sell the Olympiad to the South Koreans, who lost the bid to Sochi.)

Mr. Nemtsov did appear on the ballot, a rare feat for an opposition candidate in Russia. But this was no demonstration of Mr. Medvedev's "liberalization." The Kremlin left nothing to chance. Early voting (which involves ballots being cast before Election Day and held in a "secure" location) is typically exercised by just a handful of voters in Russia. But in Sochi, more than 25% of the ballots cast for mayor were early votes -- roughly 100 times higher than in previous Russian elections. More than 90% of these votes went to Mr. Pakhomov. He won the race with 77% of the vote. There were other irregularities. At one polling station the number of ballots tallied was 250 higher than the total number of ballots distributed.

Simply appointing mayors would violate the European Charter, to which Russia is a signatory, so elections will continue. But just in case United Russia ever comes up short, Mr. Medvedev is pushing a new law that will allow city councils to remove elected mayors by a two-thirds vote with no appeal to a court.

Some of Mr. Putin's opponents cannot be eliminated simply by rigging an election. The new show trial of Mikhail Khodorkovsky (once Russia's richest man) and his business partner, Platon Lebedev, is a case in point. Terrified by the scheduled 2011 release of this clearly unbroken man, the Putin regime has decided to extend Mr. Khodorkovsky's sentence. The new charges accuse Mr. Khodorkovsky's old company, Yukos, of stealing all the oil it ever produced.

The prosecution has no answer to Mr. Khodorkovsky's question why, if Yukos was a criminal organization, its properties weren't seized and investigated instead of quickly auctioned off to Mr. Putin's allies? Eager to see the surreal spectacle for myself, I attended the trial in Moscow last week.

It has been obvious from the moment of his arrest in 2003 that Mr. Khodorkovsky's prison term will be no shorter -- and I'd wager not much longer -- than Mr. Putin's reign. Knowing full well the court will deliver whatever verdict is demanded by the Kremlin, the prosecution must nevertheless read its lines in the play. And it does resemble a scripted drama, as the judge has precluded the defense from challenging documents presented by the prosecution during the trial.

One of the prosecutors attempted to insult the defense attorneys by quoting Blaise Pascal, who once wrote something to the effect that an advocate has much greater confidence in his cause when retained for a large fee. During the break I asked her if she knew another of Pascal's lines: "Unable to fortify justice, they have justified force."

There are optimistic rumors in the West of a potential rift between Messrs. Medvedev and Putin. With the steep drop in energy prices, the Russian economy in free fall, and the need to find a scapegoat, a clash is likely. But it will not be because the two men differ significantly in matters of morality and power. We have seen enough to recognize that they are both enemies of democracy, open competition, and free expression.

*Mr. Kasparov, leader of The Other Russia coalition, is a contributing editor of The Wall Street Journal.*

**#14**

**Bye Bye, Eurasian Pipelines?**

**By Ariel Cohen**

**New York Times, May 13, 2009**

The 1990s were a boom decade for Western energy companies tapping into Caspian oil and gas. Three important oil pipelines were built — the Caspian Pipeline Consortium (CPC), Baku-Supsa to the Black Sea, and the Baku-Tbilisi-Ceyhan (BTC) to the Mediterranean — as well as the Baku-Tbilisi-Erzurum (BTE) pipeline transporting gas to Turkey.

How times have changed! A host of factors today are turning proposed Westbound gas pipelines into a Eurasian pipe dream. The United States is focused elsewhere — on Iraq, Iran, Afghanistan, Pakistan and the Arab-Israeli diplomatic quagmire — and the Obama administration is advocating a massive shift to alternative energy. European energy policy is adrift.

In addition, there are powerful economic factors that militate against the multi-billion dollar investments needed to bring the Caspian energy resources to market: oil at \$50 a barrel is considerably less attractive than oil at \$75; the global recession and credit crunch have sharply reduced available financing; European energy demand is in decline; and there is no strong Western private-sector champion for such projects.

In the meantime, Russia is working to corner energy exports from Azerbaijan and Turkmenistan while China is buying up hydrocarbon companies in Kazakhstan like hot cakes and developing Turkmen gas fields.

