

Business and Politics in the Muslim World

*Weekly Report on **Russia**
Report # 110
From 14th March, 2010 to 20th March, 2010
Presentation 24th March, 2010*

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Summary:

Political:

United Russia Wins Regions, but Support is Visibly Down

Prime Minister Vladimir Putin's party easily won control of all eight regional parliaments, but its support was down significantly in seven compared with 2007 parliamentary elections.

Putin Sells New Delhi 'Plane-Proof' Reactors

Prime Minister Vladimir Putin won support for Rosatom to build a dozen ultrasafe nuclear reactors in India, part of more than \$10 billion in deals in energy, arms, telecoms and other cooperation signed during his visit Friday.

Four from United Russia and one communist elected to mayor's posts

According to preliminary results released by the Central Election Commission of the Russian Federation on Monday four members of the United Russia party and one representative of the Communist party have been elected mayors of the capital cities of five members of the Russian Federation where the election was held on Sunday.

All four parliamentary parties win seats in regional legislatures.

All the four parties represented in the State Duma - United Russia, KPRF, LDPR and Just Russian parties, will have their representatives in the legislatures of eight territories of the Russian Federation where parliamentary election was held on Sunday. The preliminary results have been announced by representatives of regional election commissions during a direct TV bridge conference with the Central Election Commission on Monday.

Russia to hold elections, referenda in 76 regions

Seventy-six Russian regions will hold elections to local legislative bodies and referenda on Sunday, March 14, which is a Voting Day in the country. The Central Election Commission reported that the 76 regions have a 32-million electorate, or one-third of Russian voters.

Russian opposition 'satisfied' with regional election results

Russian opposition parties expressed satisfaction with the results of Sunday's regional legislative elections as seen a popularity test for the pro-Kremlin United Russia party.

Medvedev, Obama agree to discuss concrete date of START signing

Russian and U.S. Presidents, Dmitry Medvedev and Barack Obama, said now it is possible to hold talks on concrete dates to submit a new strategic arms reduction treaty for signing.

Russia condemns Georgian TV's 'immoral' invasion hoax

Russia has condemned as "irresponsible and immoral" a Georgian TV hoax about a Russian invasion. Panic was sparked in Georgia after the Imedi TV station broadcast news that Russian tanks had invaded the capital and the country's president was dead.

Panic in Georgia After a Mock News Broadcast

Some people placed emergency calls reporting heart attacks, others rushed in a panic to buy bread and residents of one border village staggered from their homes and dashed for safety — all after a television station in Georgia broadcast a mock newscast on Saturday night that pretended to report on a Russian invasion of the country.

Russia Profile Weekly Experts Panel: Medvedev Halfway Into His First Term

President Dmitry Medvedev is halfway through his first presidential term this week. So, how is he fairing and where is he leading the nation? Overall, he is doing much better than many predicted, but is still falling short of the “great expectations” his presidency has created. What does Medvedev’s balance sheet look like halfway through his first term? Is he turning into a successful reformist president, or is he shaping up as another modernizing failure in Russia’s history? Will he emerge from Vladimir Putin’s shadow?

Russia Terminated Armament Projects with Ukraine

Russia has terminated a number of armament projects with Ukraine in the wake of supplies of Ukrainian weapons to **Georgia**, said Valery Konovalyuk, who heads the Ukrainian parliament’s commission for investigating illegal weapon supplies.

Georgia's 'War of the worlds'

Mockumentary simulating a Russian invasion and Saakashvili's assassination sparks national panic For the residents of northern Georgia, images of Russian tanks rolling towards them appeared all too real when Imedi TV beamed them into their living rooms.

Russia urges Israelis, Palestinians to exercise self-restraint

Israel last week announced the go-ahead for the building of 1,600 houses for Jewish families in the disputed area of East Jerusalem just as the Middle East peace talks were restarting after a 15-month break. The Palestinian authorities have threatened to halt negotiations unless the settlement building plans are abandoned.

Economic:

Foreign Funds Take New Look at Russia

A total of \$411 million flowed into Russian funds over the week ending March 11, the highest level since October, far outstripping investment flows into Russia's BRIC peers, according to fund tracker EPFR Global. With a rebounding economy, resurgent commodity prices and a strengthening currency, Russia is beginning to cast itself in a more favorable light to foreign funds, which rapidly decreased their Russia exposure with the onset of the global financial crisis.

Russia corruption "may force Western firms to quit"

Alexandra Wrage, whose non-profit organization TRACE International advises firms on how to avoid bribery, told Reuters the "rampant endemic" corruption in Russia was much worse than in other big emerging economies.

Russian State Wants To Make Money On Cleaning Up Monocities

25 January is the last day for Russian Government to accept integrated plans for the development of monocities. Municipal business projects selected for funding will be announced in March and Vnesheconombank will publish the conditions for financing. However, the RusBusinessNews observer established that the resources allocated will most likely remain unclaimed as plans submitted by municipalities will be raw and perfunctory. The cause of this is not as much in the lack of resources for the development of these plans but in entrepreneurs' unwillingness to build business blind without knowing the cost of borrowed resources.

Russia may raise oil export duty by \$15.3 from April 1

Export oil duty should therefore equal \$268.9 per metric ton from April 1, with duty on light petroleum products rising to \$193.5 per ton from the current \$183.2 per ton, and duty on heavy petroleum products to \$104.2 per metric ton from the current \$98.7 per metric ton.

Online Commerce Choked by Shipping Delays

Foreign-based Internet shopping sites are drawing increasing numbers of Russian consumers looking for deals, but as delays mount at the country's notoriously inefficient postal service, many are finding that securing delivery of their items is no simple task.

Oil Deal Overshadows Putin Visit

A deal that could allow Belarus to reduce its Russian oil imports likely overshadowed Prime Minister Vladimir Putin's energy talks with the country Tuesday, possibly causing Russia to lose up to \$1 billion in export duties a year.

Social:**Teen Smoking Called a 'National Catastrophe'**

Dr. Leonid Lazebnik painted a grim picture of the harm that tobacco was causing Russians, telling a round table that 65 percent of men and 30 percent of women have smoked at some time in their lives.

Spoof Report of Russian Attack Causes Panic in Georgia

Thousands of Georgians panicked Saturday night when a pro-government television station aired a hoax that President Mikheil Saakashvili had been killed and Russian tanks had invaded their country.

Saints in the City

As Europe's largest city, Moscow is host to a large number of ethnic groups and emigres from all over the world. With such a diverse population, it's inevitable that multiple faiths will be represented. Staff photographer Igor Tabakov suggested that we showcase some of the images of religious activities and icons from the three Abrahamic traditions in the city that he has taken over the years.

Russia Dismisses U.S. Human Rights Report

The Foreign Ministry indignantly dismissed U.S. criticism of Russia's human rights record Friday, saying the United States was guilty of its own abuses from Afghanistan to "the streets of America."

Dozens held in European crackdown on Russian mafia

At least 69 people have been arrested in a crackdown on the Russian mafia in several European countries. They said 24 people were detained in Spain in the operation, which was "ongoing". At least 45 others were arrested in "different European countries".

Mujahideen kill at least 2 more Russian terrorist soldiers in Chechnya

A day earlier, on March 14, two other Russian police terrorists were eliminated by the Mujahideen in the same area.

Dark nights for Moscow policemen

Three attacks on police officers in the Russian capital over the weekend. A police patrol was shot at in the Kuntsevo are of western Moscow on the evening of Saturday, March, 13. One of the policemen died and another one was severely injured,

Radical Muslim cell uncovered in Russian province

The court of Chita has already opened a criminal case into the setting up an extremist organization. Tablighi Jamaat was founded in India as an independent movement and for

two decades has spread its activities to Southwest and Southeast Asia, Africa, Europe and North America. The group's main aim is the spiritual revival of its members.

Russian sports official arrested after receiving kickback

Hidden camera catches school director creaming off government cash. A deputy director of a Moscow sports school was arrested after pocketing 827,000 roubles given to his college by the government.

Nothing can make nation drink less, say quarter of Russians

A survey carried out by the recruitment portal SuperJob.ru showed 24% of Russian citizens believe the introduction of anti-alcohol measures in the country would not improve the situation, which President Dmitry Medvedev said was tantamount to a national security threat.

Russian patriarch visits Armenian genocide memorial in Yerevan

Turkey has always refused to recognize the killings of an estimated 1.5 million Armenians in the dying days of the Ottoman Empire in 1915 as an act of genocide. A number of countries have recognized the killings in Armenia as the first genocide of the 20th century.

Detailed Report:

Political:

United Russia Wins Regions, but Support is Visibly Down

Prime Minister Vladimir Putin's ruling United Russia party won a string of regional elections on Sunday but its support dropped sharply in some areas, results showed on Monday, amid rising anger at inflation and growing unemployment.

Opposition parties said the elections were marred by widespread violations and showed that President Dmitry Medvedev had failed to follow through on a pledge to loosen the Kremlin's grip on the political system.

About 32 million of the country's 110 million registered voters were eligible to vote in Sunday elections for eight of 83 regional parliaments, five city mayors and dozens of town councils. The turnout in the elections was about 43 percent.

United Russia easily won control of all eight regional parliaments, but its support was down significantly in seven compared with 2007 parliamentary elections.

The party's support fell by about 25 percentage points compared with 2007 in the Urals region of Sverdlovsk to 39.79 percent, results showed. It grew in one region, Voronezh, by 14 percentage points to 62 percent.

In another blow, United Russia was beaten in the election for mayor in the Siberian city of Irkutsk to a candidate from the opposition Communist Party.

"United Russia's popularity is clearly falling due to the crisis," said Nikolai Petrov, an analyst with the U.S.-funded Carnegie Center in Moscow.

United Russia's popularity has taken a hit since the global economic crisis brought an abrupt halt to 10 years of rapid economic growth.

The party spent much of its campaign trying to deflect growing anger over rapid hikes in prices for communal services and growing unemployment, which has sparked a series of large opposition protests in recent months.

Golos, Russia's leading election watchdog, said the election campaign was as dirty as any in recent years, complaining of United Russia's domination of the media.

The electoral commission blocked the opposition Yabloko party from standing in two regional votes after thousands of signatures collected by the party were ruled invalid.

Federal election officials have dismissed opposition complaints of bias and said it had received almost 50 percent fewer complaints than during the last round of regional elections in October last year.

"Of course there were minor violations, but nothing that would effect the results of the elections," senior United Russia parliamentarian Andrei Vorobyov told Vesti-24 television.

Putin Sells New Delhi 'Plane-Proof' Reactors

Prime Minister Vladimir Putin won support for Rosatom to build a dozen ultrasafe nuclear reactors in India, part of more than \$10 billion in deals in energy, arms, telecoms and other cooperation signed during his visit Friday.

