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Weekly Report on *Russia*

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Article Review # 124

Containing Russia

Authors:

Tymoshenko, Yuliya

The article discusses the Russian growing economy and life standard improved, in early nineties. But here in the article it is also discussed that the government was weakened by internal corruption and state sponsored censorship of the press. Here the significant role of Vladimir Putin whose bring in coordination the Russian politics, and centralize government power within the Kremlin. The article discusses the treatment of Russia by Western countries after its economic

collapse in the early 1990s, Russia's possible imperialistic plans, and the impact of high oil prices on the Russian economy, and the importance of Russian oil pipelines.

Summary of the Report:

Political:

United Russia Calls Out Kudrin

Russia will need more than 12 million immigrants in the next 20 years to offset a demographic decline “unless major, unforeseen changes occur in the structure of the main population groups,” the World Bank said in a March 24 report. The working population will shrink by between 800,000 and 1.1 million people a year until 2013, the government said in June.

Cyprus Hunts for 'Russian Spy' Who Fled

Police also examined surveillance video from crossing points on the war-divided island, fearing that the suspect may have slipped into the breakaway north of the island, a diplomatic no-mans-land recognized only by Turkey.

Pirates seize 12 sailors off Nigeria

Commodore David Nabaida, Nigerian Navy spokesman told the news agency that the crew consisted of German, Latvian, Lithuanian, Russian and Ukrainian sailors

Belarus officially confirms ratifying Customs Union Code

The Customs Union formally came into existence on January 1, 2010. Russia and Kazakhstan have already ratified the customs code but Belarus dragged its feet on the ratification.

PACE fails to reach consensus over Russia-Georgia dossier

Russia recognized the independence of the two republics following the five-day war in August 2008, which started when Georgia attacked South Ossetia in an attempt to bring it back under central control.

Long-Term Plan Drafted for Caucasus

In addition, the gap between rich and poor and the region's technological backwardness "will grow, and the business climate will not improve," the strategy paper warns, according to the magazine.

U.S. Judge Orders 3 'Russian Spies' Held

Only one of the 10 suspects in U.S. custody has been granted release pending trial. But Vicky Pelaez, a columnist for the New York Spanish-language daily El Diario, is to be placed under house arrest and court monitoring in New York.

Despite Arrests, Working to Rebuild Russia Ties

Mr. Obama's administration said Wednesday that it would not expel Russian diplomats and it expressed no indignation that its putative partner was spying on it. Mr. Obama's plan is to largely ignore the issue publicly, leaving it to diplomats and investigators to handle, while he moves on to what he sees as more important matters.

Suspect Disappears in Cyprus

Late Wednesday, a police spokesman told the Cyprus state news agency that the suspect, Christopher Metsos, 54, had failed to report as required to a precinct in the island's southwest, where he had been apprehended. The police obtained a warrant for his arrest and a manhunt was under way.

Freedom House Gives Another Boring Report. Russia Yawns

Another report prepared by Freedom House said that the year 2009 was the gloomiest year for the Russian democracy during the recent decade. As a matter of fact, there is nothing new in the report. The only new thing is lower points for democracy in Russia. If Freedom House runs out of its points, how is it going to assess the condition of the Russian society then?

[Russia Today: How the Russian sole can save the American empire](#)

Another report prepared by Freedom House said that the year 2009 was the gloomiest year for the Russian democracy during the recent decade. As a matter of fact, there is nothing new in the report. The only new thing is lower points for democracy in Russia. If Freedom House runs out of its points, how is it going to assess the condition of the Russian society then?

Economic:

Belarus Maneuvers Ahead of Customs Union

Belarus raised the transit fees for Russian oil products through its territory on Thursday, in a move seen as last-minute maneuvering ahead of its accession to a customs union with Russia and Kazakhstan. Belarus has so far refused to publicly ratify a Unified Customs Code, even as the new rules went into effect on Thursday, because it had been holding out for Russian concessions on canceling its oil export duties

Russian Firms May Borrow up to \$2.5Bln in Bonds

Sberbank sold \$1 billion of five-year debt Wednesday, while VEB sold the same amount in 10-year notes Thursday, according to two people with knowledge of the sale.

Central Bank Ditches Collateral-Free Loans

Auctions for collateral-free loans longer than five weeks will be stopped from Oct. 1, and the stoppage will be extended to all maturities as of Jan. 1, 2011.

Kiev asks Russia, EU to build new gas pipeline across Ukraine territory

Ukraine has proposed that Russia and the European Union build a new gas pipeline across its territory to increase Russian gas transit to Europe, President Viktor Yanukovich said on Friday.

Russia's accession to WTO, OEDC to promote democracy - U.S. report

President Medvedev has admitted Russia still has problems with the protection of intellectual property rights, a major impediment to WTO accession, but says tackling this issue is a priority for the Russian government.

No golf, no international financial center - Moscow mayor

Luzhkov said authorities need to create a comfortable atmosphere for people coming to an international financial center, which means a place for sports including tennis, bowling, golf and other entertainment need to be set out in the city

Russian, Bulgarian prime ministers discuss economic cooperation

The two leaders also agreed that Russian First Deputy Prime Minister Viktor Zubkov will visit Bulgaria on July 6, to conduct detailed negotiations on these issues.

Belarus Maneuvers Ahead of Customs Union

Belarus has so far refused to publicly ratify a Unified Customs Code, even as the new rules went into effect on Thursday, because it had been holding out for Russian concessions on canceling its oil export duties.