Multiple pipelines from the Caspian region and Central Asia, such as those pumping Turkmen gas and Kazakh oil lines to China and the BTC to the Mediterranean, have increased the energy exporters' bargaining capacity.

China has turned into a hungry, 800-pound gorilla in the energy market. The planned construction of Russia-China oil and gas pipelines from Eastern Siberia may decrease the availability of resources for the West and shift the economic center of gravity in Eurasia further East.

In addition, Russia itself has become a more lucrative client for Central Asian and Caspian energy. One reason for building the BTC and the BTE to Turkey was that Russia was grossly underpaying for energy which it re-exported to Europe. Today, the Russian gas monopoly Gazprom is paying a premium and boasts of pipeline overcapacity. So less gas is left for the Western-controlled pipelines.

Despite the recession, Russia is moving with the Blue Stream and South Stream projects across the Black Sea to Turkey and Bulgaria in order to keep market share. Gazprom is enhancing its influence in Ankara at the highest levels.

Much-ignored, the role of Turkey in Eurasian energy transit is also crucial. Turkish intransigence has delayed and reduced in size the development of the Caspian off-shore Shah Deniz gas project.

Ankara has also placed daunting conditions of the construction of the proposed Nabucco gas pipeline from Turkey to Europe, which is meant to provide an alternative to Russian-controlled gas, linking the project with Turkey's membership in the European Union, acquiring large amounts of Azeri gas for re-export and using the line for Russian and Iranian gas.

Despite all these factors, the United States and Europe should not lose sight of the strategic importance of Eurasian pipelines. At stake is access to an energy treasure-trove worth up to \$4 trillion, and giant fields elsewhere are approaching exhaustion. And the pipelines are a critical source of revenue for the economic development of newly independent states in Central Asia and the Caucasus.

Ambassador Richard Morningstar, President Barack Obama's new Eurasian energy czar, has the deck stacked against him. But he successfully promoted the Baku-Tbilisi-Ceyhan oil pipeline in the 1990s, and may be able to pull it off again.

The United States and Europe should encourage Turkey to become a gas hub for the Caspian, and eventually Iraqi gas, by facilitating Nabucco's construction. They should encourage a private energy company to become a strong private-sector champion for Nabucco.

The West should also end its diplomatic neglect of Turkmenistan and provide a strong commitment to build a Trans-Caspian gas pipeline to link up with BTE. The Obama administration should quickly appoint an ambassador to Turkmenistan — the position is vacant for over two years — and an invitation to the White House for President Gurbanguly Berdymukhammedov may be in order.

The United States and the Europeans should not miss the opportunity to receive affordable Caspian energy and support the independence of critical post-Soviet states. Despite the economic slump, it is worth taking the chance now, before Russia and China lock the Caspian countries in the Sino-Russian "co-prosperity zone."

*Ariel Cohen is a senior research fellow in Russian and Eurasian Studies at the Heritage Foundation and the author of "Kazakhstan: The Road to Independence. Energy Policy and the Birth of a Nation."*

## **#15**

### **Pesach Celebrated in Crimea with Help From the World Union World Union for Progressive Judaism, May 14, 2009**

Over 200 people attended Pesach sederim conducted last month by Progressive congregations in the Crimean cities of Simferopol, Feodosia and Yevpatoria. For some, according to Mikhail Kapustin, the World Union's Crimean-based rabbi, it was the first seder they ever attended.

The sederim and other holiday activities were led by Kapustin with the assistance of Brent Guttman and Jill Abramowitz, two of 16 students from the Jerusalem campus of Hebrew Union College-Jewish Institute of Religion who traveled to the former Soviet Union as part of the annual Pesach Project, a joint World Union/HUC-JIR program designed to enrich the Pesach holiday experience for thousands of Jews in the FSU, reinforce the six resident Progressive rabbis at holiday time, and provide the students with hands-on experience (see WUPJnews #356). (This year's Pesach Project was actually the seventh, and not the sixth, as we reported in that issue.)

The first seder took place in Simferopol, Kapustin's base of operations, on the first night of Pesach. "Eighty people preferred to attend the Reform seder," he said, "while there were two other options, as both Chabad and the traditional congregation run seders, too. In spite of the fact that each participant had to buy a ticket to our festival — while the Orthodox seders were free — the Reform seder was the best attended in town."

