

**PROJECT ON BUSINESS AND POLITICS IN THE
MUSLIM WORLD**

Weekly Presentation: May 19, 2010

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Period: From May 8-15, 2010

This is the summary of the (**Russia**)

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Summary:

Political Issue

Medvedev says Mid-East security to be high on agenda of Syria visit

Russia and Syria, along with other states, should create favorable conditions for resetting Arab-Israeli dialogue, Russian President Dmitry Medvedev said. The president said the international community's agenda includes the challenge of establishing a new, just and stable world order.

Europe Marks Defeat Of Nazi Germany

Military parades and wreath-laying ceremonies are being held today to mark the 65th anniversary of the end of World War II in Europe. Most countries from the former communist bloc mark the defeat of Nazi Germany one day later, on May 9.

Russia, Turkey see role for Hamas in Mideast peace process

"Unfortunately Palestinians have been split into two... In order to reunite them, you have to speak to both sides. Hamas won elections in Gaza and cannot be ignored," Turkish President Abdullah Gul said at a joint press conference with visiting Russian counterpart Dmitry Medvedev.

Turkey's Pact With Russia Will Give It Nuclear Plant - Pittsburgh Post-Gazette

The pipeline would allow Russia to expand its oil exports from the Black Sea, bypassing the Bosphorus, whose shipping lines are already at capacity. The deal follows several rounds of agreements between Russia and Turkey in recent years that have helped Russia maintain its dominance of Eurasian energy routes.

U.S.-Russia adoption pact near - Deseret News

But how close is unclear. A Russian official said agreement has been reached on "all principal issues" and a deal should be signed within two months. A U.S. State Department spokesman, however, said that although the two countries have reached a "broad understanding," many details still need to be worked out and the deal "is not done."

'Growing role' in Middle East

Syrian media have welcomed the visit, with government newspaper Tishrin on Monday hailing Russia's "growing role" in the Middle East, especially in the context of Washington's "failure to protect stability and world peace, because of its flagrant bias" towards Israel.

Medvedev Lands \$20Bln Nuclear Deal in Turkey

Turkey on Wednesday agreed to let Russia build and own a \$20 billion nuclear power plant in a deal that opens a new page in Russia's global expansion in the industry. Sergei Kiriyenko, head of Rosatom, the state nuclear corporation, signed the agreement to build four reactors on Turkey's southern Mediterranean coast during a visit by President Dmitry Medvedev to the country.

Map Enthusiast Jailed on U.S. Spy Charges

A Moscow court sentenced a map enthusiast to four years in prison on Thursday for passing classified information to the United States that one report said could help the U.S. military in a missile strike against Russia.

Economic Issue

Obama, Merkel discuss European financial situation

Finance ministers from 27 EU countries are meeting on Sunday in Brussels to discuss measures for coping with the financial crisis. The meeting follows an agreement by the leaders of the Eurozone countries to offer 80 billion Euros in financial aid to Greece. As well as being a formal confirmation of finance ministers' support of the financial aid package, the summit aims to restore confidence in the European monetary union.

Russia Profile Weekly Experts Panel: Will Russia Buy Ukraine?

It is against the custom of this panel to turn to essentially the same subject two weeks in a row, but the events unfolding in relations between Russia and Ukraine are too momentous and too controversial to ignore the opportunity to discuss them in greater detail. Russia is heavily dependent on Ukrainian pipelines, which carry about 80 percent of its natural gas exports to Europe, and it has long coveted a greater degree of control over them. If the deal were to go through, Gazprom would effectively swallow up the Ukrainian state-owned company, Naftogaz, with the Ukrainian government winding up with a small stake of perhaps less than six percent in a new Gazprom (based on comparison of current asset values). This would look like a complete Russian takeover of

the Ukrainian gas system, as well as a death blow to Nabucco, a pipeline that would transport Central Asian gas through Turkey into Austria, allowing Europe to reduce its dependence on Russian gas. Were Gazprom to control the Ukrainian gas transit system, it would guarantee shipments of Central Asian and Caspian gas to Europe at a lower cost. Gazprom in this scenario would probably abandon plans to build the South Stream pipeline to South Europe, which would become redundant were it to control the Ukrainian gas system.

Russia's Rusagro postpones IPO - Interactive Investor

Major agricultural group Rusagro became the latest Russian company to postpone plans for initial public offering amid uncertainty on international markets.

Russia Faces Massive Capital Influx on Low Debt ... – Bloomberg

The country's sovereign debt stood at 9.8 percent of gross domestic product last year, compared with an average rate of 78.7 percent in the euro area. Russia was able to finance stimulus measures with oil revenue after Urals crude, the country's chief export blend, soared 83 percent last year. Credit default swaps on Russian five-year debt have averaged the same as CDS on Italian bonds since the middle of April.

IKEA Masters Rules of Russian Business

Swedish retailer IKEA, the biggest owner of commercial real estate in Russia, has been beset by accusations of corruption. Whether or not the accusations prove true is uncertain, but what is clear is that the Swedish company has adapted to the rules of Russian business better than Russians themselves. The IKEA scandal broke out in February: The Swedish newspaper Expressen, citing an internal correspondence among employees of IKEA's Russian subsidiary, IKEA Mos, which owns and manages the Mega shopping centers, reported that IKEA Mos' management effectively approved a bribe to connect its Mega Parnas shopping center to Lenenergo's power grid.

Rusagro Postpones IPO

Agricultural group Rusagro postponed its \$300 million public share offering because of global markets jitters, casting further doubts over Russian firms' plans to raise billions of dollars via IPOs this year. "Rusagro Group today announces the decision to postpone the offering of its ordinary shares due to recent market volatility," the company said in a statement Thursday.

Brazil, Russia Seek To Boost Trade, Investment

Brazilian President Luiz Inacio Lula da Silva is in Moscow for talks on boosting trade and investment with Russia. Brazil and Russia, along with India and China, are members of the BRIC group of economies seeking to increase their economic and political weight.

Social/Humanitarian Issue

Entire town affected by Russian coal mine blasts

Residents of the West Siberian town of Mezhudechensk have said the explosions in the nearby Rapsadskaya coal mine, which left at least 12 dead, 59 injured and over 80 trapped, have affected everyone in the town. The two blasts occurred in the space of four hours late on Saturday and early on Sunday. A total of 64 workers were trapped after the first blast and 20 rescue workers went missing after the second.

Thousands of Expo-2010 visitors receive St. George ribbons on V-Day

About 10,000 of Russia's St. George ribbons were distributed on Sunday among the visitors of the Expo-2010 in Shanghai to mark the anniversary of the end of World War II. The campaign, started by RIA Novosti and the Student Community youth organization five years ago, commemorates the heroes of the Eastern Front and involves hundreds of partners in Russia and abroad.

VIDEO: Victory Day parade on Red Square

The reception was attended by 21 foreign leaders, including Chinese President Hu Jintao, German Chancellor Angela Merkel and the heads of state of almost all the ex-Soviet nations.

Car Bomb Explosion In Southern Russia

Reports from southern Russia say a car bomb exploded near a military base in the Daghestan region today, killing at least one person.

Russia, Ukraine to release unified history textbook by end of 2010

Russia and Ukraine differ in their interpretation of the 1930s famine in Ukraine. Ukrainian nationalists say Russia, as the legal successor of the Soviet Union, should bear responsibility for the famine in which more than 3 million people perished.

UPDATE: Russia plans to develop 5th-generation 'stealth' helicopters

A Russian helicopter company is planning to develop the world's first fifth-generation combat helicopter, which experts say would be able to attack fighter jets and be invisible for radars, the Gazeta daily said on Thursday. "We are working on the concept of the fifth-generation combat helicopter," the paper quoted the company's CEO, Andrei Shibitov, as saying at a news conference in Moscow.

Russia ready to help reconcile China, Dalai Lama

Lavrov said that Moscow supports the development of interreligious and interconfessional ties, but is against aspects of religion that have been distorted into

politics. The Dalai Lama, who fled Tibet in 1959, has repeatedly said he seeks autonomy for Tibet rather than independence from China.

U.S. refuse include Caucasus Emirate into the 'list of terrorist organizations'

According to the American edition National Review referring to the US State Department report, "the structure of the Caucasian State, the Islamic Emirate of the Caucasus, will not be included on the annual replenished US government list of foreign terrorist organizations (FTO)".

Russia to require drivers to keep headlights on at all times

The Russian government has introduced an amendment to traffic regulations requiring drivers of all vehicles to have their headlights switched regardless of when or where they are driving.

Attack on police vehicle kills eight in Russia's ... - Xinhua News Agency

"Incoming preliminary information indicates that a vehicle carrying policemen was blown up and was then fired upon. Eight people in the vehicle were killed. A number of others have also been injured and suffered concussion," the police source said.

Slavic gay pride will defy unjust ban

The centre of Minsk, capital of Belarus, is blocked for at least 15 minutes, then four cars with the Belarusian national flag as licence plates sweep past. A young guy next to me is calling his mum to tell her that he is so excited and just saw with his own eyes the bulletproof car of Alexander Lukashenko, sometimes described as Europe's last dictator.

Moscow Deputy Mayor In Bribe Probe

Investigative Committee spokesman Vladimir Markin told journalists that Ryabinin is suspected of taking commercial property from a company as a bribe for agreeing in December to a development project in a Moscow district.

Russian Prisons To Be Opened To Muslim Imams

Imams in Russia will be able to access the country's prison system and work with Muslim prisoners according to a new agreement signed between the federal prison authority (FSIN) and the Russian Council of Muftis, RFE/RL's Tatar-Bashkir Service reports.

Mufti Rawil Gainetdin, head of the council, told RFE/RL that the agreement signed in Moscow on May 12 is a big step in improving prison life

First Muslim Clothing Shop Opens In Russia's Yekaterinburg

Ruzaliya Akhmatova is the owner of the shop known as Khabiba, meaning "beloved one" in Arabic. The shop offers different types of dresses and other apparel typically worn by female Muslims.

As Russia releases Somalis, other "pirates" languish in jail

The ship's crew cut the power and hid in a saferoom as Somali pirates boarded the vessel, loaded with \$52 million worth of oil destined for China. A nearby Russian warship, the Marshall Shaposhnikov, changed course and headed for the distressed tanker. It arrived by midnight, and the following morning Russian special forces launched a rescue operation that lasted a total of three and a half hours, including a fierce 22-minute gunfight that saw one pirate killed and many of the 10 surviving pirates injured. With that, the Russian crew and vessel were freed, the pirates taken into custody with promises they would face trial on Russian territory.

Food, Environment and Energy Issue

Moscow victory day celebrations end with firework display

Victory Day marks the final defeat of Nazi Germany by the Soviet Union in World War II. This year, the 65th anniversary of the Soviet victory, was marked by bigger celebrations than ever before.

Victory day celebrations cancelled in West Siberian town due to mine explosions

The two blasts occurred in the space of four hours late on Saturday and early on Sunday. A total of 64 workers were trapped after the first blast and 20 rescue workers went missing after the second.

New generations must prevent global conflicts - Russian president

Russian President Dmitry Medvedev said on Sunday that young generations must prevent new global conflicts and work on ensuring peace and cooperation between countries.