Russia's Long-Awaited WTO Membership Drawing Near

Russia has been trying to become a WTO member since 1993, and finally, some specific dates have been announced. President Dmitry Medvedev and his American counterpart, Barack Obama agreed that the preparations for Russia's entry into the World Trade Organization (WTO) must be completed before 30 September of this year, *ITAR-TASS* reports.

Social:

Man committed suicide with a self-made guillotine

The blade was made of a piece of iron and made heavier with bottles of water tied to it. Repin fixed in just below the ceiling and cut the rope holding it himself.

What I like about you: what keeps foreigners in Russia?

Dalton somewhat echoed that view, describing the streets of the Russia's "northern capital" as "electrified" with energy day and night.

"Everywhere you turn in St. Petersburg there is something happening," he said. "There is such energy in the air – electrified is the best way I can describe it – people are not sitting in their bedrooms chatting with their friends over Facebook or Twitter. They still gather in groups and hammer out ideas, and this seems extremely healthy from my point of view."

Russia's porn wars gain momentum

This means that the Ministry may have again stepped on its own toes, renewing the debate on how to distinguish pornography from erotica, notes observers. The State Duma has been grappling with the distinction since 2008, when the government began cracking down on distribution of pornography

Medvedev concerned by falling population in Russia's Far East

He also said that 6.5 million people lived in the Far East Federal District as of January 1, and that 5,000 of these had already left – a tendency that Medvedev described as "extremely difficult" and complicating the work of social-economic systems.

Russian State Duma passes total drink driving ban

In general, the bill envisions that punishments for violations registered by video cameras will be milder than for those registered by traffic police officers. For example, Gryzlov said Wednesday, if the violation amounts to between 1,500 to 3,000 rubles [\$48 to \$96], and it is registered by a video camera, the fine will be 1,500 rubles

Zero-Tolerance Bill on Alcohol and Driving Approved

The bill approved Friday specifies that drivers whose bodies produce alcohol naturally — what sometimes happens during certain metabolism dysfunctions — will need to carry a special medical certificate.

Food/ Energy & Environment:

No Killing Sheep in Courtyards: Moscow Readies Etiquette Guide for Foreigners

City Hall is collaborating with diasporas and scientists to create the "Muscovite's Code," a list of nonbinding behavior guidelines to be presented to every foreigner who moves to Moscow. Representatives of diasporas contacted by The Moscow Times were cautiously optimistic about the project, which they said may help new migrants integrate, but they warned that it must not infringe on their rights to follow their traditions.

Geo-strategic:

Iran Says Sanctions Don't Ban Russian Missiles

Iran's parliamentary Speaker Ali Larijani said the contract for delivery of the powerful S-300 air defense missiles to Iran was concluded before the UN Security Council approved new sanctions last month. Last month, the Russian government said the new UN sanctions prevent Russia from delivering S-300 missiles to Iran.

Russia may lose billions for breaching missile contract with Iran

The S-300 contract is worth some \$800 million, while Russian experts estimate the penalty for breach of contract at \$400 million. Furthermore, Iran could refuse to buy any more military products from Russia, leading to an estimated loss of \$300 million to \$500 million a year.

Russia to expand world's largest training ground in Siberia

The bill approved Friday specifies that drivers whose bodies produce alcohol naturally — what sometimes happens during certain metabolism dysfunctions — will need to carry a special medical certificate.

Two Russian ships leave Far East to participate in S. Korean drills

Two Russian vessels from the Russian Far Eastern regions of Primorye and Sakhalin left the port of Vladivostok early on Sunday to take part in anti-terrorist and rescue exercises in South Korea.

The Russian FSB patrol ship Herluf Bidstrup with a Ka-27 helicopter on board and the Boug Coast Guard ship will take part in a joint exercise on July 7 in the Sea of Japan to train anti-piracy, anti-smuggling, and anti-terror efforts near the Mukho harbor in South Korea's Donghae City.

Cyber:

In Cyber Era, Human Factor Keeps Spies at Work

Some experts say lack of U.S. diplomatic representation in Iraq in the 1990s deprived Washington of human sources that could have helped it avert an intelligence failure in 2003 when the U.S.-led invasion was justified by what turned out to be wrong information about weapons of mass destruction.

Detail of the Report:

Political Issues:

United Russia Calls Out Kudrin

Finance Minister [Alexei Kudrin](#)'s proposal to raise the retirement age is an attack on the United Russia party that Prime Minister [Vladimir Putin](#) chairs, a senior party official said Thursday.

"Kudrin, with fatal insistence, is advocating increasing the pension age," said [Andrei Isayev](#), the party's first deputy secretary of the presidium, according to comments posted on the United Russia web site. "He is making an active play against the party, causing the electorate's outrage."

The government must raise the pension age to maintain "respectable" levels of compensation for retirees, Kudrin said June 29. The age should be raised "gradually," and the government must make the decision within five years, he said.

The number of working adults will equal that of pensioners by 2030, Kudrin said. There are 128 working adults for every 100 pensioners in the country today, he told the St. Petersburg International Economic Forum last month. Russia's demographic problem is "worse than in other countries," he said.

United Russia disagrees with Kudrin's proposal, which would have "unacceptable moral consequences," Isayev said. The age at which Russians can retire shouldn't be increased until the average life expectancy goes up, he said.

Life expectancy reached 61.8 years for men and 74.2 years for women in Russia, according to the State Statistics Service. The retirement age is 60 years for men and 55 years for women.

Cyprus Hunts for 'Russian Spy' Who Fled

NICOSIA, Cyprus — Red-faced authorities in Cyprus searched airports, ports and yacht marinas on Thursday in a hunt for a suspected Russian spy-ring paymaster who vanished after being allowed to walk free on bail.