Next, Kapustin, Guttman and Abramowitz traveled to Feodosia, where, before leading a seder meal on Friday evening for 40 appreciative congregants, they viewed local programs run by the Progressive congregation together with Hesed, a center for the elderly backed by the Joint Distribution Committee; toured a local Holocaust memorial, where they recited the Kaddish prayer; and took part in a local Tatar festival, where they introduced themselves and, according to Kapustin, were "very warmly welcomed" by the participants. On Shabbat, the three traveled to Yevpatoria to lead a seder for 60 participants.

"To conclude, I think this year's program was very meaningful for both the communities and the students," says Kapustin. "It was a wonderful experience for all of us. I would like to express my gratitude to the students who came to our congregations, and to all those responsible for the project for a very well-organized program."

## **#16**

### **Will Russia Help the United States with Iran? By Mark N. Katz Washington Institute for Near East Policy, May 13, 2009**

Russia's recent decision not to sell the S-300 anti-aircraft missile system to Iran (at least for now) raised hopes that Moscow would cooperate more fully in the effort to prevent Tehran from developing nuclear weapons. Recent statements from Russian leaders indicating that they were on board with the U.S. strategy further buoyed optimism. Despite these promising signs, however, there is strong reason to doubt that Moscow's cooperation will continue.

### The Need for Russian Help

While the Obama administration has been formulating its Iran strategy, Congress and many pundits have touted the need for Russian support. At the opening session of the hearing "Prospects for Engagement with Russia" held on March 19, Senator John Kerry (D-MA) observed that "Vital to our efforts toward a nuclear-free world will be a greater effort from Russia to prevent a nuclear-armed Iran. The president is right to open the door to direct engagement with Iran. But it is imperative that we back a strategy of engagement with a commitment to more effective multilateral sanctions if negotiations do not bring progress. To do this effectively, we need Russia on board."

In a speech on March 23, Senator Carl Levin (D-MI) stated: "For some international security challenges, like proliferation of weapons of mass destruction, we need Russia's cooperation; we cannot do the job adequately without Russia." He went on to make clear that Iran was one of these issues.

In a May 1 Wall Street Journal interview, Brent Scowcroft, former national security adviser to Republican presidents Gerald Ford and George H.W. Bush, said with regard to "the looming Iranian nuclear danger" that "the only chance to dissuade Iran is if the United States and Russia are linked together on Iran."

### Russia's Real Agenda

Like Europe, Israel, the United States, and most Arab governments, Russia does not want Iran to acquire nuclear weapons. The expectation that this will lead to joint Russian-American cooperation, however, is seriously mistaken. Moscow does not want Iran to either voluntarily renounce or be forcefully prevented from acquiring nuclear weapons if -- as Moscow fears -- this results in a diminution of Russia's value to Iran as a protector or partner. Even a nuclear-armed Iran would be preferable to Moscow than this prospect.

Moscow has little interest in working with Washington to prevent Iran from obtaining nuclear weapons for two important reasons: First, Moscow has reasonably good -- though not untroubled -- relations with Tehran. Russian firms profit from selling arms and nuclear technology to Iran, and Russian petroleum firms are actively seeking to invest in the Iranian oil and gas sectors. Moscow is also deeply appreciative that Tehran has not supported Chechen or other Muslim rebels in Russia, or challenged Moscow's influence in Central Asia and the Caucasus.

Moscow does not want to jeopardize any of this by seriously cooperating with Washington against Tehran. What Moscow would prefer instead is that others -- the United States, Europe, Israel, or some combination -- take the lead in confronting Tehran on the nuclear issue. If they succeed in getting Iran to halt its efforts, then Russia gains by avoiding the strategic challenge of having another nuclear power in its neighborhood. But if they fail to halt this activity, Moscow prefers that these actors -- and not Russia -- be the focus of Iran's ire. This is especially true if Iran actually acquires nuclear weapons.