Russia on guard against Tajik polio

Everyone entering Russia from Tajikistan will be vaccinated against polio, the Foreign Ministry said on Thursday after two babies became ill with the disease after arriving from the Central Asian state. Some 300 cases of polio were registered in Tajikistan recently with 13 deaths. Around 90% of those infected are children under five years old.

Entire town affected by Russian coal mine blasts

Residents of the West Siberian town of Mezhdudchensk have said the explosions in the nearby Rapsadskaya coal mine, which left at least 12 dead, 59 injured and over 80 trapped, have affected everyone in the town. The two blasts occurred in the space of four hours late on Saturday and early on Sunday. A total of 64 workers were trapped after the first blast and 20 rescue workers went missing after the second.

Geo-strategic Issues

Syria urges Russia to help denuclearize Middle East – Ynetnews

Medvedev begins first visit by Russian head of state to Damascus, seeking to revive once thriving partnership between Soviet-era allies. Syrian President Assad hails 'great efforts undertaken by Russia for the peace process'

Russian Cabinet approves joint customs code with Kazakhstan, Belarus

The Russian government approved on Friday the treaty on the Customs Code for the Customs Union of Russia, Belarus and Kazakhstan, and sent it to the president to be ratified by the parliament.

Contract on Turkey nuclear plant nearly ready - Russian deputy PM

Russian President Dmitry Medvedev paid an official visit to Ankara on Wednesday and signed deals including on the construction of Turkey's first nuclear power plant and an oil pipeline.

Azarov: Russia, Ukraine to sign border demarcation accord soon –

Detailed Report:

Political:

Medvedev says Mid-East security to be high on agenda of Syria visit

Medvedev is will embark on his first official visit to Damascus on Monday and Tuesday.

"Discussion of current issues relating to regional security will have a special place in the forthcoming talks," Medvedev said in an article published by Syrian paper Al Watan.

He said re-setting relations in the region was of vital importance to Russia.

"Russia, as a permanent member of the UN security council and member of the Middle East Quartet, consistently makes serious efforts to reset Arab-Israeli dialogue."

"Alongside economic tensions, world development is threatened by Regional and local conflicts, terrorism, crime and climactic challenges," he wrote.

"All of this dictates the unifying agenda and the necessity to harmonize international relations based on the convergence and interpenetration of different economies and cultures."

Europe Marks Defeat Of Nazi Germany

Veterans in Western Europe today are celebrating the 65th anniversary of the end of World War II on the continent.

Military parades, memorial events, and religious services are taking place in cities across Western Europe to celebrate the surrender of Nazi Germany in 1945 and honor the millions of soldiers and civilians killed in the war.

Most countries in the former communist bloc mark Victory Day one day later, on May 9.

A string of world leaders will attend a lavish May 9 parade on Moscow's Red Square, although French President Nicolas Sarkozy and Italian Prime Minister Silvio Berlusconi today canceled their visits to deal with the Greek financial crisis.

Russia boasts that this year's military parade will be the largest since the fall of the Soviet Union and will include troops from Britain, France, Poland, and the United States.

Today, some of the largest ceremonies are taking place in Paris and London.

In the French capital, Sarkozy solemnly placed a wreath at the foot of a statue of wartime leader General Charles de Gaulle.

Sarkozy and other top French officials, including Prime Minister Francois Fillon, then headed off to the eastern French region of Alsace, the site of bloody World War II battles.

In London, the leaders of the three main political parties took a break from intense negotiations on forming a government after inconclusive elections on May 6 to attend an outdoor religious service in honor of war victims. Prince Charles, war veterans, as well as serving soldiers, sailors, and airmen were also in attendance.

More celebrations and parades are expected throughout the day in all Western European countries, including Germany.

Russia, Turkey see role for Hamas in Mideast peace process

ANKARA (AFP) – The leaders of Russia and Turkey said Wednesday that the Palestinian Islamist group Hamas should not be excluded from peace efforts in the Middle East, sparking Israel's ire.

The Russian president, who met Hamas leader Khaled Meshaal in Damascus Tuesday, stressed that no group should be excluded from peace efforts, without naming the group.

"Undoubtedly, all parties to this problem should be included more actively (in the process) in order to reach a solution. The process should not exclude anyone," he said through an interpreter.

A divided Palestinian administration cannot help resolve the conflict, he said, adding that the division "causes the Palestinians to regress."

Their remarks and Medvedev's meeting with Meshaal unleashed an angry response from Israel which said that it expected Russia to stand by the Jewish state against " Hamas terror".

"There is no difference between Hamas actions against Israel and Chechen terror against Russia," an Israeli foreign ministry statement said.

"The foreign ministry vehemently rejects the call from the presidents of Russia and Turkey to include Hamas in the peace process and expresses deep disappointment over the meeting between the president of Russia and Khaled Meshaal in Damascus.

"Hamas is a terrorist organisation in every aspect, with the outspoken goal of destroying the state of Israel," it said in a statement.

"Israel has always stood by Russia in its fight against Chechen terror and that is what we expect with regard to Hamas terror against Israel."

Before his talks in Damascus, Medvedev had held a telephone call with Israeli President Shimon Peres during which he was asked to convey a message to Syrian President Bashar al-Assad, according to Peres's office.

Peres said "Israel has no interest in a war with Syria or in heating up the northern border and that Israel is seeking a genuine peace with its Syrian neighbour."

Asked by AFP whether Medvedev had delivered a message, Russian Foreign Minister Sergei Lavrov said Wednesday that Russia's sole aim was to help push forward peace efforts.

"Everything that was said in Damascus on international issues was aimed solely at moving forward to peace, at reaching a settlement on the basis of UN (Security) Council decisions which were adopted unanimously," he told reporters here.

"Therefore we did not have a special need to implement this message because this is our position -- to live in peace and solve issues on the basis of the international legal framework adopted by everyone and which should now be implemented by everyone," he added.

Turkey's Pact With Russia Will Give It Nuclear Plant - Pittsburgh Post-Gazette

ISTANBUL -- Turkey and Russia signed 17 agreements on Wednesday to enhance cooperation in energy and other fields, including pacts to build Turkey's first nuclear power plant and furthering plans for an oil pipeline from the Black Sea to the Mediterranean.

On his first official visit to Turkey, the Russian president, Dmitri A. Medvedev, met with his Turkish counterpart, Abdullah Gul; Prime Minister Recep Tayyip Erdogan; and other top officials.

Mr. Erdogan saluted the progress on the pipeline, which is to run from the Black Sea port of Samsun to the Mediterranean port of Ceyhan, and said it would ease pressures on the Bosphorus and reduce the threat of devastating spills.

"Our shores are under severe danger during the passage of the oil tankers through the straits," he said. "Once we realize the Samsun-Ceyhan pipeline, we would have the opportunity to reach out to the world from Ceyhan."

For his part, Mr. Medvedev highlighted the expected increases in the \$30 billion in trade between Turkey and Russia.

"Our trading capacity will not only improve but will exceed past records," Mr. Medvedev said. "We are aiming for more than \$100 billion of trade in future, which is very inspiring." His comments, in Russian, were translated by Turkish television.

But most of that number comes from Turkish imports of Russian oil and gas, and some Turkish energy experts cautioned that the increase would do more good for Russia than for Turkey. The deal for the nuclear plant, scheduled to be built over seven years in the Mediterranean city of Mersin, raised further concerns among some Turks of relying too much on Russia.

"If we add dependency on nuclear energy on top of the current energy trading from Russia, it's inevitable that we get concerned," Necdet Pamir, an energy expert, told the news channel NTV.

He said Turkey had energy options it could explore without Russian aid. "Half of Turkey's immense hydroelectric potential is on hold, so it's misleading to present Turkey as a helpless country," he said.

Moreover, Mr. Pamir added, the reactor suggested for the project in Turkey, known as Model 1400, has not been given safety approvals by European institutions.

A project by a Russian consortium to build a nuclear reactor in Akkuyu, another Mediterranean town, was canceled by a Turkish court last year after intense public complaints.

Other agreements signed after the first session of high-level meetings led by Mr. Medvedev and Mr. Erdogan called for cooperation in combating drug trafficking and in transportation and education, as well as a lifting of visa requirements for visits shorter than a month.

Russian tourism to Turkey grows every year, with nearly five and a half million tourists from the Commonwealth of Independent States in 2009, according to Tourism Ministry figures, while Russia is a popular destination for Turkish businessmen.

In addition to the agreements, the leaders pledged greater diplomatic efforts toward a resolution of the dispute over Iran's nuclear program and called for stability in the Caucasus, acknowledging the delicate nature of the conflict between Azerbaijan and Armenia over the Nagorno-Karabakh region, which both Turkey and Russia are closely monitoring.

Turkey has been a supporter of Iran's right to develop nuclear energy but strongly opposes nuclear weapons in the region and has been critical of Israel on the matter.

U.S.-Russia adoption pact near - Deseret News

Russia and the United States are moving closer to signing a new accord on adoptions, officials from both countries said Wednesday.

Russia had demanded such an accord after a 7-year-old Russian boy was sent back to Moscow last month — alone on a one-way flight — by his adoptive American mother in Tennessee, creating an uproar in Russia. American adoption officials also were horrified at the drastic action taken by the mother and angry about its possible repercussions.

Russian officials say they want more control over U.S. adoptions of Russian children and the living conditions those children face in the United States.

"We have reached agreement on all principal issues and have seen willingness to sign such an agreement," children's rights ombudsman Pavel Astakhov told reporters after U.S. and Russian officials met to discuss the pact.

Azarov: Russia, Ukraine to sign border demarcation accord soon –

MOSCOW, May 12 (PRIME-TASS) -- Ukraine and Russia plan to sign a border demarcation agreement this month, Ukrainian Prime Minister Nikolai Azarov said Wednesday, ITAR-TASS reported.

The agreement is expected to be signed during Russian President Dmitry Medvedev's visit to Ukraine, Azarov said.

Medvedev is scheduled to visit Ukraine on May 17–May 18, according to earlier reports.

The Russian–Ukrainian border in the Azov Sea and the Kerch Strait as well as some parts of the land border have not yet been demarcated, Andrei Nesterenko, a spokesman for Russia's Foreign Ministry, said earlier.

'Growing role' in Middle East

Medvedev's visit comes shortly after Washington renewed US sanctions on Syria for a year, accusing it of supporting "terrorist" groups.

Medvedev's visit "is of exceptional importance," the paper said.

Along with the European Union, United Nations and United States, Russia is a member of the international quartet seeking peace in the Middle East and has long lobbied to host a Middle East peace conference.

Analysts say Moscow's influence in the Middle East will largely depend on ties with Syria – a staunch ally of Iran and the [Lebanon's Hezbollah](#) group, and where the Palestinian group [Hamas](#) has its political headquarters.

Moscow has close ties with Hamas which the United States considers a terrorist group, and Medvedev is also expected to discuss sanctions against Iran and US pressure on Syria.

"Russia will seek to reduce pressure around Syria," said Alexander Shumilin, head of the Middle East Conflicts Analysis Center at Russia's US and Canada Institute.

Syria, one of the few countries to back Russia in its war with Georgia in 2008, is a major purchaser of its arms.