Justice Minister Loucas Louca admitted that a judge's decision to release [Christopher Robert Metsos](#) "may have been mistaken" but said authorities were examining leads on his possible whereabouts.

"We have some information, and we hope that we will arrest him soon," Louca told reporters Thursday, without elaborating.

Metsos, 54, is wanted in the United States on charges that he supplied money to the spy ring that operated under deep cover in U.S. suburbs. Ten other spy suspects were arrested in the United States on Sunday, and nine of them faced bail hearings Thursday. A Boston judge granted two of them, [Donald Heathfield](#) and his wife, [Tracey Lee Ann Foley](#), of Cambridge, Massachusetts, a delay until July 16 to give their new lawyers time to prepare.

Metsos' disappearance is a major embarrassment to Cyprus. The eastern Mediterranean island favored by tourists used to be a hotbed of Cold War intrigue, as spies converged at the crossroads of three continents — Europe, Africa and Asia. Authorities have promised to do everything possible to find the suspect who claimed that he was a tourist traveling on a Canadian passport.

Metsos was arrested Tuesday in Cyprus on an Interpol warrant while waiting to board a flight for Budapest, Hungary, but a Cypriot judge freed him on 27,000 euros (\$33,000) bail. Metsos failed to appear Wednesday for a required meeting with police, igniting the manhunt.

Police spokesman Michalis Katsounotos said there were "no indications yet" that Metsos had left the internationally recognized south of the island — and said "the nagging question of why he was released on bail is best posed to the court, not the police."

The American ambassador to Cyprus, Frank Urbancic, held an hour-long meeting with Cypriot President Dimitris Christofias on Thursday, but a government spokesman insisted that the United States had made no formal complaint.

"The investigation is in the hands of the Cypriot government," a U.S. Embassy spokesman said when asked whether the United States had contacted authorities in northern Cyprus about the fugitive.

The U.S. Justice Department expressed disappointment Thursday. "As we had feared, having been given unnecessarily the chance to flee," Christopher Metsos "did so," said Dean Boyd, a spokesman for the department's national security division.

"We're disappointed that Christopher Metsos was released on bail," he said.

Cyprus was split into an internationally recognized Greek Cypriot south and a breakaway Turkish Cypriot north in 1974 when Turkey invaded in response to a coup by supporters of unification with Greece.

Turkey is bound by Interpol warrants, but northern Cyprus is not and also has no extradition treaties with other countries. Its only air links are to Turkey, but it has ferries that run to Turkey, Lebanon and Syria.

In 1993, businessman Asil Nadir jumped bail and fled Britain for northern Cyprus, where he still resides.

Metsos, however, might feel more at home in the south, where tens of thousands of Russian residents own mansions and offshore accounts, read Russian-language newspapers and send their children to Russian schools.

Cyprus is a top gateway of foreign investment into Russia and is a popular destination for Russian capital because of low taxes. Cypriot firms have been used as holding companies

to avoid taxation in Russia. In recent years, Cyprus took steps to open up bank records so that Russian authorities could track tax dodgers.

The political links are tight, too. President Christofias is the only communist head of state in the European Union, and earned a doctorate in history in Russia and speaks the language. Cyprus authorities are also trying to make it easier to issue travel visas to Russian citizens, and cultural ties extend to the religious: Russians recently inaugurated a large Orthodox church.

Katsounotos said Metsos arrived on the island June 17, Cypriot authorities received the Interpol arrest warrant June 25, and he was arrested four days later.

A Turkish Interior Ministry official said Thursday that he had no information about any search warrant for Metsos, but if one were issued, Turkish police at airports and ports would be on the lookout for him. He spoke on his department's customary condition of anonymity.

Turkey's Mediterranean coast is some 1,540 kilometers long, making it difficult to control, but Turkish authorities frequently intercept illegal migrants trying to sneak in.

About 25 flights take off daily from northern Cyprus to more than a half-dozen Turkish cities.

The island lies in the far eastern end of the Mediterranean Sea, a mere 70 kilometers from the southern coast of Turkey, about 175 kilometers from Syria and 235 kilometers from Lebanon.

Crossings between northern and southern Cyprus were forbidden until 2003, when both authorities relaxed restrictions. But police on the two sides of the island have no formal cooperation deals, making it easier for smugglers and fugitives to operate.

"As long as occupation continues and we have this situation with the crossing points, there is a string of problems the government is trying to deal with through all legal means," government spokesman Stefanos Stefanou said.

In other notable spy episodes on Cyprus, the stepfather of famous psychic Uri Geller ran a hotel in the mid-1950s that was a front for Israel's Mossad spy agency, and Geller ran errands for agents.

More recently, former CIA agent [Harold James Nicholson](#) — now in prison for espionage — recruited his 24-year-old son Nathaniel to meet Russian agents in cities around the world from 2006 to 2008 to squeeze more money out of them. One of those cities was the Cypriot capital, Nicosia.

Pirates seize 12 sailors off Nigeria

Nigerian pirates have kidnapped 12 sailors, there are Russians among them, Associated Press reported on Saturday.

Local pirates have attacked two cargo ships off the coast of Nigeria's southern delta. One crew member was injured in time of a struggle that broke out during the attack.

Commodore David Nabaida, Nigerian Navy spokesman told the news agency that the crew consisted of German, Latvian, Lithuanian, Russian and Ukrainian sailors.