Second, the Kremlin sees the Obama administration as asking Russia to risk harming its Iranian ties while Washington is openly attempting to improve Iranian-American relations. Moscow has long feared that if U.S.-Iranian ties improve, Russia's importance to Iran will diminish. Many Russian observers are convinced that Tehran would much prefer to purchase weapons, nuclear reactors, and virtually everything else from America and the West rather than from Russia. Although Moscow does not want to see open conflict between the United States and Iran (especially if it leads to greater American influence in the region), it certainly has no interest in facilitating an improvement in American-Iranian relations that the Kremlin fears will diminish Russian influence over Iran.

### Medvedev's False Reassurances

Some observers dismiss these concerns, citing reports that Russian president Dmitry Medvedev told President Obama that Russia is increasingly concerned about Iran's nuclear program and wants to increase cooperation with the United States. Yet even if such reports are accurate, they should not be taken at face value.

First, Medvedev's alleged desire for greater cooperation with the United States does not mean that he will follow through. He knows Washington wants Russia's help, and he may hold out the prospect of collaboration to see what concessions the Obama administration might make to secure Moscow's support. Second, the Russian president's cool response to Obama's letter -- stating that there would be no need for U.S. deployment of ballistic missile defenses in Poland and the Czech Republic (something Moscow vociferously opposes) if there were no Iranian threat -- indicates that this concession is not enough for Moscow. Even if Medvedev meant what he reportedly told Obama, it is Prime Minister Vladimir Putin, not Medvedev, who has the final say on Russian foreign policy. Third, Putin, who has privately expressed concern to Western visitors about Iran's nuclear program, hinted during a CNN interview in August 2008 that Russian cooperation on Iran is contingent on American cooperation on Georgia. As far as Moscow is concerned, Washington's continued support for Georgia (including the recent NATO military exercises there) demonstrates that the United States is not cooperating with Russia on this issue.

Even if Washington made the concessions Moscow seeks, what help can the United States reasonably expect Russia to provide on the Iranian nuclear issue? Russia will neither take part in any forceful action against Iran, nor damage its economic relationship with the country, especially since Moscow fears that Washington is trying to snatch the Iranian market away.

Some believe that Medvedev's reputed concern about Iran's nuclear program will lead to Russian support for tougher UN Security Council sanctions against the Iranian regime. But Medvedev's alarm is more rhetorical than real, and Moscow will most likely do what it has done in the past: work with China to delay and water down a resolution introduced by the United States or one of its allies, and then try to mitigate Iranian anger by claiming that Moscow had actually protected Iran from much harsher sanctions that the United States sought to impose.

#### Moving Forward Without Russia

The degree of effort necessary to secure Russia's limited help is not worth Washington's time or resources: if U.S.-Iranian relations improve, Washington would not need Moscow's help, and if they do not, Russia would not be willing or able to do anything significant to prevent Iran from acquiring nuclear weapons. Whether the Obama administration should attempt to improve relations with Tehran is open for debate, but the notion that "We need Russia to help us with Iran" is not.

*Mark N. Katz is a professor of government and politics at George Mason University.*

#### **#17**

#### **Ukraine party accuses Israeli envoy of 'interference'**

**JTA, May 14, 2009**

KIEV, Ukraine -- A political party in Ukraine accused Israel's ambassador there of insulting the country on a TV talk show.

The Rovno Regional Department of Ukraine People's Party sent a petition to the president of Ukraine, Ukrainian government officials, the prosecutor general and the chief of the Ukrainian Secret Service, or SBU, demanding that Zina Kalay Klaytman be declared a persona non-grata for interfering in Ukraine's internal affairs, and to bring charges against the anchor of the "Shuster Live" show and owners of the TV channel, TRK Ukraine.

Klaytman and several lawmakers, including Evgeny Chervonenko, first deputy major of Kiev and a Ukrainian Jewish leader, joined host Savik Shuster on the April 24 broadcast devoted to the issue of xenophobia and racism in Ukraine.

People's Party leaders in a May 12 statement lambasted the host and lawmakers who, they say, "deliberately strain" the level of xenophobia and anti-Semitism in Ukraine, and demanded the prosecutor general bring a criminal case against them "for the anti-state activities."

The statement added that "persons of Jewish nationality cynically outraged our state and debased Ukrainians."