The trip, Putin's first to India since December 2007, came as Moscow is driving to maintain its position on the lucrative markets for arms and nuclear energy, even as India boosts cooperation with rival suppliers like the United States and France.

Putin promoted safety as one of the Russian reactors' biggest selling points, saying the International Atomic Energy Agency has called them among the world's safest and that Russia had learned lessons from the 1986 explosion in Chernobyl.

"Unlike other reactors that are being built in the world, ours can survive a direct hit by a midrange airplane weighing several tons," Putin said, Interfax reported. "We have a big national program to develop atomic energy. ... Naturally, we, using this technology at home, in Russia, are starting with the necessity of providing safety above all else."

Rosatom chief Sergei Kiriyyenko, who accompanied Putin on the trip, said half of the 12 reactors would be finished between 2012 and 2017 under a road map for nuclear cooperation signed Friday. The figure includes reactors that Rosatom unit Atomstroieksport is already building at Kudankulam, he said.

Deputy Prime Minister Sergei Ivanov said Russia hoped to build a total of 16 reactors in India, and officials in New Delhi said ahead of the visit that Moscow would be invited to bid for the contracts alongside Washington and Paris.

Financial terms of the nuclear cooperation were not announced, but Kiriyyenko said last year that India — which is seeking to raise its nuclear capacity fivefold by 2020 — was offering "tens of billions of dollars" in work.

Putin and his Indian counterpart, Manmohan Singh, signed an agreement to build the third and fourth generating units of Kudankulam nuclear power station. Putin also met with Indian President Pratibha Patil and Sonia Gandhi, head of the ruling coalition in the parliament. "No matter in what capacity I come to India, I always see that India, without any exaggeration, has been our strategic partner for many decades now," Putin said at an Internet press conference with business and social representatives, according to comments posted on the government web site.

"And that's a reflection not only of the sympathy between the peoples of Russia and the peoples of India ... but also, above all, evidence of the nearly complete coincidence of our geopolitical interests," he said.

Singh was equally warm in his praise. "Putin has been the architect of the strategic partnership between India and Russia," Singh said after meeting Putin, Reuters reported. "Relations with Russia are a key pillar of our foreign policy."

Moscow hosted Singh for talks in December, and Putin visited the country repeatedly during his presidency. President Dmitry Medvedev visited India in December 2008 and hosted a summit with the heads of the three other BRIC emerging market countries — Brazil, India and China — in June.

The countries have sought to formalize their ties in recent months for greater clout in world economic and financial affairs.

Russia, which intends to double its trade with India to \$20 billion by 2015, will open a free economic zone in the country, investing a total of \$3 billion and attracting investors from third countries, Yury Medvedev, a deputy head of the Federal Property Management Agency, told Rossiiskaya Gazeta on Friday.

The core of the project will be shaped by Titanium Products Private, a titanium joint-enterprise that will be set up as a means of repayment of Indian debt to Russia, he said. The enterprise will receive \$120 million in investment, with 51 percent of shares owned by Russia.

The results of this pilot project will be an indication of whether other countries may also repay their debts to Russia under similar plans, he said.

Moscow and New Delhi also agreed to cooperate in the hydrocarbon sector, Putin said Friday.

“At the prime minister’s initiative, we agreed that we will ... sign an intergovernmental cooperation agreement in this area soon,” he said.

The two sides also signed off on a joint venture to be located in India that will produce navigation equipment compatible with both the Glonass system — developed by Russia — and its U.S. equivalent, GPS.

During the Internet conference earlier Friday, Putin scolded foreign banks operating in Russia for capital outflows during the recession, despite the support they received from the government.

“Not all the countries included foreign banks in their stimulus programs, but we did it,” he said. “We did not impose limits on capital outflows amid the recession. Some foreign financial organizations working in Russia promoted capital outflows from Russia under these circumstances.”

But Putin immediately sweetened the pill, saying the activity of the subsidiaries of foreign banks was market-driven. “They behaved very responsibly, and we have no necessity to lay serious claims against them.”

Capital outflows hit \$52.4 billion in 2009, according to the Central Bank, an improvement from a record \$129.9 billion drain a year earlier.

Responding to a question about the negative image of Russia portrayed by the Western media, Putin said criticism was a pillar of free media. “The media have a task like that and a philosophy [which says] that it is necessary to criticize the authorities, and this is indeed right,” he said. “Despite the fact that somebody is drawing some kind of a negative picture, all international companies are actively working in Russia. I can’t recall a single company that was shipwrecked or was dissatisfied.”

During the same meeting, Putin also praised Indian tea, calling it a long-standing family favorite.

“People in my family mostly drank tea, almost no one drank coffee,” he said. “And making Indian tea was a special privilege.”

Four from United Russia and one communist elected to mayor's posts

Vladimir Yevlanov, nominated by the United Russia party, has won in the city of Krasnodar, collecting 65.25 percent of votes in his support.

His fellow representative from the United Russia party Viktor Shreider, who collected 65.25 percent of votes, has won the mayor’s seat in the city of Omsk.

Mikhail Chernyshov, also from the United Russia party, leads in the mayor's election in Rostov-on-Don with 74.17 percent of votes in his favor.

Alexander Pinkov from United Russia, with 39.15 percent of votes in his support, is in the lead in the city of Ulyanovsk.

Representative of the Communist party Viktor Kondrashov, who won 61.54 percent of votes in the mayor's election, has become city mayor in the city of Irkutsk.

All four parliamentary parties win seats in regional legislatures.

United Russia has won 183 deputy mandates, the Communist party (KPRF) that won 35 seats in the local legislatures ranks second in an unofficial rating, it is followed by the Liberal Democratic party (LDPR) with 23 mandates; the Just Russia party with 21 mandates is in fourth place.

During video conferences held with the CEC Information Center heads of the regional election commissions reported the number of seats won by the four parties in the regional legislatures.

The standings are as follows:

Khabarovsk region - United Russia - 18 seats, KPRF- three seats. LDPR- three seats, Just Russian - two seats;one mandate goes to an independent candidate backed by United Russia.

The Altai Republic - United Russia - 23; KPRF-5, Just Russia- 4, LDPR- 2, seven seats will go to independent candidates.

The Kurgan region - United Russia- 22, KPRF-5, Just Russia-5, LDPR- 2 seats out of 34 seats contested.

In the Sverdlovsk region where only half (14 mandates) of seats in the regional legislature were contested the United Russia won 6 seats, KPRF and Just Russia won three seats each, and two mandates go to LDPR representatives.

In the Yamal-Nenents legislature, where 22 seats were contested, 18 seats go to United Russia, two seats - to LDPR, KPRF and Just Russia won one seat each.

In the Kaluga region where 40 mandates in the regional legislature were contested United Russia won 23 seats, KPRF- 9, LDPR-5, Just Russia -3. The election was held on party tickets only.

In the Voronezh region where the biggest number of deputies (56) was elected United Russia will be represented by 48 deputies, KPRF won five mandates and LDPR- two mandates. The Just Russia party thanks to the floating election threshold (short of seven but more than five percent of votes) secured one seat in the regional legislature.

In the Ryazan region United Russia won 25 seats in the regional legislature, LDPR- five, KPRF- four and Just Russia - two seats.

As a result of Sunday's election the United Russia won more seats than the other parties in single-member constituencies.

Russia to hold elections, referenda in 76 regions

Eight provinces are to elect regional parliaments. They are the Altai republic, the Khabarovsk territory, the Voronezh, Kaluga, Kurgan, Ryazan and Svedlovsk regions, and the Yamalo-Nenets Autonomous Area.

The cities of Krasnodar, Irkutsk, Omsk, Rostov-on-Don and Ulyanovsk are due to elect their mayors.

The administrative centers of eight provinces - Astrakhan, Voronezh, Ivanovo, Lipetsk, Novosibirsk, Smolensk, Tula and Ulyanovsk will elect local legislators.

The mass media will be closely watching the Sunday voting. One of the reasons behind the broad coverage is the demarche staged by three parties last year. They challenged the results of the October 11 polls and boycotted sessions at the State Duma lower house of the Russian parliament.

Although the majority of the violations alleged by the Communist Party (KPRF), the Liberal Democratic Party (LDPR) and Just Russia were never proven in court, the State Council met in January to review the current situation in the country's political system.

Whereas in October, three regional parliaments were elected, eight will be elected on March 14. The Central Election Commission has repeatedly stated that there were far fewer complaints at the registration stage.

Taking part in the regional elections are representatives of six political parties. Of the seven registered parties, only Yabloko will miss the elections.

In all, the eight Russian provinces registered 37 party lists. All the four parties represented in parliament have been active. In half of the regions - the Altai republic, the Khabarovsk territory and the Kurgan and Sverdlovsk regions -- only United Russia, Just Russia, the KPRF and the LDPR will be competing.

"Patriots of Russia" have their party lists registered in Yamal, and the Kaluga and Ryazan regions. "Right Cause" registered its candidates in the Voronezh and Ryazan regions. Ryazan leads other provinces by the number of parties participating in the elections.

In all, parties are competing for 269 mandates to regional parliaments. The Sverdlovsk region will only have half of legislators replaced. The Altai republic, the Khabarovsk territory and the Sverdlovsk region elect legislators for a term of four years. Elsewhere, the term in office is five years.

The Kaluga region will hold elections on party lists only, as happens on the federal level. Other regions practice a mixed system, when half of deputies are elected under proportional election system, and another half in single-mandate electoral districts.

The number of mandates of all levels at the March 14 polls exceeds 40,000. The toughest competition is at the regional parliaments, with seven contenders per mandate, compared with eight contenders per mandate at the October polls at four hopefuls per mandate during the polls in March 2009.

Elections are regulated by local legislations, and their organization and official vote-count are the prerogative of the election commissions at various levels. The Central Election Commission will open its information center to announce preliminary results through the Vybory automated system.

The CEC will announce preliminary results after 20:00, Moscow time. CEC Chairman Vladimir Churov expects turnout to be rather high. Last October, it exceeded 42 percent.

Churov plans to visit Ryazan on the voting day. Several voting stations in the province will test modernized ballot processing systems and other advanced technologies.

It is the ninth time the country holds Single Day of Voting. The amendments to the federal legislation in August 2050 envisions elections at various levels on the second Sunday of March and second Sunday of October. The first Single Day of Voting was held on March 12, 2006. The streamlined procedure saves money and the voters' time, legislators said.

Russian opposition 'satisfied' with regional election results

Russian opposition parties expressed satisfaction with the results of Sunday's regional legislative elections as seen a popularity test for the pro-Kremlin United Russia party.

Elections to local authorities were held on Sunday in 76 out of 83 regions from the Far East to European Russia amid rising unemployment and utility charges.