Belarus officially confirms ratifying Customs Union Code

Belarus has ratified all documents concerning the Customs Union with Russia and Kazakhstan, Belarusian President Alexander Lukashenko said on Saturday.

"We have ratified all the treaties and agreements concerning the Customs Union. I must say that we did not lag behind... Russia or Kazakhstan in the Customs Union," he said.

Two sources said on Wednesday that the Belarusian parliament had ratified the customs code but the official confirmation came only today.

PACE fails to reach consensus over Russia-Georgia dossier

The Parliamentary Assembly of the Council of Europe has not yet reached a consensus on the Russian-Georgian dossier, the Assembly's President Mevlut Cavusoglu said on Friday.

The dossier was one of the main issues on the agenda at the recently-held PACE summer session.

"The chairman of the [PACE] monitoring commission is currently working on the Russian-Georgian issue," Cavusoglu said.

PACE has discussed reports on the consequences of the August 2008 Russian-Georgian war at least five times since October 2008, when the assembly asked Russia to reverse its recognition of the former Georgian republics of Abkhazia and South Ossetia, but did not support radical proposals to deprive Russia of the right to vote.

Both Russia and Georgia are being monitored by PACE to ensure their compliance with commitments under the French-brokered ceasefire agreements.

Long-Term Plan Drafted for Caucasus

A draft of a Kremlin policy plan for the North Caucasus warns that terrorism and ethnic tension will haunt the restive region for years to come without a major injection of investment, media reports said.

A long-term development strategy for the North Caucasus will be unveiled this week when Prime Minister [Vladimir Putin](#)'s ruling United Russia party meets in the region, his spokesman said.

A 150-page draft of the development blueprint says that even if all existing programs are successful, without additional investment "ethnic tension and terrorism will remain the region's distinguishing feature," Russian Newsweek reported Friday.

It cited the document as saying the "optimal scenario" — in which the regional economy nearly triples in size and wages more than double — would require investments to "flow like a river" after a period of careful preparation over the next two years.

The blueprint proposes major investment until 2025 in banking, small businesses, ski tourism and technology, according to Russian Newsweek and Vedomosti, which said they had obtained copies.

The plan was prepared by Medvedev's envoy to the North Caucasus, [Alexander Khloponin](#), whose spokeswoman Natalya Platonova said Friday that substantial changes had been made to the document cited by the media.

Putin's spokesman, Dmitry Peskov, said the version cited in the media "partially corresponds" to the document submitted to the government by the Regional Development Ministry.

United Russia is to meet this week in Nalchik, capital of the Kabardino-Balkaria republic.

U.S. Judge Orders 3 'Russian Spies' Held

ALEXANDRIA, Va. — A U.S. judge on Friday ordered three suspects accused of being spies for Russia in the United States to be held pending trial, in a case that has renewed political tensions between Moscow and Washington.

In Virginia, U.S. District Judge [Theresa Buchanan](#) issued the order after the three suspects agreed to waive their right to a hearing to consider release pending trial. The judge set a preliminary hearing on the charges for Wednesday.

Two of the suspects, known as [Michael Zottoli](#) and [Patricia Mills](#), were living as a couple in a suburb of Washington. After being arrested, they revealed their real names as [Mikhail Kutzik](#) and [Natalya Pereverzeva](#) and said they were from Russia, according to a letter prosecutors filed with the court.

A third suspect, [Mikhail Semenko](#), also waived a detention hearing. Prosecutors said he was in the United States using his real name.

The three said little during the 10-minute hearing. Pereverzeva looked somewhat bewildered by the proceedings, and at one point Kutzik cracked a brief smile.

Prosecutors argued that the suspects were too much of a flight risk to be released on bail, pointing to the vast resources Russia could expend to help them flee and to the disappearance of an 11th suspect who is believed to have fled Cyprus after being released from custody on bail.

FBI agents, who tracked the spy ring for at least a decade, swooped in to arrest 10 of the 11 suspects on June 27 after realizing that one was about to flee the country.

Prosecutors said the accused spies spent years in the United States quietly collecting information and trying to meet Americans with political ties.

While Washington and Moscow have pledged that the case will not damage ties, Prime Minister [Vladimir Putin](#) last week accused U.S. authorities of going "out of control" as they pursued the long-running case.

That said, Moscow has acknowledged that the suspects are Russian citizens. U.S. prosecutors stopped short of accusing them of espionage — seeking classified information — but charged them with being unregistered agents of a foreign government.

The United States and Russia have been working to repair strained ties, including trying to reach agreements on how to deal with Iran's and North Korea's nuclear programs.

New York prosecutors said one of the detained suspects, who went by the name [Juan Lazaro](#) and was apparently married to Pelaez, admitted during questioning to using a false name and was a Russian native despite claiming to be Uruguayan.

They also said the case extended beyond the 11 suspects and there were "a lot of Russian government agents in this country who are actively participating in this conspiracy." Prosecutors said they plan to seek an indictment in the next few days.

[Christopher Metsos](#), the 11th suspect who is believed to have been in charge of paying the accused spies, was detained in Cyprus. But he disappeared after jumping bail, clearing out his apartment except for a pair of slippers.

Prosecutors have said Metsos drove to rural New York in 2004, burying money he had received from a Russian government official in a brown beer bottle.

Two years later, Kutzik and Pereverzeva flew from Seattle, dug up the money and then traveled to Washington, where Kutzik apparently divided the money in a hotel room, prosecutors say.

Despite Arrests, Working to Rebuild Russia Ties

WASHINGTON — They doffed their jackets and bonded over burgers, talking about everything from trade and geopolitics to their families. Everything, that is, except the spies that the government of one had hidden in a house just a few miles away and that the government of the other was about to arrest.