The party holds six seats in the 450-seat Ukrainian parliament.

Ukrainian Jewish lawmaker Aleksandr Feldman, leader of the Ukrainian Jewish Committee, slammed the party's statement.

"It's a pity, but there is xenophobia, anti-Semitism and neo-Nazism in Ukraine, and political figures who protect such phenomenon at different levels of power," the lawmaker's press service reported Wednesday.

"Such statements discredit the Ukrainian nation in world public opinion rather than any 'foreign secret services,' " according to Feldman.

Feldman urged President Victor Yuschenko to take a public position on the issue. In April, Feldman asked Yuschenko in an open letter to pay attention to the rapid growth of fascism in Ukrainian society.

## **#18**

### **Kremlin Sees Threats In Economy, Energy**

**By Nikolaus von Twickel**

**Moscow Times, May 14, 2009**

Russia's security is threatened by economic instability, potential wars over energy resources and foreign spies, the Kremlin said in a key policy paper released Wednesday.

The Kremlin's long-awaited new national security strategy includes several standard threat assessments – from NATO expansion to a planned U.S. missile defense shield – but it also sets new priorities by addressing nonmilitary issues such as economic stability, science, education, culture and even ecological risks.

President Dmitry Medvedev on Tuesday signed off on the policy paper, which spells out national security policy through 2020, and it was officially published Wednesday by the Security Council, which is comprised of top politicians and intelligence chiefs.

The 7,300-word document says the country should develop its economy and catch up with the world's five largest economies "in the medium term." Last year, the International Monetary Fund ranked Russia's GDP as the world's eighth largest.

It also identifies the banking sector and natural resources as vital for national security because of their role in economic stability.

It states that international policy will in the long run be focused on energy resources, including in the Arctic.

"With the ongoing competition for resources, attempts to use military force to solve emerging problems cannot be excluded – and this might destroy the balance of forces on Russia's and its allies' borders," the paper states.

The paper also singles out NATO and the United States as security risks.

"A global security architecture exclusively oriented toward the North Atlantic Treaty Organization was bound to fail," it says, adding that Russia "will not cease its vigilance with respect to plans to move NATO's military infrastructure closer to its borders and efforts to give the alliance a global character."

In a thinly veiled condemnation of U.S. foreign policy, the document asserts that Russia's military security is endangered "by efforts of a number of foreign countries to achieve military predominance, especially with nuclear forces."

Security analyst Andrei Soldatov said one new aspect of the strategy was a section identifying as a key security threat → even more greater than terrorism → "intelligence gathering and other activities of foreign states' special services and organizations."

In the jargon of Russia's security services, Soldatov said, "special services and organizations" also refers to nongovernmental organizations, which senior officials → including Prime Minister Vladimir Putin → have often characterized as fifth columns.

Alexander Konovalov, head of the Institute of Strategic Assessments, said the new strategy was actually less precise than its predecessor, adopted in 2000.

The new paper says little about the use of nuclear weapons, while the national strategy approved by Putin, then the president, in 2000 said Russia may use nuclear weapons to counter a nuclear or a large-scale conventional attack on the country or an ally, Konovalov said.

He also said it is strange that the strategy came out almost a year after the Kremlin published a new foreign policy conception last July.

"The national strategy is the most basic document from which foreign policy and military doctrine should be developed, Konovalov said.

## **#19**

### **Russia vetoes deal on OSCE monitors in Georgia Reuters, May 13, 2009**

VIENNA - Russia on Wednesday vetoed a plan for keeping monitors from Europe's top security and human rights watchdog in Georgia, insisting on terms that drove home its view of breakaway South Ossetia as an independent territory.

Moscow sent in troops to repel Georgia's move to retake South Ossetia in a war last August, then blocked an extension of the Organisation for Security and Cooperation in Europe's observer mandate in Georgia on its Dec. 31 expiry. The OSCE must be out of Georgia by June 30 unless current chairman Greece can forge agreement among its 56 member states including Russia and Georgia to renew the mission. On Monday, Greece floated a revised plan omitting mention of Georgia or South Ossetia, skirting the hot issue of the rebel region's status, while stipulating free movement for monitors across the August ceasefire line.