Sergei Prikhodko, Medvedev's top foreign policy aide, said military cooperation would be on the agenda during the visit.

The Kremlin chief is accompanied to Damascus by the president of Russian warplane maker Irkut, Oleg Demchenko, the head of Russian arms exporter Rosoboronexport, Anatoly Isaikin and the head of the Federal Agency for Military Cooperation, Mikhail Dmitriyev.

With gas giant Gazprom keen to expand its presence in the Arab country, energy will also be a major focus of the talks, Prikhodko said, and Energy Minister Sergei Shmatko is also on the trip.

"Gazprom is ready to consider possible participation in projects to develop Syria's oil and gas industry," Prikhodko said. "We are ready to consider a possible project to supply natural gas from Syria to Lebanon."

Medvedev is due to fly to Turkey after Syria to meet Turkish Prime Minister Recep Tayyip Erdogan.

Medvedev Lands \$20Bln Nuclear Deal in Turkey

In a first, Rosatom will control the facilities and sell the electricity that it generates, Kiriyyenko said.

"It's an extremely important contract for us. We have been craving this for a long time," he told reporters after the signing. "It's much more interesting for us to be co-investors in such projects."

Rosatom's other deals outside the country — most notably in places like China, India and Iran — exclude the company from any ownership or management role. Financially, the Turkish agreement is smaller than Rosatom's plan to build 16 reactors in India.

In executing the contract, which crowns years of negotiations and a contentious tender, Rosatom will initially establish a fully owned subsidiary to start the work at the Akkuyu site, Kiriyyenko said. Later on, it will offer up to 49 percent of the venture to investors in and outside Turkey, he said, estimating construction costs at \$20 billion.

"Turkish investors are interested. We're also holding talks with European investors," he said, declining to identify potential partners.

Rosatom won the bidding for the project in September 2008. Spurring the current deal, a Turkish court delayed awarding the contract because the company was the sole bidder.

"This is a smart move for Turkey ... because they don't have to pay anything upfront, just provide the site," Kiriyyenko said, referring to Wednesday's agreement.

Turkey's state electricity generating company [EUAS](#) will hand over land for the project free of charge, the Cabinet said in guidelines for the deal published Wednesday.

Rosatom expects to recoup costs 15 years after completing each reactor by selling half the electricity to Turkey's state energy company [Tetas](#) at a fixed price and offering the rest on the unregulated market, according to the contract guidelines. Afterward, Rosatom and its partners, if any, will transfer 20 percent of the profit to the Turkish government.

Rosatom has until mid-August to start creating the subsidiary to build the plant, according to the contract. Rosatom plans to open the first reactor within seven years after securing all construction permits. It will then complete one reactor every year for the next three years.

Rosatom may also set up a facility to make nuclear fuel in Turkey.

In other energy issues, Russia and Turkey will continue considering gas trade projects such as [Blue Stream-2](#) and [South Stream](#), Medvedev said after talks with Turkish Prime Minister [Recep Tayyip Erdogan](#) in Ankara.

In a goodwill gesture, [Gazprom](#) allowed Turkey to buy as little as 75 percent of the 16 billion cubic meters of gas that the country had originally agreed to buy this year through the Blue Stream pipeline.

Normally, the Russian gas export monopoly charges penalties if its customers buy less than 80 percent or 85 percent of contracted volumes, a condition that irritated many European energy companies after the economic downturn reduced demand.

The countries also are looking at Russia's possible involvement in the [Samsun-Ceyhan](#) oil pipeline, which is now a joint project between Turkey's [Calik](#) and Italy's [Eni](#). If built, the pipeline will carry Russian and Kazakh oil across Turkey on a potentially safer and faster transit route than the congested straits connecting the Black Sea and the Mediterranean Sea.

Erdogan said an energy security agreement signed Wednesday made a priority of the oil link, whose cost was put at \$3 billion by Deputy Prime Minister [Igor Sechin](#) on Tuesday.

Medvedev said Russia and Turkey signed deals with a combined value of \$25 billion on Wednesday. Bilateral agreements included dropping visas for tourists as soon as the countries agree on the terms of readmission for illegal migrants.

Medvedev's visit to Turkey ended a Middle East trip that also took him to Syria, where he said Tuesday that Russia might build nuclear power reactors for the Arab country.

[**Map Enthusiast Jailed on U.S. Spy Charges**](#)

The trial looked unlikely to upset U.S.-Russian relations, which have rebounded since U.S. President [Barack Obama](#) announced a "reset" last year and, among other things,

ditched a plan to place an anti-missile shield in Central Europe that Moscow saw as a security threat.

But fears of Russia's vulnerability to a U.S. strike have been voiced in hawkish Russian circles after Obama and President [Dmitry Medvedev](#) signed the New START agreement to cut nuclear arms in April, and a retired Russian general warned on Thursday that the country's air defenses were weak.

The [Moscow City Court said](#) cartographer [Gennady Sipachyov](#) was convicted of espionage during a closed trial for sending secret maps belonging to the Russian military's General Staff to the Pentagon over the Internet.

Espionage is usually punished by up to 20 years in prison, and Sipachyov got a milder sentence because he agreed to cooperate with investigators, the court said in a statement on its web site.

The judges ruled that the maps sent to the United States could be used "to increase the accuracy of missile strikes," RIA-Novosti reported.

The court statement said Sipachyov was detained by Federal Security Service agents in 2008 but offered no further information about him, except for a photograph that showed a middle-aged man with glasses.

Sipachyov worked as a researcher in a defense scientific institute, Rossiiskaya Gazeta reported on its web site.

A court spokeswoman said she would not comment further on the case because it had been closed to the public.

Calls to the U.S. Embassy for comment went unanswered late Thursday afternoon.

According to online map communities, Sipachyov was an avid cartographer who researched both modern and historical Russian maps. Maps designed by him are posted on various specialist web sites.

"If you need maps of 1:100,000 and 1:200,000 scales, please write to Sipachyov, Gennady Stepanovich. ... I have exchanged maps with him," [said an anonymous user](#) on the site [DSK.ru](#), dedicated to outdoor and water sports.

Sipachyov's patronymic, Stepanovich, is matched by the court statement.

Alexei Soldatov, a security expert and head of the Agentura.ru think tank, said Sipachyov's light sentence signaled that the state wanted offenders to collaborate with the authorities.

“Previously, they wanted to show that the punishment for treason needed to be severe, but today the trend is different,” he said.

The FSB's web site even urges citizens who collaborate with foreign intelligence organizations to report this to the FSB.

Soldatov said Sipachyov fared better than [Igor Sutyagin](#), a nuclear arms researcher who was detained in 1999 on suspicion of passing military data to a British consulting company and was later sentenced to 15 years in prison for espionage. Sutyagin has said he collected the data from open sources. He was denied parole by a court in Archangelsk on April 30.

Meanwhile, former Air Force commander Anatoly Kornukov warned that Russia's ability to protect itself from enemy attack was limited because of its aging air defense weapons and dilapidated defense industry.

"Regrettably, our air defense forces only have a limited capability to protect the nation's security," Kornukov said at a news conference, The Associated Press reported.

He said Russia was lagging 25 to 30 years behind the United States in developing air defense weapons and was capable of only shooting down 20 out of every 100 intruding enemy planes, compared with up to 98 out of 100 in Soviet times.

"The situation is simply terrible," he said.

The government, which has plowed enormous sums into the armed forces in recent years, has declared that they are growing stronger. But an ongoing reform of the military by Defense Minister [Anatoly Serdyukov](#) has angered some officers.

Sipachyov's case is not the first linking maps and espionage in post-Soviet history. In 1995, [Alexander Volkov](#), a former colonel who worked for a company linked to the military's Main Intelligence Directorate, or GRU, was arrested while passing satellite maps of Israel to an official from the Israeli Embassy in Moscow.

Volkov, who claimed that he was unaware of the maps' secrecy was freed, but a co-defendant, GRU officer [Vladimir Tkachenko](#), was sentenced to three years in prison.

Obama offers condolences over Russian mine accident

U.S. President Barack Obama offered on Thursday his condolences to Russian President Dmitry Medvedev over [the recent tragedy at a coal mine in West Siberia](#), the Kremlin said.

Two explosions, which occurred in the space of four hours late on Saturday and early on Sunday, killed at least 66 people and injured over a hundred. A search for 24 missing miners is still underway.

The Kremlin also said Medvedev and Obama discussed a wide range of bilateral and international issues in a phone call on Thursday.

The conversation, which lasted 90 minutes, included the ratification of a recent strategic arms reduction treaty between Moscow and Washington.

[The new START treaty](#), signed on April 8 in Prague, must be approved by both houses of the Russian parliament and by the U.S. Senate to come into force.

Obama informed Medvedev that the White House had sent the treaty to the Senate for ratification.

Russian Foreign Minister Sergei Lavrov said on Thursday that a package of documents related to the treaty would be submitted soon to the lower house of parliament.

Both presidents earlier agreed that the ratification of the treaty must occur simultaneously.

Experts believe that the ratification process in the United States could meet strong opposition from Republican lawmakers who want to press the administration to commit to modernizing the U.S. nuclear forces while the reductions are underway.

Economic:

Obama, Merkel discuss European financial situation

U.S. President Barack Obama discussed on Sunday the economic situation in Europe with German Chancellor Angela Merkel, the White House's national press secretary said.

"They discussed the importance of the members of the European Union taking resolute steps to build confidence in the markets," Bill Burton said.

EU leaders said they would commit themselves to controlling and monitoring fiscal discipline and strengthening measures to regulate the financial sector.

Russia Profile Weekly Experts Panel: Will Russia Buy Ukraine?

It is against the custom of this panel to turn to essentially the same subject two weeks in a row, but the events unfolding in relations between Russia and Ukraine are too momentous and too controversial to ignore the opportunity to discuss them in greater detail. Last week, Russian Prime Minister Vladimir Putin suggested merging Ukraine's

national energy company Naftogaz Ukrainiy with the Russian gas giant Gazprom, a move that would put Ukraine's strategic network of gas pipelines effectively under Moscow's control. Is the Kremlin overreaching itself? Will Gazprom acquire Ukraine's Naftogaz? Could it ever be approved in Ukraine's fractious parliament? And is Ukraine selling out to Russia?

Gazprom's Chairman Alexei Miller confirmed that the offer was serious and that the two companies, as well as Russia and Ukraine's energy ministers would discuss the details mid-May. Miller emphasized that Gazprom is looking at a combination of asset swaps with Naftogaz that would provide Gazprom with access to Ukrainian internal gas market and control over the transit pipelines and underground gas storage facilities in exchange for Naftogaz's access to production assets inside Russia as well as the development of new gas fields.

The offer amounts to nothing less than a purchase of Ukraine, lock, stock and barrel, by Russia and its state controlled companies.

To reinforce this point Putin, and his Ukrainian counterpart Mykola Azarov effectively agreed to create a joint holding company in nuclear energy which would give Russia effective control over the entire nuclear power generating industry in Ukraine and ensure Russian access to the rich Uranium ore deposits in that country. Russia and Ukraine would also build a joint nuclear fuel fabrication facility in Ukraine which would effectively block the United States and Europe from Ukraine's nuclear fuel market. Russia would also provide generous financing of up to \$5 billion in export credit in order to build two additional nuclear power generators at the Khmelnytsk nuclear power plant.