The roundup of a suspected Russian spy ring did more than disrupt a years-old deep-cover operation inside the United States — it cast a shadow over [President Obama](#)'s effort to transform the relationship between the two countries. The timing of the arrests, coming barely 72 hours after President [Dmitri A. Medvedev](#)'s White House visit, frustrated Mr. Obama's team. But as prosecutors assemble their case, Mr. Obama has resolved not to let the ghosts of the 20th century get in the way of his goals in the 21st.

“We would like to get to the point where there is just so much trust and cooperation between the United States and [Russia](#) that nobody would think of turning to intelligence means to find out things that they couldn’t find out in other channels,” Philip Gordon, the assistant secretary of state in charge of Russia, told reporters. “We’re apparently not there yet. I don’t think anyone in this room is shocked to have discovered that.”

But the spy scandal could embolden critics who argue that Mr. Obama has been overly optimistic about his capacity to reset a relationship freighted by longstanding suspicion and clashing interests. The episode could complicate Mr. Obama’s efforts to persuade the Senate to approve the new arms control treaty he negotiated with Mr. Medvedev.

“It ought to reset our rosy view of Russia and remind us that Russia is not a trustworthy ally,” Senator [Christopher S. Bond](#) of Missouri, the ranking Republican on the Senate intelligence committee, said in an interview. Harking back to [Ronald Reagan](#)’s approach, Mr. Bond said: “We have to deal with them. But wasn’t there a great president who said, ‘Trust but verify’?”

Even if Mr. Obama can assuage doubts on the treaty, the scandal has underscored the limits of the new relationship.

“The spy scandal is unlikely to derail the reset because both sides have too much invested in the success of the current agenda,” said Angela E. Stent, a former National Intelligence Council official now at [Georgetown University](#). “But it is a cautionary reminder that the U.S.-Russian relationship remains a selective partnership where cold war legacies persist.”

Part of the problem for Mr. Obama is that his desire to redefine the relationship has been misinterpreted as an effort to redefine Russia itself, said [Samuel Charap](#), a scholar at the Center for American Progress, a liberal research organization close to the White House. “It’s a reminder that yes, Russia is still Russia and Putin is still Putin,” he said of the spy case, referring to Prime Minister [Vladimir V. Putin](#), a former K.G.B. colonel. “None of that is Obama’s fault. The intention was never to reset Russia.”

It should come as little surprise, of course, that the two countries still spy on each other two decades after the end of the cold war. Even close allies like Israel have been caught spying here. Recent history shows that Washington and Moscow have been able to get past such moments when they were determined to pursue other agendas.

[George W. Bush](#) faced such a challenge at the start of his presidency with the arrest of [Robert Hanssen](#), a longtime [F.B.I.](#) agent caught working for Russia. Mr. Bush kicked out 50 Russian diplomats and Moscow did the same to 50 American diplomats. But three months later, he met Mr. Putin, then president, and declared that he had seen the soul of a partner he could work with.

This case should be easier to overcome without tit-for-tat expulsions because the suspected spy ring did not seem to achieve any serious breach of national security. As [Leon Aron](#), a Russian expert at the [American Enterprise Institute](#), the conservative research organization, noted: “The relationship survived Aldrich Ames and Robert Hanssen. That was serious stuff and everybody rolled with the punches.”

Russian leaders appear interested in playing down the situation. Although Moscow initially called the charges “baseless,” the Foreign Ministry later took that statement off its Web site and confirmed that the suspects were Russian citizens. Mr. Putin said the American authorities had gotten out of control in making the arrests, but then minimized it by saying relations “will not suffer.” Much of the Russian commentary suggested that the arrests were an effort by dark forces in the American government to undermine Mr. Obama’s reset policy.

In a telephone call between Sergei Prikhodko, Mr. Medvedev’s foreign policy adviser, and Gen. [James L. Jones](#), Mr. Obama’s national security adviser, the Russian emphasized that Moscow wanted to resolve the issue without jeopardizing positive changes in the relationship, people briefed on the call said.

“The timing of this was obviously a bit awkward,” coming just after Mr. Medvedev’s visit, said Andrew C. Kuchins, a Russia scholar at the [Center for Strategic and International Studies](#). But, he said, “we have a fair amount of history of delinking spy scandals from the rest of Russia policy.”

Suspect Disappears in Cyprus

ATHENS — The 11th suspect in the Russian spy ring case has disappeared on the Mediterranean island of Cyprus, where he was arrested but released on bail Tuesday.

Mr. Metsos, who is accused of being the spy ring’s paymaster, was arrested early Tuesday at the airport in the southern city of Larnaca as he was about to fly to Budapest.

In a move that dismayed American law enforcement authorities, a local court ordered his release on bail of around \$25,000 on the condition that he surrender his passport while arrangements were made for his extradition to the United States.

Freedom House Gives Another Boring Report. Russia Yawns

Another report prepared by Freedom House said that the year 2009 was the gloomiest year for the Russian democracy during the recent decade. As a matter of fact, there is nothing new in the report. The only new thing is lower points for democracy in Russia. If Freedom House runs out of its points, how is it going to assess the condition of the Russian society then?

Freedom House published its regular report about democracy and human rights titled “Nations in Transit.” The report is dedicated to the countries of Eastern Europe and the former USSR. The organization uses seven criteria for its assessments, each criteria is then calculated into a rating between one and seven - one (1) being the highest and seven (7) the lowest. The criteria are as follows: the election process, the civil society, independent mass media, state democratic administration, local democratic administration, independence of the legal system and corruption.