Preliminary results of the polls showed United Russia leading in each of the eight regional legislative polls. However, the predominant force in the federal parliament appeared to gain less support in the polls than it was expecting.

A major blow came in the city of Irkutsk, one of the largest in Siberia, where the Communist candidate for mayor won 62% of the vote, more than double United Russia's candidate, who gained some 27%.

The results of the legislative polls ran counter to United Russia leaders' expectations, with the party gaining support of over half of those casting votes in only four of the eight regions.

All four parties represented in the lower house of the Russian parliament - United Russia, the Communists, Liberal Democrats (LDPR) and the A Just Russia party - made it into the eight regional legislatures.

The Russian opposition appears more satisfied with the results of Sunday's elections than with those of the October 2009 regional polls. Opposition factions then walked out of parliament in protest against fraud during the polls, which were won in a landslide by United Russia.

Communist leader Gennady Zyuganov said on Monday the polls indicated that Russians' minds were becoming more left-wing, and their sentiments more "red."

Zyuganov said the number of Communists' supporters increased "significantly." "We move forward," he said.

The Liberal Democrats were also optimistic about the elections results.

"The process of democratization of elections in our country has activated, and we are very pleased with this fact," LDPR parliamentary faction leader Igor Lebedev told RIA

Novosti, adding that the results of Sunday's polls were "absolutely different" if compared with those of the previous regional polls.

He said the elections were "positive" for LDPR.

The A Just Russia party was also "satisfied" with the results. The leader of the party's parliamentary faction, Nikolai Levichev, said the support of the party increased by 75% if compared with the October 2009 elections.

He said the elections showed the party made a "step forward."

Medvedev, Obama agree to discuss concrete date of START signing

In a telephone conversation on Saturday, Medvedev and Obama "expressed satisfaction with the high level of cooperation on key provisions of the draft treaty".

"They stressed that now it was possible to discuss concrete dates to submit the new treaty for signing by the heads of state. The presidents of the two countries agreed to give additional instructions to the delegations at the talks and discussed plans on bilateral contacts in the immediate future," the Kremlin press service reported.

During the conversation, Medvedev and Obama also discussed Russian-U.S. interaction on key international issues.

Lately the Kremlin has said March or April are real deadlines of the end for the work on a new strategic arms reduction treaty. Presidential aide Sergei Prikhodko said it was realistic to expect that a treaty that is to replace the previous strategic arms reduction treaty, START, will be signed as early as March.

"March or April are realistic deadlines," he said. "It is most likely to happen in the first half of this year."

The ceremony of concluding a new START will take place most probably in some third country, possibly, the Czech Republic.

"Moscow does not reject this choice," the Kremlin source told Itar-Tass. Experts close to the US delegation have more than once proposed Prague as a likely venue where a new treaty may be signed.

The Kremlin has not dismissed the proposal, but at the same time refrained from any comments.

"The presidential administration believes that it will be concluded in some third country," the source explained.

Prikhodko said that the work on the document was proceeding in a constructive fashion and that only minor technicalities and discrepancies were still to be negotiated.

“The text has been agreed on by and large,” he said. Prikhodko confirmed the “objective evaluations offered by the American side of the situation at the talks and of the work on the treaty.”

“Finalizing the text will require certain efforts from the standpoint of its wording and legal language,” he said.

Prikhodko said that both parties preferred to refrain from any comments regarding the treaty’s text, and all of the statements made by the United States so far did not concern the content, but were merely political.

“The work of the delegations is proceeding in a constructive, pragmatic fashion, in the context of growing trust towards the principles either side is guided by,” the presidential aide said. “Our partners do not politicize either technicalities, or disagreements – mismatches will be a more correct term here, because the outstanding questions are not fundamental ones,” he said.

A source in the Russian delegation has said that Russia’s position regarding a link between START and the anti-ballistic missile defence issue will be taken into account by the United States in drafting a new strategic arms reduction treaty.

The Strategic Arms Reduction Treaty (START) expired on December 5, 2009.

On July 6, 2009, Medvedev and Obama agreed to sign a new legally binding START shortly. They set a clear goal of reaching an agreement in December. Crowley said the two presidents would have a chance to meet and discuss this issue at the APEC summit in Singapore this weekend.

Russia and the United States agreed to reduce strategic offensive arms and to sign a new legally binding strategic offensive arms reduction treaty to replace the existing START treaty that expires in December of this year, according to a document entitled "Joint Understanding on Further Strategic Offensive Arms Cuts and Reductions" that was signed by Medvedev and Obama in Moscow in July.

The Joint Understanding commits the United States and Russia to reduce their strategic warheads to a range of 1,500-1,675, and their strategic delivery vehicles to a range of 500-1,100. Under the expiring START and the Moscow treaties the maximum allowable levels of warheads is 2,200 and the maximum allowable level of launch vehicles is 1,600.

These numbers reflect a new level of reductions of strategic offensive arms and delivery vehicles that will be lower than those in any existing arms control agreements. The new treaty will include effective verification measures drawn from the experience of the Parties in implementing START. The new agreement will enhance the security of both

the U.S. and Russia, as well as provide predictability and stability in strategic offensive forces. A follow-on agreement to START directly supports the goals outlined by the President during his speech in Prague and will demonstrate Russian and American leadership in strengthening the Non-Proliferation Treaty.

The Soviet Union and the United States signed the START-1 treaty on July 31, 1991, and the treaty entered into force on December 5, 1994. The treaty was concluded for 15 years until December 5, 2009.

The treaty can be replaced with a new agreement or extended for five years. Negotiations on an extension or replacement of the treaty should begin not later than a year before the START-1 treaty expires.

The START-1 treaty obliged both sides to reduce more than 40 percent of their nuclear warheads (to 6,000 warheads) and about 30 percent of their strategic carriers (to 1,600 pieces). Russia and the U.S. had fulfilled these liabilities by 2001. Meanwhile, the treaty introduced qualitative restrictions - the ban on air-to-ground ballistic missiles, on the number of warheads exceeding the coordinated number on each type of missiles and on the equipping of cruise missiles with multiple warheads and etc.

On January 27, Medvedev and Obama had a telephone conversation to discuss prospects for signing the treaty.

Commenting on the progress in the talks, Medvedev said “everything should be calculated to the last comma” in the new treaty.

“START is a very complex issue. It’s not a contract between two cooperatives that can be drafted within 15 minutes. After all, it’s a treaty that determines development and reduction parameters for strategic offensive capabilities of the two biggest nuclear countries,” he said.

Russia condemns Georgian TV's 'immoral' invasion hoax

The broadcast rekindled memories of the 2008 war between Russia and Georgia.

Russia's foreign ministry said Georgian President Mikheil Saakashvili approved of the hoax. The ministry accused Tbilisi of "political paranoia".

Georgia's mobile phone networks were overwhelmed with calls on Saturday, and many people rushed onto the streets.

Pro-government Imedi TV said the aim had been to show how events might unfold if the president were killed. It later apologised.

The head of the holding company which owns Imedi TV, George Arveladze, said he was sorry for the distress that the TV report had caused.

'Disgusting'

For a brief moment on Saturday evening many Georgians thought history was repeating itself, the BBC's Tom Esslemont in Tbilisi says.

It is only 18 months since Russian tanks came within 45km (28 miles) of the Georgian capital, our correspondent adds.

In its news report, Imedi TV showed archive footage of the war and imagined how opposition figures might seize power after an assassination of President Saakashvili.

Although the broadcast was introduced as a simulation of possible events, the warning was lost on many Georgians, our correspondent says.

One local news agency reported that emergency services had received an unusually high volume of calls in the ensuing minutes.

And once calm returned, the report was seen by some as a poorly disguised swipe at the Georgian opposition politicians who recently travelled to Moscow to meet Russian Prime Minister Vladimir Putin.

Mr Arveladze told Reuters news agency that the aim was to show "the real threat" of how events might unfold.

That did not stop dozens of journalists and angry Georgians who gathered outside the Imedi TV studios to protest.

One opposition politician who was there labelled the report "disgusting".

Panic in Georgia After a Mock News Broadcast

The program was evidently intended as political satire, but the depiction was sufficiently realistic — and memories of the brief war between Russia and Georgia in August 2008 still sufficiently vivid — that viewers headed for the doors before they could absorb the point.

Producers at the Imedi television station taped the episode in the studio normally used for the evening news broadcast, using an anchor familiar to the audience, and then broadcast the show at 8 p.m. Saturday with an initial disclaimer that many viewers apparently missed.

Looking nervous and fumbling with papers as if juggling the chaos of a breaking news story, the anchor announced that sporadic fighting had begun on the streets of Tbilisi, the

capital, that Russian bombers were airborne and heading for Georgia, that troops were skirmishing to the west and that a tank battalion was reported to be on the move.

The broadcast showed tanks rumbling down a road, billowing exhaust, along with jerky images of a fighter jet racing out of the sky and dropping bombs.

“People went into a panic,” Bidzina Baratashvili, a former director of Imedi, said in a telephone interview from Tbilisi. He compared the mock news broadcast and its effect on the population to the radio depiction of an invasion from Mars in Orson Welles’s adaptation of “War of the Worlds.”

Lines formed at gas stations in Georgia and cellphone service crashed under the weight of panicky calls, the authorities said. The frantic buying in the capital made real at least a part of the fake news report, which had described similar scenes unfolding.

In Tbilisi, where restaurants were packed on Saturday night, rumors swirled of a Russian invasion. Adding to the alarm, when people reached for their cellphones they found that the network had been overloaded.

“If you hear that war started, of course you run for the bank machine, then run home, it’s natural,” Jumber Jikidze, a taxi driver in Tbilisi, said in a telephone interview, describing the scene as “a little chaos” that lasted for about three hours. The radio station Echo of Moscow reported that residents of Gori, a city that was bombed during the recent war with Russia, left their apartments for the streets as the news anchor read bulletins about the approach of Russian bombers.

Some of the video shown during the show was real file footage with mock voiceovers.

Opposition leaders called the show a maneuver by Georgia’s president, Mikheil Saakashvili, to discredit his political rivals, because the broadcast depicted the opposition as collaborating with the invading Russians. The director of Imedi is a former official in Mr. Saakashvili’s government.

“The government’s treatment of its own people is outrageous,” said Nino Burjanadze, an opposition leader whom the mock newscast depicted as greeting the Russians with a smile, according to Agence France-Presse.

Imedi is a privately owned television station. After the broadcast, a spokeswoman for Mr. Saakashvili, Manana Manjgaladze, condemned the program for frightening viewers.

On Sunday, Mr. Saakashvili repeated the criticism, but he added that the show had frightened people precisely because it portrayed a realistic future for Georgia if Russia had its way.