This approach signalled that Russia's demand for recognition of South Ossetia as an independent state should be left to separate "status" talks in Geneva, while accommodating the insistence of Georgia and its Western allies on Georgian territorial integrity and a single OSCE mission in the country.

But Russia turned down the compromise and answered with its own version, making clear that Moscow deemed the territory to be no longer part of Georgia.

Moscow's version, obtained by Reuters from diplomats in the confidential consultations, crossed out references to "free and unimpeded contact and movement" across the truce line.

It added that such movement must be agreed with "relevant authorities" -- meaning the rebels and Russians -- while monitors based in South Ossetia and in state-controlled Georgia would be under separate commands.

Russia's response dashed hopes for agreement by a top OSCE committee on Wednesday. A deal would have sent the plan to the OSCE's Permanent Council ambassadors for formal adoption.

**#20**

**Europe wasted 20 years since Cold War: Gorbachev**

**By Michael Stott**

**Reuters, May 13, 2009**

MOSCOW - Europe has squandered the opportunity created by the fall of the Berlin Wall 20 years ago for a new era of cooperation between East and West, former Soviet President Mikhail Gorbachev said on Wednesday.

Gorbachev, who presided over the collapse of the Soviet Union, said he and other world leaders had hoped that the Wall's fall in 1989 would allow Europe to become a model of security and peace for the rest of the world, but this had not happened.

"We have wasted the last 20 years," Gorbachev, 78, told a news conference at his charitable foundation in central Moscow. "We have not done everything we should have done. It's a great pity."

Gorbachev sharply criticized those in the West who claimed to have won the Cold War by defeating the Soviet Union, instead of viewing the end of East-West confrontation as a mutual decision made for the benefit of all.

Dressed in a dark blazer and open-neck blue shirt, Gorbachev at times stumbled for words and paused for thought as he took the mainly foreign audience of reporters on a long amble through the history of the Cold War's final years.

Russians remain nostalgic for the superpower empire of the Soviet Union and polls show they loathe Gorbachev for allowing its collapse -- an event Prime Minister Vladimir Putin described once as the biggest geo-political tragedy of the 20th century.

Gorbachev said it was unrealistic to hope for the Soviet Union to be rebuilt but called for the four key states which formed its economic heart to unite again to form a free trade area.

"It is not yet too late to look again at creating a free economic area between Russia, Ukraine, Belarus and Kazakhstan," he said, adding that this would strengthen European security.

**"ROTTEN MONOPOLIES"**

The former Soviet leader complained that Europe still failed to understand Russia properly. "It is complete nonsense that Russia is aggressive or imperialist," he said. "Russia doesn't want to go to war with anyone."

Gorbachev has little political influence in Russia today, but he reiterated plans to help form a new party to challenge the overwhelming dominance of the Kremlin's main political machine, United Russia.

"People understand that something is going wrong. And as for that monopoly of one party -- we know all about that," he said. "As is well known, all monopolies are rotten."

He said more than 10,000 letters supporting the idea of a new party had been received and that it would be set up soon, though he said he would not be the leader.

Gorbachev described United Russia, which enjoys a constitutional majority in the lower house of parliament, the Duma, as "a worse version of the Soviet Communist Party."

Western-style liberal opposition parties are mostly ignored by Russia's mainly state-controlled media and struggle to fight elections against the huge political patronage of United Russia. Polls put their support in the low single digits and they have almost disappeared from elected legislatures around the country.

President Dmitry Medvedev has proposed some modest tinkering with the country's electoral system to allow symbolic representation for the liberal opposition in parliament and to make it slightly easier to register new parties.

Gorbachev said he wished Medvedev well but added that he "still needs to gather strength" politically.

**#21**  
**Revise NGO Law to Protect Rights In Review Ordered by President, Change Law to Meet International Standards**  
**Human Rights Watch, May 13, 2009**

President Dmitry Medvedev's newly announced working group on non-commercial organizations should bring the restrictive law governing the operation of these groups into line with Russia's international human rights obligations, Human Rights Watch said today. The new group will hold its first official meeting on May 14, 2009.

A coalition including Human Rights Watch and Russian human rights organizations urged the working group to adopt proposed reforms in order to guarantee the right to freedom of association.