Russia Today: How the Russian sole can save the American empire

The US-based watchdog organization believes that the situation with democracy in Russia is close to the worst possible variant. According to the report, Russia received 6.14 points in 2009, which is 0.03 points higher than in 2008.

Freedom House has run out of some of its points. It gave Russia 6.75 points for the election process in 2009, 6.50 – for state administration and corruption, and 6.25 – for independent media.

We have to say here that Freedom House has not published one single report during the recent decade, which would point out positive changes in Russia. US human rights activists persistently state from year to year that the situation with human rights and democratic freedoms in Russia gets worse and worse. As a result, the situation in Russia in 2009 turns out to be the most terrible one of all 29 countries indicated in the report.

Analyzing such biased reports is already considered bad form in Russia. There is absolutely no objectivity in such reports. They pursue solely political goals, although they can hardly be successful at this point. Even ardent critiques of the Russian authorities do not treat assessments from Freedom House as reliable arguments.

Freedom House’s estimations of Russia are based on opinions of Russian human rights activists who have strong ties with the United States. As a matter of fact, they were simply translated into English without any critical approach.

For example, the most recent report says a lot about regional elections in October 2009, which received one of the lowest points. Nothing has been said about the fact that the statements about supposed falsifications were unfounded: only several cases are pending at courts.

Freedom House makes people treat its reports with skepticism, to put it mildly. One may easily guess that it will give low marks to Russia next year too.

Economic Issues:

Belarus Maneuvers Ahead of Customs Union

Belarus increased transit fees on oil products 12.7 percent to \$1.6 a metric ton per 100 kilometers starting from July 1, the country's Economic Ministry said, RIA-Novosti reported..

By hiking the transit fees, Belarus may be trying to extract some form of compensation as it now sees no hope of getting Russia to cancel the oil export duties, said Tatyana Stanovaya, a politician with the Center of Political Technologies.

Stanovaya said the issue was a matter of principal for Moscow, while Belarus had to save face and fill a budget gap that has appeared because of its inability to re-export oil at a profit.

The transit fee increase is the second one this year, coming after a 4.4 percent hike on Jan. 1.

Belarus said Wednesday that whether or not it joins the customs union depended on Russia's position on oil product duties. Minsk has said it will announce its final decision by July 5.

The conflict over oil duties has been a sticking point in Russian-Belarusian relations. Some have speculated that Belarus' refusal to pay higher prices for Russian gas — a move that led Gazprom to reduce gas to the country for three days earlier this month — was an attempt to get Moscow to renege on its oil tariff position.

But while hiking the transit fees may have allowed Belarus to save face, it is unlikely to do much to close their budget gap, said Nikolai Petrov, a political scientist at the Carnegie Moscow Center.

Russia and Belarus are likely to hold closed-door talks on the customs union, and their results may be announced at the Eurasian Economic Community summit in Astana on July 5, Petrov said.

Prime Minister [Vladimir Putin](#) said Thursday that Russia still expected to see Belarus as part of the customs union.

"I think it's important for us to start work in the trilateral format with the active participation of our Belarussian partners. Russia is counting on such a full-fledged mutually beneficial cooperation," he said at a meeting of the presidium, according to a transcript on the government web site.

First Deputy Prime Minister [Igor Shuvalov](#) said at the meeting that Russia was "in daily contact with our Belarussian colleagues."

Despite Belarus' high-profile waffling, a decision may have already been made.

Media reports cited sources in the parliament saying the Belarussian parliament had already secretly ratified the Unified Customs Code at a closed-door session late Wednesday.

A spokesman for the Belarussian parliament said he could neither confirm nor deny the information, since the press service hadn't received any official position on the issue.

Ratifying the Customs Code wasn't included in the agenda of the parliament's meeting on Wednesday, he told *The Moscow Times*.

Russian Firms May Borrow up to \$2.5Bln in Bonds

Russian companies, led by [Sberbank](#) and [Vneshekonombank](#), are borrowing as much as \$2.5 billion in the international bond market for the first time in two years.

The sales reflect increasing confidence in the economy, as growth accelerates in the second half of the year.

"The overall story in Russia is that loan books are growing quicker than may be expected," said Robert Whichello, a co-head of the global syndicate business in London at BNP Paribas, France's biggest bank. "We've got a period of relative calm, and issuers are looking to take advantage of that," he said.

[TransCreditBank](#) may sell up to \$500 million of five-year debt, the company's president said. The total is the most for a week since June 2008, according to data compiled by Bloomberg.

Central Bank Ditches Collateral-Free Loans

The Central Bank said Thursday that it would scrap collateral-free loans by the end of the year, continuing the unwinding of emergency support for the banking sector as the economy recovers.

"Now, at a time of stabilization in the domestic financial markets and, in particular, a normalization of the banking liquidity situation, demand for this instrument has fallen sharply," the Central Bank said.

The halt of collateral-free lending will thus "not have a negative effect on the functioning of the banking sector as a whole and will not create additional risks for the stability of lending organizations," it said.

The move was expected. Central Bank First Deputy Chairman [Alexei Ulyukayev](#) said Tuesday that the loans — introduced in fall 2008, to see banks through the worst of the economic crisis and global credit crunch — would likely be eliminated by the end of this year.

With Russia's economy and financial markets stabilizing, the Central Bank wants to reduce exposure to the risky tool and has already tightened the rules this year, making about 60 banks no longer eligible for such funding.