“I believe yesterday’s report will become an obstacle to them fulfilling their plans, despite the nervous reaction,” he said Sunday, according to the Russian news agency Interfax.

Mr. Saakashvili had previously criticized Ms. Burjanadze for meeting with Prime Minister Vladimir V. Putin in Russia earlier this month. Mr. Saakashvili has no say over what Imedi broadcasts, said Alana Gagloeva, director of the presidential press office.

The television station clearly identified the program as fictitious before the broadcast began. But viewers who tuned in later would have had to rely on clues. The fighting in the video was taking place in the summer, for example, not in March. The report sketched a scenario in which Russia intervened to quell domestic unrest in Georgia after a disputed election and to support a “people’s government” of opposition leaders who had overthrown Mr. Saakashvili. In the show, President Obama was shown striding to a microphone at the White House, with the voiceover explaining that he was announcing sanctions against Russia.

As the extent of the disruption it had caused quickly became clear, Imedi ran a crawl clarifying that the newscast was a simulation and apologizing.

The panic lasted about 15 minutes, said Shota Utiashvili, the director of the department of analysis at the Interior Ministry. Paramedics on Saturday evening reported three times the typical number of emergency calls, many for heart attack symptoms, he said.

“There was quite a scare,” Mr. Utiashvili said.

Russia Profile Weekly Experts Panel: Medvedev Halfway Into His First Term

Strategically, Medvedev has managed to keep his eye on the ball of his modernization agenda, despite the monumental disruptions of the global financial crisis and the war with Georgia in 2008. And he has managed to cast “modernization” as a life-and-death issue for Russia, making it as close as it gets to a national cause. Medvedev’s unrelenting focus on modernization and innovation has created an entirely new political agenda, opening the door for an ideology of “progressivism” to re-emerge in Russia.

Medvedev has made sweeping police reform a centerpiece of his political agenda, seeking to transform and rebuild one of the most corrupt and ineffective of Russia’s public institutions.

Medvedev’s foreign policy has successfully explored the “Obama and Sarkozy openings” to bring Russia back in from the cold after Vladimir Putin’s “Munich speech.” His presidency has created a distinct feeling of brewing change in this country, a mood many embraced with passion as a precursor to sweeping democratization, while others see it with undisguised apprehension and even fear of life coming apart at the seams.

And herein lies the biggest challenge of Medvedev's presidency – can he sell “change” as a means to pull the country together, or will he let it be recast as a dangerous and disruptive upheaval that few Russians want to go through again? His policies are failing to garner widespread public support – 66 percent of Russians do not believe that Medvedev's “war on police corruption” will succeed, while only ten to 11 percent are enthusiastic over his “modernization” agenda, a recent poll by the Levada Center found – precisely because people are skeptical of his ability to transform the country without wreaking havoc in their personal lives.

Much of his reform agenda is perceived by the public as mostly talk, while Medvedev himself continues to be viewed as “dependent on Putin”. Thirty percent of Russians in December of 2009 said that “all power is in the hands of Putin,” while only 12 percent believe that Medvedev is fully in control, another Levada poll revealed.

So what does Medvedev's balance sheet look like halfway through his first term? Is he turning into a successful reformist president, or is he shaping up as another modernizing failure in Russia's history? Why do his progressive policies enjoy so little public support? What is he doing right and what is he getting wrong about running Russia? Will he emerge from Putin's shadow? What are his prospects for reelection if he decides to run in 2012? Will he or could he run against Putin?

Vladimir Belaeff, President, Global Society Institute, Inc., San-Francisco, CA:

At mid-term, it is notable that Medvedev's most approved successes have to do with preserving Russia's economic stability during the worst global economic crisis since the 1930s and the defense of national interests in August of 2008. The continuing integration of Russia into a new, multi-polar world system preceded Medvedev, and will definitely extend past any terms of office that he may hold. In that aspect he is a constructive, contributing executive, but not the initiator of the process, which will continue over decades.

There is in Russia (as in many other countries) a community of adepts of radical change who are eager to launch processes that they euphemistically call “progressive,” and which are effectively variants of revolution. This community has latched its hopes on the program of modernization, hoping to use the concept as a vehicle to restart their own political agenda – despite a recognized lack of popular support for liberal radicalism.

All societies are instinctively conservative. In Russia – after the chaos and uncertainty of the 1990s – society is particularly uninterested in radical “reforms.” Hence the opinion results that even the Levada Center cannot escape, despite the “reformist” sympathies of that survey organization.

It is not that citizens do not want change. They want improvement and therefore they will accept change. But this change must be understandable, gradual (over decades, not months) clearly beneficial and non-disruptive. In other words, the change must be of evident benefit to the average citizen. Change for the sake of ideology is not acceptable.

Russia's modernization program is meant to be a 20-year process of installing a more diversified economy. The original motive, stated by Medvedev and still very valid, is that the country needs to shift from an extractive, commodity export-oriented GDP, to an economy that is innovative and knowledge-based, suitable for the 21st century. Whether this agenda is a "life-or-death issue" for Russia is a matter of conjecture – given the present global trends, in the mid-21st century it may be more relevant to produce food and water than computer chips (this statement is relative; it does not deny the importance of technology in modern societies).

The abovementioned goals and timeframes, grounded in practical economic issues, are perceived by frustrated "progressive reformists" as an opportunity for resumption of the chaotic process of "Russian reforms," reminiscent of Leo Trotsky's theories of permanent revolution and of Joseph Schumpeter's now discredited ideology of creative destruction. It is doubtful that president Medvedev really embraces "liberal utopia for Russia – the sequel." He has proved himself as a practical man, handling practical problems with practical solutions. However, if he does adopt the neo-reformist agenda, the likelihood of a personal failure will greatly increase. Medvedev will succeed as a transformer of Russia only if he does not pursue an agenda of "progressive reform."

Genuine, lasting, peaceful and productive social transformation is a slow process – it takes many years, it is tedious, it requires hard work and attention to detail. In a democracy such transformation spans multiple terms of office of several chief executives.

Can such a transformation be achieved in Russia? History answers with a clear "yes." The reforms of Russia's Alexander II started with the liberation of the serfs (then about 50 percent of the entire farming population of the country) and touched most of the areas that are presently discussed as topics of Russia's modernization – including substantial administrative and democratic transformation of governance. The reforms of Tsar Alexander II spanned 25 years and were cut short by the actions of the "radical liberal reformers" of the time – the revolutionaries of "the People's Will."

Igor Torbakov, Ph.D., Senior Researcher, Finnish Institute of International Affairs, Helsinki:

I would say that the central dilemma posed by Frolov is false: Medvedev is neither a successful reformer nor a "modernizing failure" for the simple reason that he is not modernizing anything. He just "talks modernization." There are two reasons why he and his entourage might be interested in this "modernization discourse." Firstly, by initiating the debate, Medvedev seeks additional legitimization of his rule. This new modernization idiom arguably gives him both a separate political persona, distinct from his powerful mentor, as well as a seemingly ambitious strategic goal to be pursued. Secondly, the debate is being used by the various groupings of Russia's elites who are seeking a better place for themselves under the sun. Public politics in Russia is virtually non-existent, but this doesn't mean there is no struggle between various interests within Russia's political class. As the debate goes on, some regrouping among the Russian clans also takes place – initially provoked by the very emergence of the Putin-Medvedev diarchy.

But even if Medvedev was earnestly willing to take on the Putinist system, he would quickly realize his room for maneuver is very restricted. The reins of the executive power are firmly in the hands of Putin – suffice it to point to the discrepancy between the president’s impassioned statements and the subsequent government decisions. Putin also largely controls Russia’s legislature, being the leader of the party that dominates the Parliament. Who would be the potential agent of change? Most oligarchs are part of the system, having adapted to it and found the way to prosper under it. At the same time, the lack of both political competition and a platform for meaningful political debate, coupled with a commodity-based economy and all-pervasive corruption, perpetuate the kind of elites who are busy redistributing rents. Simply put, Medvedev-the-would-be-modernizer has no mechanisms, nor tools, nor dedicated and determined cadres who would carry out the comprehensive modernization that will encompass the wholesale reform of the state.

To be sure, some more enlightened members of the Russian elite have a clear premonition of bad things to come if Russia doesn’t modernize. Yet the bulk of the Russian elite – including Medvedev and Putin – seem reluctant to initiate a comprehensive transformation of the country’s socio-economic system. Here the comparison of Russia’s current situation with the perestroika era will be in order. Russia’s present-day leaders belong to the generation who lived through the collapse of the Soviet Union. Although they might be ignorant of Alexis de Tocqueville’s famous dictum that the “worst times for a bad regime come when it makes an attempt to improve itself,” the experience of the erratic reforms of the late 1980s that led to the disintegration of the great state undoubtedly left an indelible mark in their psyche. (And a number of Russian analysts, such as Frolov, Igor Bunin and others, are correct in noting the importance of the “perestroika fear” factor).

Yet today’s Russia appears to be in a different position than Mikhail Gorbachev’s Soviet Union. Recently declassified documents, including the minutes of the Politburo sessions during the early 1980s, show that Gorbachev was compelled to start doing something by the dire economic situation. However chaotic and contradictory perestroika may seem to be, it was a genuine attempt at reforming the dysfunctional Soviet system – if only in order to save it. The current Kremlin rulers appear to have no such sense of urgency. For the time being, it looks like the “Gorbachev moment” is off. But it will inevitably come – though in a shape and form that at this moment in time is difficult to predict.

Ethan S. Burger, Adjunct Professor, Georgetown University Law Center, Washington, DC :

Like all new heads of state, Russian President Dmitry Medvedev is in the process of learning that it is more difficult to change the course of existing state policies than to continue with the established ones. If Medvedev wants to have a legacy as president, he will need to serve a second term and take actual command over the operation of the Russian government.

As noted by Anders Aslund, the Russian economy is in need of dramatic reform, particularly with respect to the management of state enterprises. Aslund claims that in

2009, Russia's gross domestic product plunged 7.9 percent, even though Moscow had the world's third-largest international currency reserves. Russia performed the worst among the group of 20 leading global economic powers. Clearly, president Medvedev must take immediate steps to modernize the state – this has both economic and political components.

The Russian authorities dealt with the recent strikes in Kaliningrad in a different manner than with those in Vladivostok last year. Granted that to fly in riot police from outside Kaliningrad probably would have required (in theory) Poland's consent, the Russian leadership may be coming to understand that the government must respond to the legitimate grievances of the population without violence.

Medvedev has undoubtedly learned a lot during his first two years in office. He has become more comfortable in the public eye and in interacting with foreign leaders. Foreign business and political leaders have great hopes for president Medvedev; it would be a tragedy for Russia if he failed his country, benefiting a politically-connected elite at the expense of the masses.