In addition, Russia and Ukraine are discussing major merger and acquisition deals in the aviation and shipbuilding industries (both civil and defense), as well as likely Russian moves into Ukrainian steel and pipe manufacturing.

Will Gazprom acquire Ukraine's Naftogaz? Does such a deal make economic sense for Russia and Ukraine? Could it ever be approved in Ukraine's fractious parliament? Could President Yanukovich politically afford to agree to Russia's acquisition of the entire Ukrainian gas system? Would it be in the interests of Ukrainian business groups that support Yanukovich? Does this reflect a regional trend that has emerged during the financial crisis, as Western banks have pulled out of the region and former Soviet states turned to Moscow for capital and business ties? How would Europe and the United States look at a proposed Russian acquisition of Ukraine's primary industrial and infrastructure assets? Would Europe be comfortable having Gazprom control the Ukrainian gas system? And as the Kremlin savors its hard-earned political gains in Ukraine and moves to secure a genuine strategic partnership with a friendly democratic government in Kiev, is it moving too far too fast? Is Ukraine selling out to Russia?

Vlad Ivanenko, Ph.D. in economics, Ottawa (Canada):

I consider it inappropriate to say that Russia is trying to buy Ukraine because, economically, there are few Ukrainian assets worth buying at current market prices. For example, the fuss about Gazprom being interested in merging with Naftogaz is definitely overblown. It suffices to draw a contrast between Gazprom, a global leader with international ambitions, and its Ukrainian counterpart, a low-key regional player balancing on the verge of default, to realize that such a Ukrainian acquisition ranks somewhere at the bottom of Gazprom's wish list.

By all appearances, this is mostly the Russian leadership that is interested in seizing the current opportunity to achieve its long-term objectives. From an economic point of view, the idea is to employ under-utilized Ukrainian human and technological resources in the vast array of Russia's development projects, on which Moscow plans to spend \$1 trillion until 2020. However, unlike some Persian Gulf states that invest at home using outsourcing from places like India, Russia wants to guard and, even, to expand its economic sphere of influence by integrating invited suppliers within its own technological chains. Ukraine's enterprises and labor force are most appropriate for this purpose, as the memory of past Soviet cooperation is still alive and the culturally similar Ukrainians would not mind working for the Russians if the terms of trade were right.

The need to secure long-term loyalty partially explains why Russia is ready to pay an upfront premium for the right of exclusive use of Ukrainian assets, and why the arms length relationship is not an option for Ukraine if the country is serious about exploiting the benefits of this exclusive offer. However, accepting such a deal is likely to lead to other and, this time, non-economic developments that we currently observe unfolding in Ukraine.

It has become a truism to say that during years of independence Ukraine has failed to overcome the rift between its Russian and Ukrainian-speaking regions. So far this divide has resulted in the fragmentation of political power to the point where Kiev's role has been mostly to represent the country at international gatherings rather than doing anything at home. Now, central power has to try and win more control than the powerful regions are ready to concede. Therefore, a political clash between the centre and the regions similar to that Russia witnessed between 1999 and 2001 is imminent. Judging by the stance taken by president Yanukovich, he is ready to curtail those political freedoms that the regional opposition, currently disoriented, might use to sabotage his program. From Russia's point of view, a greater centralization of decision-making will make Ukraine a more predictable country, but the West will surely be disturbed watching how this state moves away from the Western style of democracy it instilled in 2005.

Finding a mutually acceptable form of economic integration remains the most difficult part in this analysis. The proposed merger between Gazprom and Naftogaz is a vague invitation to negotiations and nothing more. Possibly, Russia may offer the Ukrainian natural gas industry the opportunity to develop some natural gas plays in Siberia in order to profit from their proximity to the growing Chinese market. but such an arrangement requires lengthy negotiations. In the short term, I could imagine both countries making

progress in the area of military cooperation, including in double-purpose spin-offs like civil aircraft or space exploration, but that is all.

To progress further, Moscow and Kiev should achieve a stronger political accord that the Ukrainian opposition, specifically its Western-leaning regions, will not be able to reverse in the future. The next several months will show if president Yanukovich is able to find a way to deal a blow to the recalcitrant regions, or if the latter repulse the attack on its factual autonomy and restore the status quo.

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

For quite some time, most industrial countries have depended on inexpensive, reliable and foreign energy for the efficient operation of their economies. The Soviet Union subsidized the Council for Mutual Economic Assistance countries' economies by providing them with cheap energy in exchange for substandard foods (instead of selling its oil and gas at significantly higher world market prices to the more economically advanced West) in order to ensure its hegemony in the region. Ultimately, this policy failed because subsidies do not buy friends. The people of the region eventually overthrew their governments who were willing to do Moscow's bidding.

Then-Russian President Vladimir Putin used the European Union's and the Soviet Union's successor states' energy dependency (or dependence on Russia's energy transportation network) as a tool of foreign policy. Of course, when the EU or the United States sought to use trade to achieve foreign policy goals, Moscow cried foul. Now prime minister Putin is taking steps to make Ukraine entirely dependent on Russia in the natural gas and nuclear area. A country that is dependent on a single energy supplier will eventually become little more than a colony.

Putin's strategy might make sense as part of a long-term strategy combined with enhanced domestic programs (other than the Sochi Olympics) but his lack of patience will prove to be a grave error. First, if Ukrainian president Yanukovich does permit a Russian takeover of the Ukrainian energy sector he will be revealed to be little more than a lackey of Moscow. How will the Ukrainian population react to what many view as the first step in a coup d'état? Second, those in the West who see Russia as trying to reverse the outcome of the Cold War will be strengthened. The flow of technology exchange will slow down and investment and trade opportunities in the West could dry-up due to bureaucratic obstacles and bad will. Any Western political leader who advocates accommodating Russian interests in any sphere risks being characterized as contemporary Neville Chamberlain.

Putin risks provoking Western and other countries into adopting legislation analogous to those adopted by Russia in 2008 such as the "Law on Foreign Investments in Legal Entities of Strategic importance to the National Defense and State Security of the Russian Federation." This law introduces restrictions on foreign investment in 42 sectors that the Russian government deems strategically significant. Granted the law provides for certain

exceptions under special circumstances, but how they operate in reality is by no means certain.

Perhaps the West will develop a broader view of national security. But what would be the implications if the Western banks were to strictly monitor the activities of Russian nationals and corporations? Might they discover that the sources of many Russian investments are illicit, involving money laundering and other economic crimes, and that ultimately a significant share of Russian property could be made subject to asset forfeiture since the beneficiaries of such investment were not properly disclosed? Prime minister Putin should not overestimate Russia's power. Its products are not competitive and even if the Russian economy is showing some growth again, it is only after a period of negative growth.

Alexandre Strokanov, Professor of History, Director of Institute of Russian Language, History and Culture, Lyndon State College, Lyndonville, Vermont:

At this point, it is only a proposal and it is too early to judge the chances of the merger being implemented. However, what is obvious is that Putin has made another very strong move toward Ukraine and is trying to make use of the current momentum in relations between the two countries. The success in negotiations (such as the ratification of the Sevastopol basing deal and ensuing negotiations in the field of nuclear energy) has shown that the Russian and Ukrainian leadership are seriously working on empowering economic ties between the two countries. This is a major guarantee of the likely success of future integration processes.

Rapprochement is linked not only with the current crisis and obvious financial difficulties in Europe, but with the fact that it seems that Russia has finally decided to undertake serious initiatives in fostering economic ties with its most important neighbors, such as Ukraine, Kazakhstan and Belarus. The development of new economic ties with Ukraine should be considered in the same vein as the previous signing of the Customs Union with Belarus and Kazakhstan. Bringing the economies of these countries together will certainly facilitate talk on possible future integration processes that will be beneficial for all involved and should not be viewed as a reconstituted Soviet Union, but more along the lines of the European Union's model of integration.

Why should this proposal be attractive to Ukraine? Mainly because it gives Ukraine the opportunity to salvage its status as a reliable transit country for the European continent and continue to enjoy the benefits that are derived from it. A stubborn and inflexible position from the Ukrainian government could lead to the construction of the South Stream gas pipeline, which will undermine Ukraine's role as a transit country. Moreover, Ukraine will receive access to production on Russian territory. For Gazprom it is certainly less expensive to modernize Ukraine's pipeline network than to build South Stream. Finally, for both countries it will be a step in the right direction. It will bring them closer together in the economic sphere and minimize the risk of confrontation in the style of the previous five years. Seriously integrating economies of both countries will serve as a good foundation for preventing future political crises and ensure good relations

between Ukraine and Russia, which would undoubtedly reflect the desire of the population's majority in both countries. As economic ties established between Germany and France after World War II helped to develop European integration, similar consequences should be expected in the future from growing Russian-Ukrainian economic cooperation today.

Vladimir Belaeff, President, Global Society Institute, San Francisco, CA:

The current rapprochement between Ukraine and the Russian Federation has been long coming. It may appear somewhat sudden, but the tectonic convergence has been present for quite a while and there is an opinion that the Orange Revolution was designed to thwart and divert this process. The increasingly belligerent and shrill behavior of Viktor Yushchenko's government was plausibly driven by a sense that history and geography were defeating the program to create and expand a gap between Kiev and Moscow. Finally, in a desperate act of defiance, Yushchenko went so far as to promote Stepan Bandera, a known Nazi collaborator, as a national hero - a symbolic act not lost on foreign observers.

One should remember that the Orange Revolution targeted Viktor Yanukovich, whose return as president in 2010 demonstrates the profound failure of his opponents.

Therefore, what appears today as a sudden and rapid sequence of events is in reality the manifestation of a much longer and more deeply rooted political and social process.

The practical reality is that Ukraine has an opportunity to benefit considerably from a pragmatic, creative and opportunity-driven relationship with Russia. The two countries are socially much closer than the United States and Canada, and if successful win-win partnerships between the two North American neighbors are matter-of-fact, why should anyone be surprised by even stronger synergy between the Ukraine and the Russian Federation? We should expect to see a geometric growth in joint economic activity at all levels.

Although the transit of Russian natural gas through Ukraine's pipelines will always remain a very important element in European energy scenarios, it is also notable that the Nord Stream and South Stream pipeline projects are diversifying delivery routes to Western Europe. Furthermore, the pipeline equipment in Ukraine is aging and needs refurbishment and upgrades. Considering these factors, an alliance between Gazprom and Naftogaz may become a rescue project for the Ukrainian gas pipeline network considering the general shortage of capital available for the needs mentioned earlier.

The proposal on the table is exploratory only and it is not restricted to an acquisition of Naftogaz by Gazprom. Many varieties of collaborative partnership can be explored by the two companies and it is premature to categorically announce the ultimate shape of this synergy.

It also would be an oversimplification to suggest that economic collaboration between Ukraine and Russia can be reduced to mergers and acquisitions. Market opportunities for Ukraine in Russia (and vice-versa) are unique, they can contribute significantly to further economic growth and move Ukraine away from the brink of economic collapse on which it has been teetering for years. The net effect would be beneficial for the entire region and Western Europe recognizes this potential. A healthy Ukrainian economy can become a better market for Western exports as well, and trade means jobs in all countries concerned. Western European leaders also have a clear understanding that the constant disruptions of natural gas transit through Ukraine were caused by the irresponsible behavior of Ukrainian administrators under Yushchenko. The more constructive behavior of the new Ukrainian administration toward its Russian counterparts is surely welcomed by all concerned.