A revival in the domestic money market — where a rallying ruble and ample liquidity has pushed down three-month Mosprime rates to levels not seen since 2006 — has helped dampen banks' appetite for the relatively expensive collateral-free loans.

Currently, banks owe the Central Bank just 50 billion rubles (\$1.6 billion) in such loans — down sharply from a peak of over 1.9 trillion rubles in February 2009.

The biggest debtor is [International Industrial Bank](#), a top-30 lender controlled by Russian mining and shipping magnate [Sergei Pugachyov](#).

Also known as [MezhPromBank](#), IIB is currently in talks with the Central Bank over the restructuring of its collateral-free debt into another, collateralized instrument.

[Kiev asks Russia, EU to build new gas pipeline across Ukraine territory](#)

Ukraine has proposed that Russia and the European Union build a new gas pipeline across its territory to increase Russian gas transit to Europe, President Viktor Yanukovich said on Friday.

"As far as the gas transportation system is concerned, we have our own concept, which we proposed to our partners in the EU and Russia. This concept envisions the establishment of a joint EU-Russian-Ukrainian company to build a gas pipeline across Ukrainian territory, which would ensure extra gas transit to Europe," Yanukovich said at a news conference.

[Russia's accession to WTO, OEDC to promote democracy - U.S. report](#)

Russia's admission to the World Trade Organization and the Organization for Economic Development and Cooperation will help to improve democracy in the country, the U.S. Department of State said.

"The United States supports Russia's integration in multilateral organizations, such as the WTO and the Organization for Economic Cooperation and Development, which will promote rule of law, enhanced corporate good governance and transparency, and the push for greater adherence to international norms of democratic governance," the department said in its report 'Advancing Freedom and Democracy.'

Russia has been in negotiations for WTO membership for over 16 years and is the only major economy outside of the global trade body.

U.S. President Barack Obama [reaffirmed last month the United States' support of Russia's bid to join the global trade body.](#)

"I reaffirm our strong commitment to Russia's ascension to the World Trade Organization," Obama said during a joint news conference with Russian President Dmitry Medvedev in Washington.

No golf, no international financial center - Moscow mayor

An international financial center in Moscow is impossible without golf, Moscow Mayor Yury Luzhkov said during an interview with local TVC television on Tuesday.

"If there's no golf, then there won't be an international financial center," Luzhkov joked during the interview.

"I've had to stop playing football because I injured my leg recently, but I do play tennis and golf. My doctors also said I could continue my favorite sport - downhill skiing," Luzhkov, 73, said.

He also said that individual hobbies should bring use to society.

"I'm glad I enjoy beekeeping, I don't do a lot, but I help the Russian Beekeepers Union set up [bee and honey] fairs. Bees are the most useful insects in the world," he said.

[Russian, Bulgarian prime ministers discuss economic cooperation](#)

The Russian and Bulgarian heads of government, Vladimir Putin and Boiko Borisov, on Friday discussed bilateral trade and energy projects during a telephone conversation.

A spokesman for Putin said they had discussed the South Stream gas pipeline project and the nuclear power plant project in Belene.

The two leaders also agreed that Russian First Deputy Prime Minister Viktor Zubkov will visit Bulgaria on July 6, to conduct detailed negotiations on these issues.

Belarus Maneuvers Ahead of Customs Union

Belarus raised the transit fees for Russian oil products through its territory on Thursday, in a move seen as last-minute maneuvering ahead of its accession to a customs union with Russia and Kazakhstan.

Belarus increased transit fees on oil products 12.7 percent to \$1.6 a metric ton per 100 kilometers starting from July 1, the country's Economic Ministry said, RIA-Novosti reported.

By hiking the transit fees, Belarus may be trying to extract some form of compensation as it now sees no hope of getting Russia to cancel the oil export duties, said Tatyana Stanovaya, a politician with the Center of Political Technologies.

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Russia's Long-Awaited WTO Membership Drawing Near

The date of Russia joining the World Trade Organization (WTO) is getting closer. President Dmitry Medvedev and his American counterpart, Barack Obama, agreed that all consultations on outstanding issues should be completed no later than September 30 of this year. Relevant decisions were adopted at the meeting of the two presidents in Washington.

Medvedev's visit to the United States ended with a meeting with Barack Obama. They discussed economic cooperation and, in particular, Russia's entry into the WTO. After the negotiations the two leaders talked at a joint press conference, *RIA Novosti* reports.

"Recently we have taken good steps towards building trust between our countries. We have taken steps designed to create more stable relationship. We have, to some extent, made our world a safer place. But so far we have not done the same to change our bilateral economic relations. And this visit is basically aimed at achieving these goals. We are ready for it and our U.S. partners are ready as well," Medvedev said.

Mostly the negotiations were devoted to the economic issues and, above all, such complicated topics as the Russian Federation's membership in the WTO.

"I am confident that cooperation in the area of high technology can be mutually beneficial, including the new projects created in the Russian Federation ... We hope that our American partners will take an active part in this project. Yesterday's negotiations in Silicon Valley, as well as the economic forum held in St. Petersburg, along with the decision of major companies to come to Russia with such investments are an inspiration and show that we are able to negotiate not only with regard to missiles and the most complex issues on the international agenda," continued the president of Russia.

"Today we really agreed upon a common approach," the Russian President said. "The point is that there are virtually no substantial issues. We have advanced on all fronts, starting with cryptography and intellectual property, and ending with the state structures and some other topics, such as synchronized changes in Russian legislation as we join the WTO. There are no problems here."