Most importantly he has better come to appreciate what he can realistically accomplish given the current correlation of forces (both domestically and abroad).

He cannot ignore the need to address the country's problems: economic, legal, political and social (the need for improvement in the areas of civil rights, economic modernization, governmental accountability, health, housing, judicial reform, and observation of human rights). In his remaining time in office, he needs to decide just how important to him and to Russia it is to translate his declaratory policy into fundamental change. One term in office will almost certainly be insufficient to bring fundamental change to Russia, unless his successor is someone who shares his worldview.

The shake-up at the senior level of the Interior Ministry must be followed by systematic action. This must occur at the federal, regional and local levels. Persons respecting the rule of law and human rights must be appointed to the positions of those individuals who held them without the fear of being held accountable, including for criminal conduct. If a company like IKEA decides not to expand in Russia, president Medvedev must find out why and act on it.

Professor Stephen Blank, the U.S. Army War College, Carlyle Barracks, PA:

I regard Medvedev's tenure as mostly a failure, and strongly disagree with Frolov's characterization of it. For all the talk of modernization and reform, we have seen strikingly little of it, and in some cases actual regression is taking place.

Thus the army recently announced that it is retaining conscription. Despite numerous attacks, corruption actually is as pervasive today as it was before (military figures attest to this in the armed forces and they are hardly insulated from society). No genuine

economic relief is in sight, unemployment remains high, growth is still stunted, the criminal justice system remains what it was, and there is no reform of the political system.

The relationship with the United States has improved somewhat, but Putin and his supporters are blocking progress on the arms control treaty in a quest for more nuclear weapons and defense spending (none of which will eliminate Russia's core defense problems or those of its defense industry).

There are signs of stagnant if not worsening ties with China. Moscow is now only beginning to realize that it overreached in 2008 with Georgia, but cannot retreat from its folly, and the list goes on.

This is hardly an enviable record. Under the circumstances where there is a lot of talk but little or no action, it is hardly surprising that public disaffection is rising and that there is no modernization.

There have been progressive modernizers in Russian history, Catherine II in her first years, Alexander II's ministers in the 1856 to 1864 period, Mikhail Speransky, Fyodor Stolypin, Sergei Witte, etc. But Medvedev does not walk the walk, and resembles Alexander I, who talked of reform but achieved little and even blocked Speransky.

Thus the crisis of the system, which is now nearing entropy, continues. Another phony election in 2012 will not rescue it and even an economic turnaround will have suboptimal results given the structure of the economy.

Arguably, Putinism is reaching a dead end and something else, even if led by Putin or one of his acolytes, will have to take place.

Russia Terminated Armament Projects with Ukraine

According to Konovalyuk, the matter at stake is upgraded BUK-M1 surface-to-air missile systems. "But when we began to sell it [BUK-M1] secretly to Georgia, they [Russia] refused," the official said.

Ukraine could have solved the defense capacity problem for decades after upgrading those weapons at its enterprises, said Igor Alekseev, who is the deputy head of the commission. Besides, Russia had proposed to use the capacity of repair and engineering works in Zhulyany, the Kiev Region, to upgrade C-300 surface-to-air missile systems.

Georgia's 'War of the worlds'

But, unknown even to President Mikheil Saakashvili's grandmother, the broadcast on Georgia's third-biggest channel was a mockumentary, intended to unite public opinion in the face of a common threat.

And, as the residents of Gori - a city affected by fighting in the 2008 conflict over South Ossetia - dived into their cars and blocked up petrol stations prior to fleeing wherever they could, it steadily emerged that there wasn't a single fact to back up the broadcast.

The spoof news programme portrayed Russian tanks rumbling over the border, and went on to describe the Saakashvili's assassination and the bombing of major towns.

Despite warnings before and after that it was a simulation - and despite the fact that footage of the tanks was clearly from the summer, not the last days of winter - panic followed, with audiences stampeding out of a Tbilisi cinema and calls to the emergency services skyrocketing.

International commentators likened it to Orson Welles' infamous "War of the Worlds" broadcast which panicked radio audiences in 1930s America into believing Martians had landed.

That prompted conspiracy theorists to allege that the 1938 broadcast was a psychological experiment backed by the Rockefeller Foundation.

And modern commentators were quick to see the Georgian authorities' hand in the weekend TV show, with the Kommersant newspaper calling it a "scandalous experiment".

Russia's envoy to NATO Dmitry Rogozin told RT television it was "part of an information war" waged by Saakashvili.

"This was a grandiose provocation which will leave its trace in Georgia's public opinion," Rogozin said. "This means attributing a stable image of [Georgia's] enemy to Russia and Russians, this means tensions regarding the borders between Georgia, South Ossetia and Abkhazia."

He added that the show should make NATO realise it could not work with the current Georgian government.

NATO officials said they could make no official comment on the report, even as opposition parties in Georgia prepared to sue Imedi.

In Britain, The Guardian newspaper claimed the broadcast played into the hands of the Russian media "which has long portrayed Saakashvili as a dangerous tie-chewing maniac", while Die Zeitung speculated on a German TV channel running a similarly graphic report about a terrorist attack at an airport.

"That is impossible to imagine," the paper concluded.

Saakashvili said the report was "insulting", and added that it had frightened his own grandmother.

"My grandmother, though she had seen me shortly before the report, got worried and nervous and of course a lot of people got nervous," he said.

But he warned that the report was "very close to the real situation" facing the country as it continues to oppose Russia's recognition of the breakaway republics of Abkhazia and South Ossetia.

Meanwhile, Imedi TV apologised for the broadcast, claiming it had been intended to illustrate what could happen "if Georgian society is not brought together against Russia's plans".

Russia urges Israelis, Palestinians to exercise self-restraint

Russia has called on the Israeli and Palestinian sides in the Middle East conflict to exercise self-restraint and not to let the political situation escalate, the Foreign Ministry said on Wednesday.

"We are extremely concerned about the escalation of the situation in the Palestinian territories, including Jerusalem. We believe both parties should exercise self-restraint and not undertake actions that might further aggravate the conflict. Issues involving Jerusalem have special significance to followers of the three monotheistic religions, an entirely peaceful community," spokesman Andrei Nesterenko said.

Nesterenko underlined that Russia is against unilateral decisions that could prejudice the results of the peace talks. He added that the meeting of the Middle East Quartet in Moscow on Friday should allow a more objective discussion of the issues affecting progress towards a settlement in the region.

Economic:

Foreign Funds Take New Look at Russia

A total of \$411 million flowed into Russian funds over the week ending March 11, the highest level since October, far outstripping investment flows into Russia's BRIC peers, according to fund tracker EPFR Global. Brazil attracted only \$47 million, India \$67 million and China \$83 million.

"Investors are warming to the Russia story rather than to any particular market themes ... especially with the price of oil now hugging the \$80 per barrel level and with ruble appreciation also expected to continue," Chris Weafer, chief strategist at UralSib, said in a note Friday.

"Most of that new Russia money was invested into ETFs and index tracker funds rather than to actively managed funds," he said.

About \$191 million, nearly half the total investment into Russian funds, flowed into exchange-traded funds tracking Russian indexes, EPFR said. ETFs are rapidly growing in popularity for foreign investors who want to increase their exposure to emerging markets equities.

Getting in on the increasing flows of cash onto Russia-focused funds, State Street Global Advisors unveiled last week their new Russia-focused, SPDR S&P Russia ETF, which aims to compete with Market Vectors Russia ETF, currently the only other U.S.-traded ETF tracking Russian stocks. The fund will attempt to track the performance of the S&P BMI Russia Capped Index, which focuses on firms domiciled in Russia with a market capitalization of \$100 million or more.

"The driving force behind the development of this new emerging market SPDR ETF was increasing investor demand for more precise exposure to the BRIC countries," Anthony Rochte, senior managing director at State Street Global Advisors, said in a statement.

The renewed interest has pushed Russia from underweight to overweight in terms of fund investment compared with its BRIC peers, Brazil, India and China.

Total Russia holdings as a percentage of the average emerging markets fund was 7.66 percent at the end of January, slightly above Russia's weighting in the MSCI emerging markets index, Weafer said. That's up from its nadir in January 2009, when the country was heavily underweight, averaging about 5.16 percent.

And foreign investors' eyes are being increasingly drawn from companies operating in the commodities and oil and gas industries toward the retail and banking sectors. Compared with the MSCI emerging markets index, industry giants Gazprom, LUKoil and Norilsk are all underrepresented in the average portfolio, while Sberbank, VTB and VimpelCom are all overrepresented.

The bump in investment flows helped domestic bourses snap a week of treading water to finish the week solidly in positive territory. The MICEX Index gained 1.4 percent on Friday to finish up 0.1 percent for the week, while the RTS Index rose 2 percent, up 1.8 percent on the week.

Russia corruption "may force Western firms to quit"

Extortion by corrupt officials in Russia has got so bad that some Western multinationals are considering pulling out altogether, the head of a U.S. anti-bribery group said in an interview.

"My recommendation is: 'Maybe you should reconsider doing business in Russia,'" she said. "I am considerably more optimistic about Nigeria than I am about Russia on this issue."

Berlin-based NGO Transparency International rates Russia joint 146th out of 180 nations in its Corruption Perception Index, saying bribe-taking is worth about \$300 billion a year.

"A lot of the conversations (with businesses) around Russia are: 'Can we stay there?'," Wrage said during a visit to Moscow last week to run a workshop for over 100 mainly Western firms.

"Companies are fearful of the U.S. Department of Justice or the UK SFO (Serious Fraud Office) ... they are really scrambling to get it right, and really struggling and, in the case of more than one company, talking about pulling out."

Wrage declined to name firms considering leaving but Swedish furniture retailer IKEA said last year it was halting further expansion in Russia because of "the unpredictable character of administrative procedures in some regions."

Wrage recalled a question at her first workshop in Moscow in 2002 which underlined the unique dangers of Russian corruption:

"Somebody came up to me in the break and said: 'If I don't pay the bribes here, I am really worried that my office will be burned to the ground.'"

Her reply? "Well, I have nothing to give you. I don't have any best practice tips to help with that scenario."

Corruption in emerging market economies typically involves payments to secure business but in Russia most bribes go to officials to stop them from abusing their office, Wrage said.

Questions included how to avoid getting your company shut down on a trumped-up charge if you did not pay off an official, through to corporate raiding by Russian competitors with official connivance which could mean losing the whole company.

Businesses were asking: "How do we survive here without paying bribes, because we're not sure it's possible," she added.

Wrage serves on a U.S.-Russia government commission created to strengthen ties by sharing expertise. She was skeptical about Russian President Dmitry Medvedev's

repeated pledges to fight corruption, though she acknowledged they had contributed to a bigger public debate on the issue.