"President Medvedev's directive is a first step toward removing the choking restrictions on Russia's NGOs," said Holly Cartner, Europe and Asia director at Human Rights Watch. "The working group has a chance here to make real changes and to end government interference so Russia's civic life can flourish."

In an order released on May 12, President Medvedev created a working group to draft changes to Russia's law on non-commercial organizations (NCOs). Approximately 35 percent of Russian nongovernmental organizations (NGOs) are registered as NCOs. The rest are registered under different legal forms. The working group, composed of representatives of the presidential administration, the Ministry of Justice, the Duma and Federation Council, and civil society, is to submit proposals within three weeks of May 8, the date the order took effect.

At a meeting with the members of the Presidential Council for Civil Society Institutions and Human Rights on April 15, Medvedev acknowledged the difficulties faced by NGOs, including restrictions "without sufficient justification," and the fact that many government officials view NGOs as a threat. At the time, Medvedev stated his willingness to review the law.

"Thousands of organizations have been denied registration, liquidated, and harassed under Russia's existing NGO law," said Cartner. "President Medvedev should ensure that the reform process takes their experiences into account in a procedure that is open and consultative."

In his order and public statements, President Medvedev has not committed to specific reforms. Because the effort under way only touches on one subset of NGOs, the working group will not address the burdensome regulation of a majority of organizations. Moreover, any reforms that result from the panel's work will not change limitations on foreign grant funding introduced by Prime Minister Vladimir Putin in 2008.

Russia's 2006 NGO law subjects Russian and foreign NGOs to excessive government scrutiny and interference contrary to international standards on freedom of association. Human Rights Watch, the Moscow Helsinki Group, AGORA, the Youth Human Rights Movement, and the Human Rights Resource Center submitted a list of proposed reforms for the NGO law to the Ministry of Justice in April and to the Presidential Council for Civil Society Organizations and Human Rights in early May.

These proposals are based on four principles for regulating NGOs that spring from Russia's domestic and international human rights obligations: government actions should be lawful; authorities should not interfere with the groups' activities; the authorities should presume that NGOs operate with good faith; and government action should be transparent, easy to understand, and predictable.

The Committee of Ministers of the Council of Europe, of which Russia is a member, adopted a recommendation in 2007 that minimum standards should be respected concerning the creation, management, and the general activities of NGOs. A recent review of Russia's NGO legislation by the Council of Europe's Expert Council on NGO Law, established to evaluate the conformity of member states' NGO laws and practices with Council of Europe standards and European practice, criticized Russia's NGO registration procedure, concluding that it "needs to be seriously simplified and built on straightforward bases."

Medvedev is to meet with European leaders on May 21 and 22 at a European Union (EU)-Russia summit in Khabarovsk. The EU should welcome Medvedev's acknowledgement of the challenges faced by NGOs and strongly encourage the Russian authorities to make real changes to the operating environment for NGOs. EU leaders should urge the Russian government to condemn publicly attacks on activists and to make a commitment to a transparent process for considering changes to the law, ensuring adequate opportunities for input by civil society groups.

"The EU should make it clear that reform of all NGO regulations and the creation of an enabling environment for civil society is a priority issue for the EU, and that it will monitor closely any actions taken," said Cartner.

## **#22**

### **Ruble Roars Back to 4-Month High**

**By Ira Iosebashvili**

**Moscow Times, May 14, 2009**

After being the source of endless hand-wringing, the battered ruble is mounting a comeback, advancing to a four-month high of 31.93 against the U.S. dollar in trading Wednesday.

But whether its strength can be maintained, and whether a strong ruble is a good thing at all, appears to be anybody's guess.

The Central Bank set the exchange rate at 31.98 to the dollar for Thursday, a change of almost 1 percent from Wednesday, continuing a rally that has seen the ruble roar back 12 percent from a low of 36.34 in mid-February.

The ruble firmed up to 37.23 versus the Central Bank's dollar/euro currency basket in Wednesday trading, well beyond the 41 mark that the bank has promised not to let the ruble cross at all costs.

Now, with the currency trading almost 10 percent above the 41 level, Central Bank officials seem to have taken heart.