The improvement of political and economic relations between Russia and the new government of Ukraine has been gestating for quite a while, and its manifestation should surprise no one. Collaboration between Ukraine and Russia on a broad range of topics will lead to economic improvement, growth and increased stability for the entire region. This is a win-win equation not only for Ukraine and Russia, but for neighboring countries and for Europe at large

Russia's Rusagro postpones IPO - Interactive Investor

MOSCOW, May 13 (Reuters) - "OJSC Rusagro Group today announces the decision to postpone the offering of its ordinary shares due to recent market volatility," the company said in a statement on Thursday. Last month, sources close to the deal told Reuters the company, controlled by Russian lawmaker Vadim Moshkovich, planned to raise around \$400 million through the listing in Moscow. (Reporting by Vladimir Soldatkin; editing by Steve Gutterman) Keywords: RUSAGRO IPO/POSTPONED

Russia Faces Massive Capital Influx on Low Debt ... – Bloomberg

Russia faces a "massive" capital influx as investors look for alternatives to Europe's crisis-ridden debt markets, said [Mikhail Dmitriev](#), president of the Center for Strategic Development.

That's putting pressure on Russian policy makers to implement capital controls soon to stem the flows and avoid ruble volatility, Dmitriev, whose think tank conducts research for the government, said in an interview in Moscow yesterday.

"The government is unarmed against the distortions that may result from massive capital inflows," said Dmitriev, who is also a former First Deputy Economy Minister. "Russia's balance of payments and internal macroeconomic stability would undoubtedly be at risk."

"The inflow of hot money, which will be taken out of euro-denominated instruments, will increase into countries with emerging economies, including Russia," Deputy Finance Minister [Sergei Storchak](#) said today.

‘Volatile Elements’

In the current situation “some steps to contain the most volatile elements of capital inflow may be taken,” Dmitriev said.

Developing nations from Colombia and Brazil to Taiwan and Indonesia have either implemented or studied the use of capital controls to manage inflows that are fueling inflation and creating asset bubbles. Brazil in October imposed a tax on foreign purchases of equities and fixed-income securities in a bid to fend off what Finance Minister [Guido Mantega](#) called “excess speculation.”

The World Bank predicts as much as \$800 billion in global capital flows this year, compared with about \$450 billion to developing economies in the second half of 2009 at an annualized pace.

The ruble closed up 0.9 percent against the dollar at 29.9650 in Moscow. Against the euro, it rose 1.2 percent to 37.97 and it gained 1 percent against its trade-weighted basket to 33.5624. The Russian currency has gained 9.4 percent since a July 13 low.

‘Still Room’

“From the fundamental viewpoint, there is still room for further ruble appreciation,” VTB Capital economists [Aleksandra Evtifyeva](#) and [Dmitry Fedotkin](#) said in a note to clients today. “Once the current turbulence is behind us, we see the ruble appreciating towards the end of the year, to 28.13 against the US dollar and 31.93 against the basket.”

Russia is considering restrictions on capital flows that would penalize investors with horizons shorter than three years, First Deputy Prime Minister [Igor Shuvalov](#) said in London yesterday. Investors holding Russian assets for more than three years should have a “privileged status,” he said.

That puts more pressure on the government to make long-term holdings attractive and requires stable prices, according to VTB Capital, a unit of Russia’s second-largest bank.

‘Abundant Liquidity’

“Under the current abundant liquidity conditions, the success of these measures will to a significant extent be determined by the rates offered, suggesting that the government’s near-term focus will be on controlling inflation while allowing ruble flexibility,” Evtifyeva and Fedotkin said.

Inflation will average 6 percent to 6.5 percent by the end of the year, Shuvalov said yesterday.

Russia's oil wealth is reducing the country's foreign borrowing need as revenue from oil and gas fills state coffers. The government may cut foreign borrowing plans by \$13 billion this year, Deputy Finance Minister [Dmitry Pankin](#) said last month.

The final figures will depend on the size of this year's budget deficit, which might shrink to about 3 percent of gross domestic product from an estimated 6.8 percent, according to Pankin. The shortfall reached 5.9 percent of GDP last year.

In contrast, Greece's budget deficit in 2009 reached 13.6 percent, more than four times the European Union limit. The euro area's average deficit is estimated at 6.6 percent this year, the European Commission said on May 5. The region's widening shortfalls have contributed to a 16 percent slide in the euro against the dollar since a Nov. 25 high.

'Positive' Package

An EU rescue package worth almost \$1 trillion and unveiled over the weekend may encourage investment in emerging market debt as demand for higher yields returns, UniCredit SpA said in a note to clients today.

"We see the recent decisions taken in Europe as a major positive development for the ruble and Russian equity markets," Moscow-based UniCredit Chief Economist [Vladimir Osakovsky](#) said in the note. "In particular, we think the combination of creating a 750 billion euro (\$951 billion) bailout facility for troubled eurozone economies should support investor appetite for risk, while quantitative easing by the European Central Bank should boost valuations of all real assets, commodities in particular."

Russia's central bank, which has "sharply reduced" the extent to which it steers the ruble to lessen the effects of currency moves on producers, still prioritizes currency stability over inflation, according to Bank Rossii Chairman [Sergey Ignatiev](#). Ruble controls force Russia to rely heavily on its foreign currency reserves, complicating the regulator's efforts to stem inflation.

Inflation Threat

High capital inflows would impede the regulator's efforts to keep inflation from accelerating, Dmitriev said. The inflation rate dropped to an annual 6 percent last month, the lowest level in 12 years.

Russian equity funds had net inflows for the 12th week in a row in the week ended May 5, gaining a net \$26 million, EPFR Global data show. That compares with a net capital outflow of \$52.4 billion last year when oil prices dropped and foreign direct investment plummeted 41 percent. In 2008, Russia a record outflow of \$130 billion.

Control measures outlined by Shuvalov yesterday may involve differentiated reserve requirements for banks, rather than a new tax or currency regulations, he said.

“Differentiating reserve requirements for banks’ domestic and foreign liabilities and limiting foreign borrowing by state companies is preferable for Russia, rather than instituting an all-out ban or taxing capital inflows,” Dmitriev said.

IKEA Masters Rules of Russian Business

IKEA Mos didn't give any bribes itself, Expressen wrote, but "it's completely clear that the construction firm [Renaissance Construction](#) [a general contractor for Mega Parnas and seven other Mega centers], which was responsible for connecting the center, will try to get permission from the authorities using illegal means, with the help of bribes," [Joachim Virtanen](#), a midlevel manager at IKEA, told his managers, IKEA Mos CEO [Stefan Gross](#) and chairman [Per Kauffman](#), in August 2009.

The warning didn't get Gross and Kauffman's attention. "We are approving the installation of electrical equipment in correspondence with our plans," Kauffman told Virtanen, Expressen reported. "I'm taking all responsibility for this decision," he said.

IKEA wouldn't comment on the memo, but Kauffman and Gross were quickly fired and an internal investigation was launched. Of those involved in the story — Gross, Kauffman, Virtanen, Renaissance Construction and IKEA itself — only Renaissance has commented to Vedomosti. Sergei Yaroshevsky, a company spokesman, said it didn't deal with connecting buildings to the electrical grid.

An investigation carried out by Vedomosti was, of course, unable to get an answer to whether IKEA gave bribes. But it did show that the Swedish company often ends up in corruption-prone situations.

Cash Triumphs Over Evil

Lennart Dahlgren, the first director of IKEA Mos, told Vedomosti how everything started. To build a big shopping center like IKEA or Mega, it is necessary to get more than 300 separate permits, he said.

"If we had waited to receive them all, we would have lost years." Therefore, he said, the company came to agreements with local authorities that they would begin construction and receive the permits "in the process." True, the risk was high — bureaucrats took advantage of the situation.

In 2003, IKEA built its first distribution center — a warehouse in the Moscow region town of Solnechnogorsk in which it invested \$40 million. Dahlgren said he reached a verbal agreement on its construction with Solnechnogorsk district head Vladimir Popov. "The police unexpectedly showed up at the building site. They halted work, shut everything down, and we couldn't even go onto the territory," he said.

Dahlgren tried to get in touch with Popov, but he had fallen off the face of the earth. Eventually, he reappeared and promised to open construction if IKEA paid 10 million rubles.

"I said, fine, we'll pay. We have to build, but on my terms — that the money goes to houses for the elderly," Dahlgren said. "I had thought we had reached a deal, but a few days later, Popov arrived and said the deal was off — 10 million was too little, 30 million rubles was needed. Every day we lost thousands of dollars because of the lost work. It was cheaper to pay the 30 million."

IKEA transferred the money into a charity fund, "announced this to the entire city, to local journalists ... and the police left and opened construction."

A similar story happened a year later with Mega Khimki. The mall's opening, scheduled for December 2004, fell through. The regional construction regulator wouldn't allow the opening because the shopping center operated on reserve generators and a traffic interchange hadn't been built. IKEA had to build not only two bridges for \$4 million (one of which was never launched) but to pledge \$1 million for the development of children's sports.

By June 2006, when Dahlgren was transferred to another position, four Mega malls were opened in Russia, and another six were under construction — not a bad result for three years of working in a new market.

Bombarded With Megas

But the coin has another side: Of the 14 Mega malls, only two opened on time and without any problems.

And the problems were similar everywhere. For example, in September 2006, construction on the Mega Rostov-on-Don shopping center, which was being carried out without permits, was halted for two months. A court fined IKEA Mos 12 days before the opening of its Mega Adygeya shopping center in 2008 for building without an approved plan, and the opening was delayed for a month.

Mega Ufa, construction on which was started in September 2007, has still not been opened. In May 2008, Bashkortostan's construction watchdog found that part of the work had been completed without the necessary permits.

In Novosibirsk, the construction watchdog found many defects before the opening of the Mega mall there. The agency's lead inspector, Vitaly Ivlyev, said the complex lacked a heating system, that IKEA had tried to connect the mall to reserve diesel generators and that it didn't build a traffic interchange, although this wasn't included in the technical specifications. On the official opening day, only a third of the Mega Novosibirsk complex was completed, the rest took another year to finish.

The situation became even farcical. In 2009, Tatarstan's construction watchdog suddenly found that IKEA had been working without a use permit — after four years.

In Samara, bureaucrats still won't let IKEA open a mall that was finished in November 2007. Deputy Economic Development Minister Stanislav Voskresensky dealt with IKEA's complaints and found that the mall has no permits whatsoever.

At the time, the Samara region administration worked out a plan with IKEA to "bring the Mega Samara family shopping center into accordance with current regulations and to facilitate its exploitation." In January 2010, IKEA received a confirmed city plan for its land, and in March it got a positive state appraisal of its planning documentation and a permit for construction.

IKEA didn't respond to any warnings, a representative of the Samara government said, and at the end of 2008, the construction watchdog refused to give a use permit, citing all the violations.