"There is a new and exciting anti-corruption initiative here with startling regularity," she said. "We don't need any more initiatives, we need results."

TRACE has studied other leading emerging economies. In China, it describes corruption as an "inverted pyramid," with most bribery at the top while India is the opposite, with corruption rampant at lower levels but tapering off higher up.

"Russia is a solid block. There is bribery at all levels," Wrage said. "There appears to be sense of near-complete impunity, a sense of entitlement ... there is no sympathetic low level management, no sympathetic mid-level management, or sympathy at the top (for anti-bribery efforts)."

"Each time I leave here, I sit at the airport and send my husband an e-mail saying: 'I think I'm going to wrap up our efforts here, I don't feel like I can advance ... and then I go back and we poll our member companies and they go:

"Can we do another workshop on Russia because we're really worried about Russia ?"

Russian State Wants To Make Money On Cleaning Up Monocities

Russian Government jointly with the State-owned corporation Vnesheconombank conducted a seminar in Ekaterinburg which publicised amounts and conditions of funding of projects in monocities. The following sources will be used for their development: 10 billion in the federal budget, the same amount in the Investment Fund (this money is targeted at the support of newly established businesses). Vnesheconombank is prepared to finance large projects costing more than 2 billion roubles with the payback time of no less than five years.

Irina Makiyeva, the Head of the Governmental Working Group on Modernization of Monocities, reckons that the money reserved should be enough to provide assistance to all 37 municipalities selected by the Ministry for Regional Development. *Yuri Osintsev, a State Secretary of this Ministry*, however, stressed that underdeveloped projects will not be funded which will "thin" the number of the programme's participants.

Viktor Gorbunov, the Deputy Minister for Economic Development of the Murmansk Oblast, has almost no doubt that all projects will turn out to be "underdone". His region's main headache is the village of Revda where the Lovozersky Mining and Processing Combine is located, it specialises in the extraction of loparite ore (used for the production of tantalum, niobium, whose key consumer is the military industrial complex). During soviet time the raw material was shipped to the Baltic republics and to Solikamsk Magnesium Plant (the Perm Krai). The collapse of the defence industry meant the bankruptcy of the combine. The connections to the Baltic republics were severed, the Solikamsk Magnesium Plant started dictating prices. Everything ended with JSC Silvinit

that owns the Solikamsk enterprise purchasing one of the production sites of the Lovozersky Mining and Processing Combine. Other capacities remain unwanted.

Out of the three thousand people who worked the mines no more than a thousand remain employed. The Murmansk Oblast administration is aware that some people have to be relocated to other villages but Vnesheconombank would not give any money for that. And it is very difficult to come up with ideas for new production facilities compatible with the combine. It would be hard even to get budget money for the establishment of small and medium sized companies as the Ministry of Health and Social Development of the RF allocating money for the retraining of the employees being laid off demands the submission of very strict schedules of what type, when and how many jobs the region is going to create. It is impossible to design high quality projects without involvement of specialists. **Mr Gorbunov** is at a loss "I do not understand why the Ministry for Regional Development gives no money for this. In our region we have about 17 subsidies for small businesses, this includes subsidies for project development. Integrated plans should also be funded jointly by the region and the Federation. This would enable us to give good projects. As it stands, they will be well underdeveloped."

The federal Government, however, is only prepared to fund a half of the costs involved in the already developed business project. If these projects adhere to the Vnesheconombank's criteria the interest rate for enterprises will be set lower than commercial banks'. **Irina Makiyeva**, however, was not able to tell us how much it would differ from the refinancing rate of the central bank of the RF. The rate will be set no sooner than March when it becomes clear in which projects the corporation is prepared to take part.

The lack of clarity with the cost of borrowing is concerning entrepreneurs. **Viktor Gorbunov** doubts that the joint stock company Kovdor Mining and Concentration Combine, a part of EuroChem Mineral and Chemical Company, would be interested to work with Vnesheconombank that cannot even make its interest rates known. Business would not go anywhere without knowing where it is going. Moreover, Kovdor is not far from border with Finland and Norway where loans can be taken out for 2% annual interest. Kovdor has connections with these countries and banks do not impose any limitations on them.

Heads of municipalities see another problem which they will encounter when implementing integrated plans. **Nikolay Tikhonov, the Mayor of Verkhnyaya Salda**, reckons that the expectations for the production diversification of the Ministry for Regional Development are, certainly, correct, only the real production will be able to pay taxes into the budget. He fears, however, that while these production capacities are being set up monocities will lose a rather significant part of its human resources. This is why, says **Mr Tikhonov**, there must be money channelled into infrastructure and social projects during the transition period.

Meanwhile the experts are convinced that simply allocating money for the support of monocities will not yield any result. This also was pointed out by **Vladimir Lukin, the**

Deputy Head of the Expert Department of the Fund for Housing and Services Reform. According to him Shcherbinka (the Moscow Oblast) is listed as a monocity due to the deplorable state of the local lift building plant. The Fund gave regions money to replace lifts in housing blocks in order to support the Moscow Oblast plant. It was established, however, that in the Sverdlovsk Oblast practically a half of lifts replaced has been purchased abroad, in the Chelyabinsk Oblast this figure reached 90%.

The federal officials appeal to monocities to support each other. Regional authorities object that in order to sell lift they should be made so that people want to buy them. Without a radical reform in the financial system and established favourable business environment in Russia this is impossible. One of key causes of non-competitiveness of Russian products is in vast costs dictated by high tariffs imposed by monopolies and unaffordable borrowing which hinders production modernization.

Experts say that if Vnesheconombank does not set the rates at the same levels as offered by Western banks then it can without any further thought just buy US securities with the money reserved for the development of monocities as this money is unlikely to find much demand in Russia.

Russia may raise oil export duty by \$15.3 from April 1

Russia may raise oil export duty on its Urals blend from the current \$253.6 to \$268.9 per metric ton from March 1, following trends on global oil markets, a Finance Ministry official said.

Alexander Sakovich, who is the head of the ministry's consolidated analysis department, said the average oil price was \$75.52 per barrel from February 15 to March 14.

The government adjusts oil export duties on a monthly basis to reflect changes in world oil prices.

Online Commerce Choked by Shipping Delays

Complaints have surfaced over the past several weeks that internationally shipped packages from popular online shopping sites such as eBay are taking an inordinate amount of time to reach their destination in Russia.

"It seems as though packages have stopped moving altogether since the New Year's holidays," said Alexander, an avid online shopper who keeps a popular blog on the subject at <http://t-titanium.livejournal.com>.

"I have convinced two people to sell to me, though they were against shipping to Russia, and now their worst fears have been realized — two months later I am still waiting," he said by telephone, requesting that his last name not be used.

Internationally posted letters and parcels are supposed to be delivered via Russian Post within 13 and 20 days, respectively, according to the company's web site. EMS Russian Post, its express subsidiary, says parcels must be delivered within two days from most European countries and three days from the United States, but parcels delivered by EMS post have also been missing for weeks, shoppers said. And the packages' electronic tracking system indicates that the delays are happening on both sides of the customs posts, Alexander said.

But there is some evidence that part of the problem may be holdups in customs processing. Well-known international carriers such as UPS and DHL have seen the amount of time it takes to process packages at customs has recently increased to 10 days from the standard four days, Kommersant reported Wednesday

DHL said in a statement last week that parcels destined for Moscow "are currently incurring clearance delays as a result of recent changes in customs clearance procedures for all express carriers." Federal Customs Service spokesman Dmitry Kotikov denied that any procedures had changed this year.

Russian Post jumped on the bandwagon, blaming the customs services for the increased delays experienced by its customers.

"The longer delivery times ... are a result of delays in customs check zones for parcels coming from abroad," Russian Post said in e-mailed comments.

"Mail that goes through [regular] customs processing is sent to its destination without delay," it said.

Russian Post also pointed to an increase in the volume of international mail it processed. Depending on the type of mail, deliveries increased 50 percent to 90 percent year on year during the first two months of 2010, it said.

The Federal Customs Service confirmed that the volume of processed parcels grew over the period, but denied that it was responsible for any delays.

"Almost all mailings given to the service by the Russian Post are processed within one day," the service said in a statement last week.

Much of the mail sitting at customs points is there because it hasn't gone through Russian Post's own internal processing procedures, and another part is waiting to be picked up by the postal service, the statement said.

Kotikov said the service was looking into increasing the number of customs processing points.

The mutual accusations and red tape highlight the difficulties faced by Russia, which still uses the same infrastructure and procedures as in Soviet times, as it tries to increase its participation in the global Internet marketplace.

And the huge delays faced by customers are forcing many sellers to write off Russia entirely. Since delays often cause buyers to file claims to PayPal — the Internet payment system used by eBay and many other Internet shopping sites — many eBay vendors have begun changing their policies.

"I switched to shipping items [internationally] only to Canada," said eBay seller Dan, who sells collectible coins out of the United States. "I have had a few people from Russia saying they are not receiving items. ... When an item does not make it to them, I lose money because PayPal sides with the buyer," he said by e-mail, asking that his last name not be used.

And even if sellers do eventually get their money, the lost time isn't worth it to many.

"PayPal takes the money out of my account while they are waiting for a dispute to end, so in each case I wasn't paid for the item or the shipping for two months," eBay vendor Jon, who declined to give his last name, said when contacted through eBay. He stopped shipping to Russia two years ago after several deliveries were delayed and has not resumed despite the growth in Russian Internet shopping.

"The Russian e-commerce market grew more than 50 percent last year to \$5 billion," Alina Prawdzik, eBay's head for expansion in Europe, said in an e-mailed statement.

California-based eBay said recently that it planned to launch a Russian version of its web site to satisfy increasing demand, but it has not said officially when the site will be launched.

When it is launched, customers on the Russian site are advised not to use Russian Post, Prawdzik said in the statement.

"Feedback from experienced eBay sellers recommends the use of alternative carriers [to Russian Post]. ... In many instances the deals available to Russian buyers will still remain compelling," she said. "We are obviously looking forward to the resumption of normal postal services in Russia as soon as possible."

Russian Post is nevertheless the only option for many people because it is much cheaper and parcels shipped using the service fall under different customs rules: Customers can ship items valued at up 10,000 rubles (\$340) without paying a duty through Russian post, while the figure is only 5,000 through DHL and UPS.

The postal service has struggled to reinvent itself as it tries to shed its reputation for long lines and poor service.

Alexander Kiselyov, former director of Svyazinvest, a state-owned telecommunications giant, took the reins of Russian Post last year and vowed major changes to modernize the company and make it less state-dependent. In November, it announced that 8 percent of its 415,000 jobs would gradually be eliminated as it pushes to increase its efficiency.