The bank said Wednesday that it would cut key interest rates by 50 basis points for the second time in less than a month. The bank's first deputy chairman, Alexei Ulyukayev, cited reduced inflation risk and a stronger ruble as the reasons for the cuts.

"[We cut] for the same reasons as the last time. There is a need to lower the Bank of Russia's interest rates, as that will reduce the cost of credit for the final borrower, the economic situation could improve," Ulyukayev told Reuters.

On Tuesday, Ulyukayev said he "could hardly imagine" the currency breaking the 41 level this year and that a move to 35 against the basket -- which would represent a 6.5 percent increase from current levels -- was "quite reasonable," Bloomberg reported.

Sergei Shvetsov, head of financial market operations for the Central Bank, was quick to offer his own optimistic assessments, saying Wednesday that Russians selling their foreign-currency holdings, which have reached more than \$70 billion since the start of the crisis last fall, will help strengthen the ruble until the end of the year, RIA-Novosti reported.

Wednesday's ruble gains were fueled by a rise in the price of oil -- Russia's main export -- to a six-month high of a little more than \$60 per barrel in New York and by the recent weakness in the dollar.

Analysts, however, were divided on whether ruble prices were sustainable and what a strong ruble could mean for the country's economy.

"Growth in the ruble was unavoidable in the face of higher oil prices," said Anton Tabakh, an analyst at Troika Dialog. "The situation, however, cannot be making the Central Bank happy."

A stronger ruble would mean much less taxes from exports and hurt Russian manufacturers selling their products abroad, Tabakh said.

"The weaker the ruble, the worse for the budget," he said, adding that the government would probably keep the ruble around these levels and try to avoid major price swings.

Natalia Orlova, chief economist at Alfa Bank, which predicts a 20 percent decline in the price of the ruble, said inflation remains a threat despite statistics showing that it has slowed in the last month.

"High inflation is preventing the decline of the real exchange rate," Orlova said. "Since inflation is unlikely to go down in the near future," the Central Bank must let the ruble depreciate, she said.

At least one analyst, however, said the benefits of a strong ruble far outweighed the disadvantages for the government.

"A strong currency attracts investment capital and encourages depositors to leave money in the banking system," said Chris Weafer, chief strategist at UralSib. "High oil prices and a strong ruble are actually an ideal combination for creating stability and confidence and attracting investment."

He said the government's top priority at least in the short term was creating an impression of stability.

By cutting interest rates and letting the ruble strengthen, the state is "sending a message that they are taking the first small steps toward creating growth," Weafer said.

"Of course, they can't do much more until there's greater certainty of a global recovery," he added.

## **#23**

### **Russia Criticizes EU's "Southern Corridor" Gas Pipeline Plan AFP, May 14, 2009**

MOSCOW -- Russia said Thursday a European Union plan to create a "Southern Corridor" designed to reduce the bloc's dependence on Russian gas was counterproductive and commercially questionable.

A spokesman for the Russian Foreign Ministry, Andrei Nesterenko, stressed that Moscow needed to be part of any solution to the E.U.'s energy problems.

The comments came in response to last week's summit in Prague where the E.U. tried to build support for a key part of the plan - the Nabucco pipeline - but failed to win the backing of three key Central Asian nations.

"From our viewpoint, the project of creating a so-called 'Southern Corridor' without the participation of the largest supplier of energy to Europe, Russia, is nothing more than a political overture," Nesterenko told reporters.

"This, as well as the lack of commercial prospects, explains the fact that representatives of Turkmenistan, Kazakhstan and Uzbekistan didn't take part in the signing of the summit's final joint declaration," Nesterenko added.

"We would like to note the counterproductiveness of attempts to solve questions of European energy security without Russian participation."

The E.U. has been pushing Nabucco, an ambitious 3,300-kilometer pipeline taking gas from the Caspian region through Turkey towards Austria that would bypass Russia, as a way to reduce its dependence on Russian gas.

But critics say Nabucco does not have enough sources of gas, and the project was cast into further doubt at the May 8 meeting in Prague when gas-exporting Turkmenistan, Kazakhstan and Uzbekistan failed to sign on to it.