There were no problems, however, with the launch of Mega Belaya Dacha. Its co-owner is former Agriculture Minister and State Duma Deputy Viktor Semyonov.

Deals Are Made to Be Broken

Working without documents, IKEA learned how to get by without communicating, but it is also necessary to get connected to the electrical grid. The Swedes leased diesel generators from the company Autonomous Energy Supply Systems, or SAE, during construction and often afterward.

"Not a single IKEA complex in Russia would have been built without using our generators," SAE owner Konstantin Ponomarev said.

Generators are typically more expensive than hooking up to the grid, but it depends on the bureaucrats.

For Mega Parnas and Mega Dybenko in St. Petersburg, generator rentals lasted for years and ended up in court. IKEA couldn't conclude an agreement with Lenenergo in time, and both malls, which opened in 2006, operated on SAE generators.

In 2008, the partners began to fight.

Starting July 2008, IKEA stopped paying, started accumulating debts and refused to return the generators, Ponomarev said indignantly. In August, SAE filed its first suit against IKEA Mos for 130 million rubles.

Ponomarev said he had already filed 10 suits, but wouldn't say the total amount of debt being sought. So far, according to information in the courts' databases, Ponomarev has won all the cases.

IKEA didn't stay in debt: In March 2009, Ingvar Kamprad accused Russian energy firms of cheating the company out of 135 million euros. IKEA also started filing lawsuits, disputing the generator rental agreements on different grounds: Sometimes because they were coerced into the deals, sometimes because electrical stations are immovable property, meaning that the agreement should have been registered with the state. So far, according to information in the courts' databases, IKEA has lost all such cases.

Nevertheless, Ponomarev has received neither money nor his 112 generators. SAE filed a suit against IKEA requesting the return of its property and won, but IKEA is not hurrying to return the equipment. IKEA's lawyers have repeatedly requested clarification on the court's ruling: They ask, for example, what it means exactly to return property "in good working order," Ponomarev said.

IKEA is trying to get a court order for SAE to remove garbage from the territory of the Mega malls, but the "garbage" is containers with the very same generators that SAE wants to take away, all the while they refuse to give them to us, Ponomarev said.

IKEA refused to comment to Vedomosti on ongoing court cases.

Did Someone Call the Police?

In order to feel more confident on the Russian market, IKEA turned to British detective agencies.

One of them was Diligence, newspaper Expressen said. This agency is well-known in Russia because of a certain project: In 2006, the IPOC fund (whose beneficiary is likely former Communications Minister Leonid Reiman) accused Diligence of obtaining the fund's confidential documents from KPMG at the request of Alfa Group. At the time, Alfa and IPOC were battling for a blocking stake in MegaFon.

It's possible that Diligence even worked against Alfa. On the agency's web site it says that at the request of a leading Western oil firm aiming to purchase a Russian competitor, Diligence investigated who the real owner of the Russian firm was and studied key employees to determine whether it was connected with criminals. After the investigation, the client successfully invested \$7 billion.

Such a description could only mean one deal: In February 2003, British BP and Russian TNK, partly owned by Alfa, jointly created TNK-BP.

IKEA's inquiry was more modest, said a private detective familiar with the investigation. According to an agreement with IKEA, the detectives were to study all court materials and memos concerning the case with Ponomarev and to draw conclusions as to how well founded the judges' decisions were.

According to Expressen, Diligence came to the conclusion that Ponomarev's complaints were legal, so the detectives developed a "criminal strategy" for IKEA against the owner

of SAE, suggesting that the case be reclassified as criminal. The newspaper's site shows a photograph of a presentation of this strategy.

A representative of Diligence's London office said Expressen's information was "insinuation." "The tasks set out for Diligence pertained exclusively to the legal process and contained no assignment to collect compromising information about anybody," IKEA's legal department said.

The private detective, who asked to remain anonymous, told Vedomosti about another British agency working for IKEA — Alaco.

Ponomarev knew about Alaco, saying that when the problems between SAE and IKEA began, Alaco's cofounder Ambrose Carey pestered Ponomarev's partner, Harry Heikkila, to sell his 50 percent stake in SAE to IKEA. But Heikkila preferred to sell his stake to Ponomarev. (Heikkila and Carey wouldn't comment about their relationship with IKEA.)

Same as Anything Else

"Formally, IKEA hasn't always operated in a legal framework, and that's why it has had problems," Voskresensky said. "In some regions, the authorities support IKEA because of the new jobs and taxes, and in other places they don't — and that's where IKEA's problems started."

A source in IKEA gave a more blunt explanation. IKEA just didn't notice that Russia legislation has been tightened since 2005, when the City Planning Code was adopted. The company's employees tried to tell the management of violations in construction, but they were immediately fired, a source said. In 2008, when the company suddenly realized that the shopping centers were built in violation of current law, there was a scandal.

From that moment, IKEA has tried to find its way out of the situation, which it is in because of its own fault, the source said. "The company is holding an inquiry in connection with accusations by fired employees against the former management of Mega shopping centers," an IKEA Mos spokesperson said. If any of the accusations are confirmed, the company will take measures to satisfy the corresponding complaints and ensure that similar situations don't happen again.

The IKEA example is significant from the point of view of changes that are needed to the city planning legislation, said Sergei Belyakov, a department head at the Economic Development Ministry.

"Because of the confused procedures of gathering documents, which has taken up to three years, investors are faced with a choice — either spend a lot of time on assessments and agreements and give up investment in Russia, or begin construction and worry about the documents later. The second route became widespread, and IKEA is no exception," he said.

"Before, many began to build before getting permits, intentionally made violations and paid the fines so as not to delay construction," said Andrei Zakrevsky, senior vice president at Knight Frank. "If everyone followed the construction legislation, then there would not yet be any IKEAs or other big projects in Russia."

"The requirements are so contradictory that if you follow all the rules, then no project will be possible to build. It simply doesn't harmonize," said Maxim Gasiyev, chief executive of Colliers International — Russia. He added that the system of state regulation of the construction sector incites bribe taking.

No one asked by Vedomosti would go on the record to put a price tag on the amount of bribe taking in the sector. But the figures that were named were about the same: If a company builds without a permit, the kickback to officials for getting the right documents could reach 30 percent of the construction costs, and for connection to the electrical grid — 20 percent to 30 percent. "No one gives cash bribes. Everything is documented as social support, or part of the work is given to contractors indicated by local officials," said an executive at Management Development Group.

IKEA's experience may show that officials' bribe requests are nevertheless lower. In Yekaterinburg, the local administration in 2004 required that IKEA give 10 percent of the estimated cost of construction (\$150 million) to "voluntary funds" for the development of the city's infrastructure. The event was related on the web site of the former governor of the Sverdlovsk region, Eduard Rossel, whom IKEA manager Dan Shellgren complained about. Rossel then personally took control of the project, and the company didn't have to pay a dime.

Rusagro Postpones IPO

Last week, fertilizer maker UralChem delayed its \$642 million IPO.

Although the European IPO market is believed to remain open after a successful placement by Polish insurer PZU, the U.S. market for IPOs could be facing another chill just as it began to warm up.

Russian firms had plans to flood the domestic and international markets with bonds and share placements this year after a cash drought during the country's first recession in a decade.

"Many deals will be postponed due to the market conditions," said Andrei Sharonov, head of investment banking at Moscow brokerage Troika Dialog. "But there is still a big need this year for companies to conduct" offerings. Troika advised on IPOs last month for coal producer Kuzbass Fuel and Ukrainian egg producer Avangardco Investments Public Ltd.

Rusagro, controlled by lawmaker Vadim Moshkovich, had plans to raise about \$300 million through the listing, with around half the proceeds to go to the owner and another half reinvested in the firm.

“Moshkovich was probably concerned by unsuccessful IPOs by UralChem and Russian Sea, which fell short of demand,” Ilya Brodsky, vice president of the Specialized Research and Investment Group in Moscow, said before the cancellation.

State-run lender Sberbank, Rusagro’s largest creditor, told investors last week that it would buy as much as \$200 million of the sugar producer’s stock, or as much as 81 percent of the IPO. Sberbank managed the sale along with Credit Suisse Group AG, Renaissance Capital and Alfa Capital Markets. Sberbank spokesman Alexander Baziyan couldn’t immediately be reached for comment.

Rusagro accounted for 18 percent of Russian sugar production last year, according to the company. It has seven plants that can process either 30,000 metric tons of raw sugar beets or 5,350 tons of raw sugar cane a day.

Analysts have said Russian IPOs could exceed \$20 billion this year. RusAl, the world's biggest aluminum producer, raised \$2.2 billion in a January Hong Kong listing, followed by \$400 million by drugs distributor Protek and \$90 million by seafood firm Russian Sea.

Coal miner KTK and real estate company LSR Group had to cut volumes and prices in their secondary placements.

Discussion

The Moscow Times welcomes comments from our readers and encourages you to participate in creating a dialogue about modern-day politics, business and events in Russia. In order to post a comment, you must first be registered with our site, and all comments must adhere to our comments policy.

Brazil, Russia Seek To Boost Trade, Investment

During talks with Russian leaders, Lula is also expected to discuss Iran, where he will be heading after his Moscow visit.

Brazil, currently one of the 15 UN Security Council members, has publicly opposed a push by Western powers for new sanctions against Iran over its controversial nuclear program and has been seeking to help resolve the dispute through negotiations.

Medvedev said at a news conference with Lula that he expects the Brazilian president's mission will bear fruit.

"I very much hope that the mission of the president of Brazil will end successfully," Medvedev said. "This may be the last opportunity before adopting of certain measures within the UN Security Council."

Until recently, Russia has also been reluctant to discuss sanctions.

Social/ Humanitarian:

Entire town affected by Russian coal mine blasts

The population of the town and adjacent villages is around 80,000. The vast majority of residents work for one of three coal mining companies: Mezhdureche, Southern Kuzbass and Rospadskaya.

"In our town, everyone is connected in some way to the coal mining business. Either they work in the mines themselves or someone close to them does. The Rospadskaya tragedy has affected everyone," a resident said.

"Residents are calling each other to confirm the latest news about the disaster, checking lists of injured for names of friends and family. The disaster has been a real shock for everyone."

Shortly after the second blast the rescue operation was suspended amid fears of further explosions. Emergencies Minister Sergey Shoygu said the operation would resume "within the next few hours."

"There is always a chance of recovery. In Rostov region we recovered people alive after seven days," Shoygu told the victim's relatives, referring to a similar incident in the south of Russia.

He says ventilation work is still underway as methane levels in the shaft are still high.

"Now we need to do everything possible to prevent a further blast," he said.

Russian President Dimitry Medvedev has ordered the creation of a commission to mitigate the effects of the disaster and provide help to families of the dead and injured.

Thousands of Expo-2010 visitors receive St. George ribbons on V-Day

More than 55 million orange-and-black ribbons have been distributed across the globe since the campaign was first held in 2005.

Orange and black are the traditional colors of Soviet and Russian awards for achievements in combat. The black and orange stripes symbolize smoke and fire.

The visitors of the Russian pavilion were also able to watch a live broadcast of the military parade on Red Square, which was the largest since the collapse of the Soviet Union and involved over 10,000 military personnel, 150 pieces of military hardware and over 120 aircraft.