Nevertheless, the postal service is still viewed negatively by many Russians. A poll initiated last week by Alexander, the blogger, showed that he was not the only disgruntled customer waiting for delivery. Out of 494 respondents, 91 percent thought that Russian Post's service was poor, very poor or awful.

But people find ways of coping. A music collector, who asked to be identified as Denis, said ensuring successful deliveries through Russian Post meant regularly investing time, money, and attention.

"I know the manager of my local post office, I try to be on good terms with the workers, I buy women flowers and candy on women's day," he said.

But buttering up the postal workers sometimes doesn't work, he said: Once, postal officials refused to give him his package, sent as a gift, because it was worth more than the posted value.

"They basically extorted \$100 from me, and I couldn't risk them taking it to the next room and smashing it to pieces, only to tell me that it was damaged during delivery," he said.

He now tries to order through DHL, even if it does mean paying up to \$55 for shipping.

"It's still a good deal because rare vinyl is so ridiculously expensive in Russia."

Oil Deal Overshadows Putin Visit

The deal, reached between Belarussian President Alexander Lukashenko and his Venezuelan counterpart, Hugo Chavez, in Caracas on Monday, secures the delivery of up to 80,000 barrels of Venezuelan oil to Belarus every day, starting in May.

If the supplies materialize, a move that Russian experts said wouldn't make economic sense, they will cause Russian oil producers to annually reroute about 4 million tons of oil now scheduled to arrive at two Belarussian refineries. Belarus imported 21.5 million tons of oil from Russia last year, the maximum capacity of the two refineries, meaning that any Venezuelan imports would necessarily displace Russian oil.

At the current export duty of \$253.6 per metric ton, Russia would collect about \$1 billion per annum in budget revenues from outbound crude flows.

Lukashenko began his efforts to diversify oil imports after a spat with Russia over the New Year's holidays that revolved around lifting a discount on the oil export duty for

supplies to Belarus. Russia managed to enforce a full duty — with the exception of supplies for Belarussian domestic consumption — despite being in a customs union with Belarus. The neighboring country's economy heavily depends on exports of refined Russian oil that used to be bought at a bargain. Lukashenko said Monday that Belarus and Venezuela would jointly refine the Venezuelan crude and market oil products.

Putin was scheduled to discuss energy trade with Belarussian Prime Minister Sergei Sidorsky at a session of a ministerial council in Brest near Belarus' western border. Talks were still ongoing Tuesday evening.

Russian oil companies would likely experience little trouble in marketing the 3.9 million tons that Belarus may replace with Venezuelan oil, said Svetlana Grizan, an analyst at VTB Capital. The amount represents about 1.5 percent of total Russian oil exports, she said.

The companies supplying crude to Belarus, however, such as TNK-BP and Gazprom-Neft, would not necessarily export the spare oil, she said. They may opt to refine it locally, depending on where they see higher profit, she said.

“I have no doubts about the possibility to sell this amount on other markets,” she said.

Alexei Kokin, an oil analyst at Metropol, said Venezuelan oil would be too expensive if it travels all the way to Belarus. Such a route would require the oil to be reloaded from tankers to railcars at one of the Baltic Sea ports, possibly in Lithuania. He speculated that the agreement was Lukashenko's show of defiance to Moscow in an attempt to renegotiate the export duty.

Before the talks in Belarus, Putin toured a border checkpoint, Kozlovichi-2, which will handle the customs union's commercial trucking starting in July. About 70 percent of the 4,000 trucks that cross the border eastward are bound for Russia, a Belarussian customs officer said.

Social:

Teen Smoking Called a 'National Catastrophe'

Moscow's top doctor said Friday that smoking-related diseases were growing and warned that teenage smoking was leading to a "national catastrophe."

In contrast, Lazebnik said, the figures in the mid-1980s were 48 percent of men and 5 percent of women.

He said 24.6 percent of Muscovites are smokers.

"But the scariest thing of all is our future," Lazebnik said. "In Moscow, 73 percent of boys and 65 percent of girls smoke. I see this as a national catastrophe."

Lazebnik did not provide figures for the growth in smoking-related diseases.

City Hall and federal officials attending Friday's round table promised to lobby for laws that restricted smoking in public places and limited cigarette sales.

"We will have no success without a legal base," said Yulia Grimalskaya, deputy head of City Hall's department for family and youth policies.

She said her department was lobbying for a ban on selling cigarettes in kiosks, the licensing of tobacco sales and high fines for smoking in public places, including restaurants.

Nikolai Gerasimenko, first deputy head of State Duma's commission for health protection, called for higher excise duties on tobacco products, which he said would clear the market of contraband cigarettes and drive up cigarette prices, making them less affordable.

Russia has the lowest excise duties on tobacco goods in Europe, said Dmitry Yanin, chairman of the board at the International Confederation of Consumer Societies.

Yanin urged a ban on tobacco advertising and smoking in public places. "Smoking-free zones would boost Moscow's tourist potential," Yanin said.

Gerasimenko complained that foreign tobacco makers were making money at Russia's expense.

"They get their profits, while we spend lots of money on medical treatment," he said.

About 10 percent of tobacco traders on the Russian market are foreign, he said.

Lyudmila Stebenkova, head of the Moscow City Duma's commission for public health protection, suggested that restaurants consider offering smoke-free days.

She also said the public needed to be educated about the dangers of smoking through anti-tobacco billboards. Her commission is responsible for creating such billboards, including one that depicts a hand squeezing a dirty sponge, which is compared to a smoker's lung, that was used in a citywide campaign late last year.

According to a survey conducted by the state-run VTsIOM polling agency in December, those billboards, which were posted around the city in November, had led 7 percent of respondents to quit smoking.

The survey questioned 1,000 Muscovites, all of them smokers or former smokers, a VTsIOM spokeswoman said by telephone. It offered no margin of error.

Spoof Report of Russian Attack Causes Panic in Georgia

Thousands of Georgians — including President Mikheil Saakashvili's grandmother — panicked Saturday night when a pro-government television station aired a hoax that Saakashvili had been killed and Russians tanks had invaded their country at the request of opposition parties.

Cell phone networks crashed, and long lines of worried people formed at gas stations and bank machines.

But by Sunday afternoon, the fear had given way to anger, and opposition supporters rallied in central Tbilisi to accuse Saakashvili of pulling off the hoax in an attempt to discredit the opposition.

Saakashvili described the fake report as “unpleasant” but “close to the real thing.”

“It was really an unpleasant film, but more unpleasant is the fact that report was maximally close to what could happen or what the enemy of Georgia has in mind,” Saakashvili said at a meeting with locals in one of the country's provinces, RIA-Novosti reported.

He did not say whether he had known about the report in advance. But if he had, he hid the information from his closest relatives.

Saakashvili said the report had scared his grandmother. “My grandmother, though she had seen me shortly before the report, got worried and nervous and, of course, a lot of people got nervous,” he said.

Saakashvili's grandmother, Mzia Tsaretelli, is a retired doctor who sometimes travels with him on foreign trips.

Imedi television reported on its prime time news program Saturday night that opposition leaders had called on Russian soldiers stationed in Georgia's separatist region of South Ossetia to intervene after a Tbilisi mayoral election resulted in unrest. The city is to vote for a mayor in May.

The 20-minute report showed doctored images of President Dmitry Medvedev ordering the invasion and actual footage from the Russian-Georgian military conflict in 2008, when Moscow sent tanks deep into Georgia proper to stop an attempt by Saakashvili to retake South Ossetia by force.

The report said Saakashvili had been killed and a “people's government” had been formed under opposition leader Nino Burdzhanadze.

Imedi introduced the report as a simulation of "the worst day in Georgian history," but then broadcast it without providing any warning that the events being depicted were fictitious.

"It was a shocking report for many," Levan Gabrichidze, a Tbilisi-based economist, said by telephone Sunday. "The possibility of a Russian invasion is part of daily life for us, and many took it for real."

Tbilisi resident Natalya Laliashvili said she missed the report but panicked when she saw long lines on Sunday morning. "I saw the lines of people near ATM machines and at gas stations, and I realized that something had happened," she told The Moscow Times.

Imedi, which apologized Sunday, made no secret in the report that it was in response to Prime Minister Vladimir Putin meeting with Burdzhanadze earlier this month and another opposition leader, former Georgian Prime Minister Zurab Nogaideli, late last year.

Burdzhanadze, a former parliamentary speaker, accused Saakashvili of masterminding Saturday's report. "Nobody at the channel would have been able to carry out this provocation without his knowledge," Burdzhandze said, Russia 24 television reported.

Burdzhanadze said the opposition's lawyers were studying the report and intended to file a suit against Imedi within days.

Georgia's telecommunications watchdog will review sanctions against Imedi, watchdog official Irakly Mosiashvily told reporters, without elaborating.

Imedi, formerly owned by opposition-minded businessman Badri Patarkatsishvili, who died of a heart attack in murky circumstances in 2008, was sold last year by distant relatives to an investment fund controlled by the United Arab Emirate of Ras Al Khaimah, one of the leading foreign investors in Georgia.

The channel's deputy director, Georgy Arveladze, is a former head of the presidential administration and a staunch ally of Saakashvili.

Saakashvili's office had no immediate comment on whether the president had known about the report before it aired.

But Russian politicians joined the Georgian opposition in insisting that Saakashvili had played a role in the debacle.

"This report appeared months after the Imedi station was taken under Saakashvili's control, so everything has been agreed with him," said Sergei Markov, a senior State Duma deputy with United Russia.

Markov said the report appeared to be aimed at the opposition, not Russia. "Hatred toward Russia is Saakashvili's political agenda, and it is important for him to discredit those who are crossing him by seeking contacts with Russia," Markov said by telephone.

Saakashvili and Putin are openly hostile toward each other.

Konstanin Kosachev, head of the Duma's International Relations Committee, said Saakashvili was following "the same playbook" as he used in 2008 to justify the attempt to retake South Ossetia, Channel One television reported.

Markov suggested that the report offered Russian officials with an opportunity to discredit Saakashvili's democratic credentials in the eyes of the West. He said the report called into question Georgia's media freedoms.

The hoax and the resulting panic were reminiscent of the mass hysteria witnessed in the United States in 1938 when actor Orson Welles read simulated news bulletins on the radio about the world being invaded by aliens as part of the play, "The War of the Worlds."

But Gabrichidze, the Tbilisi economist, said there was one big difference between the Orson Welles' play and the Imedi report. The report, he said, was "badly made."

Saints in the City

As Europe's largest city, Moscow is host to a large number of ethnic groups and emigres from all over the world. With such a diverse population, it's inevitable that multiple faiths will be represented. Staff photographer Igor Tabakov suggested that we showcase some of the images of religious activities and icons from the three Abrahamic traditions in the city that he has taken over the years.

Russia Dismisses U.S. Human Rights Report

In a statement laced with sarcasm, the Foreign Ministry said the main purpose of what it called the U.S. State Department's annual "opus" on human rights worldwide was to "solve the internal political problems of the American establishment."

The Russia section of the State Department released a report Thursday that said the North Caucasus remained "an area of particular concern" in 2009 and the government's poor human rights record there worsened as it fought Islamist militants.

"In Chechnya, Ingushetia and Dagestan, the number of extrajudicial killings and disappearances increased markedly, as did the number of attacks on law enforcement personnel," the report said. "Authorities in the North Caucasus appeared to act outside of federal government control."

"Federal and local security forces in Chechnya, as well as private militia of Chechen President Ramzan Kadyrov, allegedly targeted families of suspected insurgents for reprisal and committed other abuses," it said.

The report also noted a number of high-profile killings of human rights activists.

"Eight journalists, many of whom reported critically on the government, were killed during the year; with one exception, the government failed to identify, arrest or prosecute any subjects. Beating and intimidation of journalists remained a problem," it said.

The government also limited freedom of association and restricted religious groups, and corruption was widespread throughout the executive, legislative and judicial branches, it said.

This year's report came amid efforts to mend Russian-U.S. ties, which hit a post-Cold War low after Russia's war with U.S.-supported Georgia in August 2008.

The Foreign Ministry said that despite those efforts, the United States was using human rights as a tool "to forward quite concrete, material foreign policy interests."

"Everything in the report fits tradition and ritual — the approaches, the theses, the conclusions, the sources," it said. "In this area we noticed no big difference, despite the current [U.S.] administration's declared 'reset' in our relations."

As in past years, Russia said the United States had no right to lecture others. The Foreign Ministry said it was looking forward to a U.S. report on human rights in the United States and singled out U.S. military prisons in Afghanistan and Guantanamo Bay.

"It would be interesting to learn how [the State Department], which loves to moralize on the issue of human rights, would comment on torture and inhumane or humiliating treatment in the United States itself," the statement said.

"And not just the widely known cases in Bagram and the special prison in Guantanamo — which, contrary to the administration's promises, just doesn't close — but also in the prisons and on the streets of America," it said.

A report on rights in the United States should not omit "domestic violence leading to the murder of children, including those adopted in Russia," as well as "racism and xenophobia toward migrants, and Islamophobia," it said.

Dozens held in European crackdown on Russian mafia

In Spain, the operation was led by a special police unit aimed at fighting drug trafficking and organised crime.

Spanish national radio said most of those held were Russians and were arrested for laundering the proceeds of drug-trafficking and corruption.

Mujahideen kill at least 2 more Russian terrorist soldiers in Chechnya

Monday night, March 15, two Russian soldiers of a special interior troops unit were eliminated in a clash with a group of Mujahideen of the Caucasus Emirate consisting of 5 fighters 10 kilometers from the Chechen village of Bamut. The Mujahideen suffered no losses, Russian media outlets reported on Monday.

No other details are available. The Russians always underestimate their fatalities and casualties.

Dark nights for Moscow policemen

Junior Lieutenant Denis Klimov and Sergeant Konstantin Bykov stopped a man, who was later identified as Yakub Kartakayev from Dagestan, on the street to check his documents. He started fighting the officers.

A passing BMW saw the fight and stopped to ask if help was needed. While the policemen were distracted by the car, Kartakayev started shooting. Klimovich was shot in the head and died on the spot, while Bykov was shot in the stomach and shoulder. Kartakayev ran away, but dropped his passport and driver's license, which identified him.

The BMW drove off as soon as the shots were fired. Some sources say that the driver might have been a policeman himself, according to Life News.

Kartakayev's photographs were sent to all police departments and hospitals. Roads, railway stations and airports are being checked. The police are looking for him in Dagestan and Astrakhan, where he is registered.

The best forces of Moscow police are involved, press spokesman Viktor Biryukov told RIA Novosti. The detectives are checking databases of people previously tried for capital offences.

The investigation is also trying to establish why the policemen did not follow standard procedure on patrol. There were only two policemen instead of the usual three and they kept their bulletproof vests in the trunk of their car instead of wearing them.

Doctors say that Bykov's life is in no danger and they allowed his wife to visit him. He is to be questioned about the incident when he gets better.

The head of the capital's Prosecutor's Office Investigation Committee Anatoly Bagmet is personally conducting the investigation, RIA Novosti reports

Another attack on the police took place at 4 am on Sunday, when a man with a knife wound was admitted to a Moscow hospital, Life News reports. He told the doctors that he fell on some metal fittings.

However, the police found out that the man was in a fight with a man named as Al Jaburi Rami Abdel Jabar, who stabbed him. The detectives found the suspect in a parked Mitsubishi. They parked the police car to block the Mitsubishi, but as soon as they approached Jabar's car and asked for his documents, he took off, rammed the police vehicle and knocked over one of the officers.

The policemen tried to stop the suspect by shooting into the air and at the wheels, but the car got away. However, a few hours later the Mitsubishi was found with driver Denis Galkin, 25, and Anna Tsvetkova, 27, in it. The woman had been shot in the leg.

It is unclear whether she was wounded by the officers during the shooting or by Jabar. He is still wanted by the police.

More police officers were fired on in Red Square next to Lenin's Mausoleum, according to Life News. On Monday morning they asked a suspicious-looking man to show his documents, but he opened fire at the officers. Luckily no one was injured and the man was captured and taken to the police station. He turned out to be Sergei Karpetsov, 36, wanted for assault since 2007.

Radical Muslim cell uncovered in Russian province

Twenty members of the radical Islamic organization Tablighi Jamaat have been arrested in Chita, Siberia, a Federal Security Service spokesman said on Monday.

"The leader of the group was caught while conducting a religious meeting. More than 20 followers of the movement were arrested, including foreigners who were in violation of migration law," the spokesman said, adding that extremist literature was found at the scene.

Members of Tablighi Jamaat were accused of involvement in Muslim terrorist organizations after the 9/11 attacks on the United States.

Many countries, including Uzbekistan, Tajikistan, Turkmenistan and Kyrgyzstan have already banned the movement, which was outlawed in Russia in 2009, after the Supreme Court ruled that the organization sought to destroy the territorial integrity of the Russian Federation, discriminated against Russian citizens, and gave support to international terrorist organizations.

The movement remains active in traditionally Islamic Central Asian states. On March 10, the top court of Tajikistan found 56 Tablighi Jamaat followers guilty of extremist activities.

Russian sports official arrested after receiving kickback

Oleg Nefyodov was held by police after demanding a 5 per cent slice of the 16 million roubles (\$533,000) intended to prepare the school for summer training and bring the facilities in line with fire safety and sanitation standards, RIA Novosti reported.

But the director of the institute got wind of the scam and alerted the authorities, who set up a special operation.

Nefyodov took the money, examined it for any indications that it could be traced and put it in his suitcase as soon as he saw that the money was clean, according to Life News. However, he was being filmed with a hidden camera.

Police arrested him in his office, but he denied everything. He could not explain how the cash came to be there and refused to touch the money or the suitcase.

A criminal case was opened and he was arrested by a court order.

Russia's sporting officials are under the spotlight following the national team's poor performance at the Vancouver Winter Olympics, with many questions being asked about how sports funding is allocated.

Nothing can make nation drink less, say quarter of Russians

One in four Russians say no measures taken to fight alcohol abuse will be effective against the national vice and commonest stereotype about Russia.

Russia's chief sanitary doctor recently proposed a ban on sales of all alcoholic beverages after 9 p.m. and raising the legal age for drinking alcohol from current 18 to 21.

A quarter of Russians said restrictions on the sales of alcohol would simply increase the number of people who obtain vodka through illegal means or get their alcohol from substances not intended for human consumption. As a result, the nation's health may come under even greater threat.

Alcohol consumption in Russia is more than double the critical level set by the World Health Organization, a WHO report said last fall.

According to Russia's Public Chamber, some 500,000 people die every year from alcohol-related diseases, crimes and accidents. For every man, woman and child in Russia, 17 liters of spirits are consumed every year, and around 2 billion liters of alcohol are drunk in the country annually.

Some 17% of Russians believe the introduction of a ban on alcohol sales after 9 p.m. would be an effective measure and over 60% of Russians believe that such a measure should still be introduced.

The survey showed only 16% of Russians expect that raising the drinking age to 21 would make a difference, while some 18% said higher alcohol excise taxes would help by making alcoholic drinks more expensive.

Russia has already tripled excise duties on beer as part of the anti-alcohol campaign.

Those who said "yes" to these measures believe they would be as effective in Russia as they are in other countries.

A few people (6%) believe the government can succeed in fighting alcohol abuse by introducing a limit on the number of bottles permitted to be sold to one person and setting a maximum beverage container volume of 0.5 liters.

Last year, Medvedev proposed a bill permitting sales of beer and alcoholic cocktails only in 0.33-liter bottles and cans.

Among other measures proposed to lower alcohol consumption in the country were improving living standards in the country, along with intensive social work and advertizing, SuperJob.ru said.

Some of the respondents proposed harsher measures to achieve the goal. They said the state should confiscate housing from hard drinkers and send them to the countryside, where they could be of more use working in agricultural development.

Other proposals include dismissing alcoholics without severance pay, imprisoning them for 30 days and introducing a complete ban on alcohol advertizing.

Russian patriarch visits Armenian genocide memorial in Yerevan

The head of the Russian Orthodox Church paid tribute on Wednesday to the victims of Armenian genocide, laying flowers to a memorial in the South Caucasus country's capital Yerevan.

Patriarch Kirill of Moscow and All Russia began a three-day visit to Armenia on Tuesday to meet the country's leadership and lay the foundation of a new Russian church.

Catholicos of All Armenians Garegin II, who leads the Armenian Apostolic Church, also laid flowers to the Tsitsernakaberd memorial dedicated to the victims of the genocide. Armenian priests then held a short service for the dead.

Kirill called on the Russian community in Yerevan to study Armenian and to actively integrate into society.

"I am calling on you to be active members of Armenian society, to make your contribution to its culture, to study the language so that nothing prevents you from actively participating in the country's public life," the Russian Church leader told hundreds of Russians who gathered in Yerevan's main Russian Orthodox church.

The patriarch said Christian roots are "the firmest basis for good relations" between Armenia and Russia and thanked Garegin II for promoting good relations with the Russian people. He also thanked Armenia for its respectful attitude toward the Russian language.

More than 90% of Armenians belong to the Armenian Apostolic Church, which is in dialogue but not in communion with most Eastern Orthodox Churches, including Russian, due to certain dogmatic differences.