The 2010 World Expo is held in Shanghai from May 1 to October 31, 2010. Up to 70 million people are expected to visit the city for the event, which has seen investment of up to \$4 billion.

Russia constructed a pavilion at the exhibition for the first time in 30 years. The sun-shaped pavilion comprises 12 white-and-gold towers symbolizing the 12 months of the year, and occupies an area of 6,000 square meters.

It showcases Russia's recent scientific and economic development and offers a diverse cultural program.

VIDEO: Victory Day parade on Red Square

"The Great Victory teaches us to preserve peace...The duty of the modern generation is to prevent new global conflicts and apply all possible efforts to make good-heartedness, cooperation, and good neighborliness the only possible foundation of relations between countries," the Russian president said.

Medvedev expressed gratitude to WWII veterans for their heroism and enormous effort that preserved the freedom and the sovereignty of the Russian people.

Russia paid a tragic toll for its contribution to the victory over Nazi Germany.

Car Bomb Explosion In Southern Russia

The blast occurred in the town of Kaspiysk as Russia celebrated the 65th anniversary of the end of World War II.

Officials said one person in the car died in the explosion.

Daghestan, along with the other North Caucasus republics of Ingushetia and Chechnya, sees frequent attacks from Islamist militants who are seeking to break away from Moscow.

Russia, Ukraine to release unified history textbook by end of 2010

The release of the first unified Russian-Ukrainian textbook for history teachers is planned for the end of 2010, the Ukrainian education minister said at a RIA Novosti video link-up on Thursday.

"The textbook is being created for to the teachers who work with...secondary school pupils - to understand each other better," Dmitri Tabachnyk said.

The news came on the same day that Ukrainian President Viktor Yanukovich said the country should reach a national understanding over controversial historic figures.

He said the current authorities do not share the plans of the previous administration to make heroes of figures such as nationalist Stepan Bandera, a Nazi collaborator popular in the west of the country.

UPDATE: Russia plans to develop 5th-generation 'stealth' helicopters

Shibitov did not specify the characteristics of the helicopter, but said the company was going to spend some \$1 billion on the project, with more investment expected to be allocated from the state budget.

The official said the Mil design bureau had been working on a classical rotor model, which features a large main rotor and a smaller auxiliary rotor, while the Kamov design bureau had been developing a coaxial rotor model.

Military experts believe that the coaxial rotor model is more stable and easy to fly while the classical model is more reliable and has a higher degree of survivability on the battlefield.

First deputy head of the Russian Academy of Geopolitical Issues, Konstantin Sivkov, told the paper that fifth-generation combat helicopters have never been built before, although the United States has recently begun working on a similar project.

He said a fifth-generation combat helicopter must have a low radar signature, a high noise reduction, an extended flying range, be equipped with a computerized arms control system, be able to combat fighter jets (existing helicopters are generally only intended to hit ground-based targets) and reach a speed of up to 500-600 km/h (310-370 mph).

The project cannot proceed, however, unless it is backed by the government.

"If the government does not sign a contract, the idea will die on the vine," head of the Russian Academy of Geopolitical Issues Leonid Ivashov told Gazeta.

Ivashov said that with sufficient investment and good organization the new helicopter could be built within five years. Otherwise, the project may drag on for 20-30 years.

But he was somewhat skeptical about the chances of carrying out the project.

"We have been trying to tackle everything - fifth-generation planes, fifth-generation helicopters, but nothing of this have so far been supplied to the army - today the army still uses helicopters produced in 1970s," Ivashov said.

Russia's main combat helicopter, the Mi-24 Hind, is a third-generation helicopter, and a few Mi-28 Havoc, Ka-50 and Ka-52 Hokum, which have just started to arrive in the Russian army, are fourth-generation helicopters.

Russia ready to help reconcile China, Dalai Lama

Russia is ready to help settle the conflict between China and the Tibetan spiritual leader Dalai Lama, Foreign Minister Sergei Lavrov said on Thursday.

"We are following carefully what is happening between the leadership of China and the Dalai Lama and we know that the Chinese leadership is deeply committed to the Dalai Lama dissociating himself from any kind of political activity and separatist tendencies in regard to one or another territory in China," Lavrov said during a speech at the Federation Council, Russia's upper house of parliament.

Beijing accused the Nobel Peace Prize winner of orchestrating the March 2008 unrest in Tibet, which left 19 people dead and 623 injured, according to official Chinese reports. The Dalai Lama has denied the allegations.

Lavrov said that occasional attempts to politicize the Dalai Lama's role as a spiritual leader do not bring any desired results, including the development of ties between the Dalai Lama and Buddhists in Russia.

"If all the parties make attempts to separate clearly pastoral contacts from political associations, this would be a solution to the problem. We are ready to assist in this," Lavrov said.

There are some 700,000 followers of Buddhism in the Russian Federation, or about 0.5% of the total population.

China is repeatedly infuriated when world leaders meet with the Dalai Lama as China accuses him of heading a separatist group seeking independence for Tibet. China has always claimed Tibet as its territory and says it has autonomy.

In February, U.S. President Barack Obama received the Dalai Lama at the White House, which led to a souring of relations between Washington and Beijing.

Ma Zhaoxu, a spokesman for the Chinese Foreign Ministry, urged the United States to seriously take into account China's stance and stop "supporting anti-Chinese separatist forces."

Last October, the Dalai Lama received an award from the U.S. Congress in honor of his human rights work.

U.S. refuse include Caucasus Emirate into the 'list of terrorist organizations'

An interesting news has been reported from the US.

It is to be mentioned that recently the Russian media outlets have widely been reporting a statement by a member of one of the many formal Commissions in the US Congress,

who urged the US authorities "to include the Caucasus Emirate on the list of terrorist organizations".

The American edition meanwhile points -

"To be classified as an FTO, a group must

(1) be foreign,

(2) engage in terrorist activity,

(3) threaten the security of US nationals or the national security... of the United States, where national security includes defense, economic, and foreign-policy interests".

The third requirement is critical to a group's potential designation, since the first two conditions apply just about any group of thugs.

Next [National Review](#) writes -

"The Islamic Emirate of the Caucasus is essentially local, representing a response to regional tensions and long-simmering conflicts between Chechens (and other ethnicities in the Caucasus) and the Russian government.

The conflict in the region does date back hundreds of years, and includes such events as Imam Shamil's insurgency against the Russian empire in the 1830s and Stalin's deportation of Chechens in the 1940s.

Modern-day grievances, including those arising from the autocratic reign of pro-Moscow Chechen leader Ramzan Kadyrov (whom reports recently connected to the murder of a Chechen human-rights activist), also figure into this perception of the FTO". End quote.

It is to be mentioned that the list of US State Department is crucial for the countries of the world democracy. Those countries that do not adhere to this list, doing gag, such as Russia, where the totalitarian, anti-democratic regime of the KGB running and which included the Caucasus Emirate in its native, self-styled "list of terrorist organizations".

Russia to require drivers to keep headlights on at all times

The relevant decree, which aims to reduce a number of traffic accidents in the country, was signed by Prime Minister Vladimir Putin on May 10 and will come into force six months after it is published.

Previously, drivers were obliged to have their low beams switched on in daytime only while driving outside city limits.

Putin also signed on May 10 another amendment that says a driver "must slow down or stop before a pedestrian crossing" without a traffic light to allow a pedestrian to cross, rather than simply obliging the driver to give way to the pedestrian.

According to government statistics, 26,084 people died on Russia's roads last year, a 12.9% decrease on 2008.

Last year, President Dmitry Medvedev blamed the carnage on the poor state of the country's roads, as well as a "lack of discipline, and the criminal negligence of drivers."

Attack on police vehicle kills eight in Russia's ... - Xinhua News Agency

MOSCOW, May 13 (Xinhua) -- Eight policemen were killed and a number of others were injured when a police vehicle was blown up in an attack in the Dagestan region in Russia's North Caucasus Thursday, the Interfax news agency reported.

The blast happened in the Sergokala district of Dagestan, Interfax quoted a local police source as saying.

The vehicle was part of a convoy that was transporting up to 40 police officers, he said.

But the RIA Novosti news agency, which also cited a local police source, reported that a vehicle carrying workers to repair a television broadcast antenna was blown up.

It quoted the police source as saying that police officers were the intended target of the bombing.

"During the pursuit of the gang that attacked the TV relay tower, four police officers received minor injuries," the police officer said, adding that the information on casualties was being confirmed.

Slavic gay pride will defy unjust ban

Just over a week ago, the Belarusian leader was [sent a letter](#) asking him to authorise [Slavic gay pride](#) this coming weekend. So far, there has been no response.

Lukashenko's undemocratic rule has been marred by controversial elections, suppression of political opposition, prosecution of human rights activists and opposition figures, media control, and so on. To be honest, though, I don't feel that I'm in a dictatorship when I visit Minsk – the city gradually looks more and more like a European city with many bars, restaurants, casinos and a relaxed police presence. The gay community is no exception; any taxi driver will know where to drive you if you want to go to the local gay club.

But Belarus missed a unique chance to improve its reputation and upstage Russia by giving permission for the first ever gay pride march this coming Saturday. A similar event in Russia was [banned and dispersed](#) at the order of the homophobic mayor of Moscow, Yuri Luzhkov, a year ago.

Lukashenko, who once called himself an [Orthodox atheist](#), was not obliged to please the clerics who are against such events. All he had to do was overcome some of the old Soviet authoritarian thinking and he could have improved his country's image as well as benefiting Belarusian society and democracy-building. If only I had been able to talk to him when his car went past; I am sure I would have been able to persuade him to allow the gay pride march in Minsk.

Lukashenko is not alone. Opposition politicians also declined to support the LGBT community and Slavic gay pride. When in Brussels and Strasbourg they talk a lot about democracy and human rights, but back in Belarus there is scarcely a word of support for gay rights – even from pro-democracy politicians fighting against Lukashenko's regime.

Gay, lesbian, bisexual and transgender activists in Belarus are not seeking political power. Their aim is to achieve their basic civil rights, irrespective of the political regime. The Slavic gay pride movement was founded in Minsk in November 2008 at a time when hardly anyone spoke about LGBT rights in Belarus. Since then discussions are being had in the local newspapers, on internet sites, forums and blogs and between ordinary people. Generally, the reaction of these people is much more tolerant than in neighbouring Russia.

Even the official response of [Minsk city executive committee](#) banning the march was different. Warsaw, Riga, Moscow, Belgrade and Vilnius tried to ban the pride events of their local LGBT communities, citing security concerns and protection of morals. In the absence of any organised opposition to the event, Minsk authorities fell back on the absurd argument that the march was due to pass too close to underground pedestrian crossings and metro stations.

The organisers of Slavic gay pride had informed Minsk authorities about their intention to hold the event in early March and the reply only came a week before the scheduled date, without any alternative proposals and leaving no time for negotiations with the authorities.

Tomorrow dozens of gay, lesbian, bisexual and transgender Belarusians, alongside straight people, will go to the streets of Minsk to defy the ban and assert their [constitutional rights](#) to freedom of assembly and freedom of expression. They will show that they are against homophobia and discrimination.

They cannot expect protection from the [European court of human rights](#) because Belarus is still the only country in Europe which is not a member of the [Council of Europe](#). In contrast to [Vilnius](#) last Saturday, they will not be joined by dozens of foreign human rights activists. There will be no European parliamentarians taking part in the Slavic gay pride. There will probably be no foreign diplomats to observe the event. But they will be joined by a group of fellow Russian activists who face similar problems and who will come to show their solidarity. And, most importantly, they will have the courage and unstoppable will to live in freedom, respect and dignity. All of them know the risk they are taking, but they are ready to pay the price.

Slavic gay pride will be a celebration of courage and will remind us that [Harvey Milk's ideals](#) are still alive, and still inspire people all around the world to fight injustice and prejudice, even in hostile and suppressive conditions.

And I am sure that the day will come when a young guy, like the one who saw the motorcade of the "last European dictator", will call his mother to say that the gay parade is taking place on Independence Street in Minsk. The big rainbow flag Belarusian and Russian activists intend to fly over Minsk on Saturday will bring this day closer.

Moscow Deputy Mayor In Bribe Probe

MOSCOW -- The Russian Prosecutor-General's Investigative Committee has launched an investigation into alleged bribe taking by Moscow Deputy Mayor Aleksandr Ryabinin, RFE/RL's Russian Service reports.

The property in question was officially registered as owned by his daughter.

Russian Prisons To Be Opened To Muslim Imams

MOSCOW -- for Muslim prisoners in Russia. FSIN head Aleksandr Reimer said there are already 40 mosques and some 200 Muslim praying rooms in Russian prisons, most of them located in the republics of Tatarstan and Bashkortostan. But he said there is a need for more.

Reimer added that previously every prison worked with Muslim officials individually, but the new agreement allows for cooperation to be more regulated.

Reimer said at the signing ceremony that "although convicted people are stripped off their physical freedom for committing various crimes, there is still a need to care about their spiritual lives."

Mufti Gainutdin said that a similar type of agreement had been prepared in the 1990s but was never signed.

The Russian Orthodox Church has become increasingly more active in the country's prison system, causing some uneasiness among Muslim prisoners.

First Muslim Clothing Shop Opens In Russia's Yekaterinburg

May 14, 2010

YEKATERINBURG, Russia -- The first clothing shop geared toward Muslims has opened in the central Russian city of Yekaterinburg, RFE/RL's Tatar-Bashkir Service reports.

Akhmatova says she plans to hire more designers for her store if the demand for her clothes grows. She said in the future she will also stock clothes designed for Muslim men as well as bags and footwear in her shop.

Tatars, Bashkirs, and Kazakhs are some of the several Muslim minorities living in the Sverdlovsk Oblast in the Russia's Ural region, of which Yekaterinburg is the capital. It has a population of some 1.3 million people and is Russia's fifth-largest city.

As Russia releases Somalis, other "pirates" languish in jail

Columnist

MOSCOW, Russia — When the Moscow University, an oil tanker owned by the Russian government, sent out a distress signal from the Gulf of Aden early Wednesday, a rescue plan emerged like clockwork.

On Friday, citing imperfections in international maritime law, Russia released the Somali pirates to the near certainty that they will attempt to rob again.

International experts praised the Russian rescue mission. “It was a very well exercised operation,” said Peter Lehr, a piracy expert at the University of St Andrews.

Yet more than anything, Russia’s swift, crisp response to Wednesday’s attack stands in marked contrast to the chaos that surrounded the alleged [hijacking of the Arctic Sea](#), the Russian-crewed cargo ship that went missing in European waters in August, amid widespread claims that it was carrying illegal Russian arms to Iran.

“There are eight supposed pirates sitting in a Russian prison, and these, today, they just put them on a boat and let them go? It doesn’t make any sense,” said Omar Akhmedov, a lawyer who until recently represented Dmitry Savin, one of the eight men accused of piracy in the case of the Arctic Sea.

As Russia stood captivated by the Somali pirate incident, a Moscow court quietly began considering the cases of the eight men, ethnic Russians from Russia, Estonia and Latvia.

On Wednesday, two of the men — Savin and Andrei Lunev — took a plea bargain, proclaiming their guilt in exchange for reduced sentences. So with no examination of the evidence, or hearing of witnesses, Lunev was sentenced Friday to five years in prison. His lawyer was not present at the sentencing, Interfax reported.

Moscow’s Basmany court extended the detention of the remaining men until Aug. 18, said Elena Lebedeva-Romanova, a lawyer for another one of the accused. She said her client, Evgeny Moronov, is maintaining his right to silence — Russia’s version of pleading the fifth.

All the men, including Savin and Lunev, had proclaimed their innocence from the beginning.

Food, Environment and Energy Issue

Moscow victory day celebrations end with firework display

Victory celebrations in Moscow came to a grand close with a firework display lasting 15 minutes.

The display began at 22:00 Moscow Time (18:00 GMT.) The fireworks were set off from 16 locations around the city, two more than last year.

At 10:00 Moscow time (06:00 GMT) A military parade involving over 10,000 personnel, 150 tracked and wheeled military vehicles, and 127 aircraft and helicopters was launched on Red Square.

U.S., British, Polish and French troops took part in the parade for the first time in history.

After the parade, the foreign veterans laid flowers to the Tomb of the Unknown Soldier in Alexandrovsky Gardens near the Kremlin and attended a number of other events.

Individual celebrations were also held in cities across Russia. Over 102,000 military servicemen and about 200,000 World War II veterans took part in festivities.

Celebrations were also held in other former Soviet states and in many countries in Europe.

Victory day celebrations cancelled in West Siberian town due to mine explosions

Authorities in the west Siberian town of Mezhdurechensk have cancelled Victory Day celebrations because of two methane explosions in a nearby Rapsadskaya coal mine, which left at least 12 dead and 59 injured.

Russian Emergencies Minister Sergey Soygu has arrived at the mine to lead the rescue operation, which has been put on hold amid fears of further explosions.

The director of the rescue operation has said efforts to save those trapped in the mine will continue when the level of methane, which is hoped to be at around midnight local time [18.00 GMT].

Over 560 people are working at the disaster to restore the mine shafts and ventilation system and monitor gas emissions from the mine.

New generations must prevent global conflicts - Russian president

Russian President Dmitry Medvedev said on Sunday that young generations must prevent new global conflicts and work on ensuring peace and cooperation between countries.

Medvedev addressed the guests of an official reception at the Kremlin dedicated to the celebrations of the 65th anniversary of the Allied victory in the World War II, which is referred to in Russia as the Great Patriotic War.

Russia on guard against Tajik polio

Russian chief doctor Gennady Onishchenko said a nine-month girl in east Siberia's Irkutsk and an infant girl in Moscow are in satisfactory conditions.

The Russian Foreign Ministry also said that everyone entering the country from Tajikistan would be vaccinated against polio as hundreds of children of Russian servicemen live there.

"In a country where polio has not been registered for many years, even imported cases are really dangerous," Onishchenko said.

He said although adults have immunity they still can become transient carriers of the infection.

Polio, or infantile paralysis, is an acute viral infectious disease spread from person to person, primarily via the fecal-oral route.

Entire town affected by Russian coal mine blasts

The population of the town and adjacent villages is around 80,000. The vast majority of residents work for one of three coal mining companies: Mezhdureche, Southern Kuzbass and Rospadskaya.

"In our town, everyone is connected in some way to the coal mining business. Either they work in the mines themselves or someone close to them does. The Rospadskaya tragedy has affected everyone," a resident said.

"Residents are calling each other to confirm the latest news about the disaster, checking lists of injured for names of friends and family. The disaster has been a real shock for everyone."

Shortly after the second blast the rescue operation was suspended amid fears of further explosions. Emergencies Minister Sergey Shoygu said the operation would resume "within the next few hours."

"There is always a chance of recovery. In Rostov region we recovered people alive after seven days," Shoygu told the victim's relatives, referring to a similar incident in the south of Russia.

He says ventilation work is still underway as methane levels in the shaft are still high.

"Now we need to do everything possible to prevent a further blast," he said.

Russian President Dmitry Medvedev has ordered the creation of a commission to mitigate the effects of the disaster and provide help to families of the dead and injured.

Geo-strategic:

Syria urges Russia to help denuclearize Middle East – Ynetnews

President Dmitry Medvedev began the first visit by a Russian head of state to [Syria](#), seeking to revive the once thriving partnership between the Soviet-era allies.

Medvedev was greeted at the presidential palace on Monday with full pomp and ceremony before going straight into talks with [President Bashar Assad](#) ahead of an official dinner, Syrian state television reported. The two leaders are due to meet again on Tuesday before giving a joint news conference.

Medvedev, speaking alongside his host, said he hoped "to develop the political dialogue and economic and cultural cooperation" between the two nations.

He voiced confidence "in the capacity of the two countries to resolve international and regional problems."

Earlier in an interview with a Syrian daily, Medvedev called Damascus "one of the most important political centers of the Middle East" and urged the two countries to develop economic ties, particularly in the hi-tech sector.

Russia seeks to promote itself as a major power in the Middle East and wants to revive ties with old allies with whom relations weakened after the 1991 disintegration of the Soviet Union.

Assad for his part urged Moscow to help in efforts to denuclearize the Middle East and hailed the "great efforts undertaken by Russia for the peace process."

"Syria backs efforts for the non-proliferation of arms and strategic weapons in the Middle East," Assad said, according to the Sana news agency.

Urging Russia to "contribute to help make the Middle East a denuclearized zone," Assad also underscored the need for "a diplomatic solution to the Iranian nuclear program," held in suspicion by the West.

Europe and the United States have long accused [Iran](#) of seeking to develop nuclear weapons under the guise of its civilian nuclear energy program, a charge Tehran denies.

Assad rejected any "military adventure (in Iran over its nuclear program) as it will have catastrophic consequences in the region and the whole world."

Before leaving Moscow, Medvedev, who is accompanied by a high-powered delegation focused on the military, described Damascus as a key political player in the Middle East.

Russian Cabinet approves joint customs code with Kazakhstan, Belarus

The Russian Cabinet resolution also approved a raft of amendments to the code agreed in April.

The Customs Union started work on January 1 with the introduction of a unified customs tariff. The Customs Code is due to come into effect on July 1 and the countries plan to form a common economic space in January 2012.

Russia estimates the customs union will boost economic growth in the three ex-Soviet countries, increasing their GDP by 14-15% by 2015.

Contract on Turkey nuclear plant nearly ready - Russian deputy PM

A contract on the construction by Russian specialists of Turkey's first nuclear power plant will be signed in the near future, a Russian deputy prime minister said Friday.

"A construction contract, which will take all the details into account, will be signed in the near future and then construction will begin," Igor Sechin told a Cabinet meeting.

"The first two reactors must be built in seven years," he said. Russian specialists plan to build four nuclear reactors in the country, each with a capacity of 1.2 GW.

The nuclear power plant is expected to be built near the Mediterranean port of Mersin in the Akkuyu area and put into operation in 2016-2019.

"In the months preceding the president's visit to Turkey, all the details and nuances of this work were coordinated. We established in this agreement economic conditions for operating the plant...that satisfied both the Russian and the Turkish parties," Sechin said.