"I am pleased that we set the timeframe so that we do not lose improvements that we made in the relations with President Barack Obama and not dilute WTO talks in endless discussions about the fate of chickens and pig trimming," Medvedev said.

Social / humanitarian:

Man committed suicide with a self-made guillotine

47 year old engineer Albert Repin from Moscow region made the device out of improvised materials and executed himself.

His parents say he did it because of a divorce several years ago, Life News reported.

That day Repin, who lived with his parents since the divorce, was making something in his room all evening. The parents started worrying when he did not come out of it in the morning. They broke the door and found him dead in the guillotine.

What I like about you: what keeps foreigners in Russia?

The Motherland may be suffering from runaway inflation, alcoholism, strangling red tape and a host of other afflictions, but this hasn't stopped foreigners from queuing up for their Russian visas.

Russia got in my blood and now I'm infected," admits Tony Dalton, an accountant with a western company based in St. Petersburg. *"It's the last place on Earth where I imagined myself calling home, but here I am,"* he says with a laugh.

Dalton represents a small but dedicated number of foreign "expats" who originally came to Russia on a "temporary basis," only to find themselves still slogging away years later.

Sam Gerrans is Director of International Projects in a strategic communications agency and has called Russia home for 13 years.

Gerrans, who speaks fluent Russian, says that Russia's atmosphere of "lively social interaction" is one of his main reasons for staying here.

"Russians haven't lost the art of conversation," he said. *"They don't mind a heated debate. It's okay to disagree here, to take original positions on things."*

"This is a generalization, but in the West overall – and certainly in the UK – people don't want to offend each other or be seen to go off the reservation of what they think other people will find acceptable," Gerrans says.

"People in the West tend to self-censure and stick to unremarkable views on "safe" subjects."

miss being stuck in traffic jams," Hardisty says, *"I can always flag a "gypsy cab" for a few hundred rubles to get to my destination."*

Although the ongoing financial crisis has forced some expats to flee Russia for greener fields, many have decided to renew their Russian visas for reasons that sometimes go beyond the purely pecuniary.

“Russian women are simply gorgeous,” says Tim Hall, an IT specialist from Seattle, Washington who lost his job in January. *“I’ve been across Europe and I must say that I never expected anything like this.”*

Hall, who took advantage of his sudden unemployment to “grab his backpack and hike Europe,” admits that his perceptions of Russia were totally misguided.

“I can see now that our media has a very single-minded way of presenting this part of the world to audiences back home,” Hall told me over beers at the American Bar & Grill in the center of Moscow. *“I actually loaded up on canned food and water before I departed from Paris,”* Hall admitted with a laugh, *“because I thought I would have problems finding stuff here.”*

Instead, Hall is experiencing a different sort of dilemma since he unwittingly stumbled upon his “Russian soul mate.”

“Look, starting another relationship was definitely not what I had in mind when I ventured on this trip,” he says, with something close to despair in his voice. *“But suddenly, there she was, and now I really don’t know what the (expletive) to do.”*

Hall said he may be forced to extend his present one-month tourist visa for a three-month visa since “things have taken an unexpected turn.”

“She’s from some place called Ufa,” Hall says with a shrug. *“I never dreamt in a million years that a gorgeous girl could come from a place called 'Ufa.' And now she wants me to meet her parents. I really don’t know what to do.”*

What about those provincial outskirts?

Okay, so it is pretty much understood that life in the big Russian cities, like St. Petersburg and Moscow, is looking up, but what about those easily forgotten provincial towns? How are they doing?

Here is an email sent to the RT offices by one Mike Buchan who has been residing in the city of Ufa (no relation to the gentleman mentioned above whose girlfriend hails from the same city):

“I first came to Togliatti in December 2000 and stayed until June 2002,” Buchan writes, *“and I loved that small city! I then returned to Russia in April 2003 to Ufa and have lived here since.”*

Here's what he has to say about Ufa: *“Within a 15-minute walk, we have three supermarkets, one special Indian spice shop, 20 of the best cafes and bistros, 10 international restaurants, two concert halls, two movie houses that show 14 different films, two drama theaters, five major universities and a night club that is rated as one of the best of all eastern Europe.”*

Buchan, who had no kind words for the Russian capital, also mentioned a new IKEA store going up next to a Metro 'big box' on the outskirts of Ufa.

So judging by this one letter, expats are not only attracted to the super gravitational pull of Russia's two leading metropolises, St. Pete's and Moscow.

Russia's porn wars gain momentum

The Ministry of Culture has forbidden distribution of movies that use sexually explicit language in their titles. Film producers, however, argue that the term is too vague.

The order comes a month after the Ministry [released a list of erotic films](#) it had passed for distribution. Many of the films had very vulgar and sometimes plainly pornographic titles.

However, film producers, mass media and officials responsible for film licensing say that the Ministry has not specified which words and phrases count as sexually explicit, which may confuse those involved in the process of distribution.

Medvedev concerned by falling population in Russia's Far East

Russian President Dmitry Medvedev on Saturday expressed concern over the demographic situation in Russia's Far East.

"In the last 20 years the population in the Far East has shrunk by a quarter," he said during a visit to the Amur Region, adding that the area was sparsely populated even before the start of the decline.

The president also pointed out that falling population numbers made it harder to exploit natural resources and as a result the region was in need of both Russian and foreign specialists.

However he said that systems for attracting such specialists to the Far East "have not yet been created."

["We need foreign specialists... across Russia](#) and here in the Far East as in this region new production capacities are being introduced," he said.

He also added that Russia needed to create a "civilized labor market and to ensure the rights of all who legally work in Russia as well as simultaneously battle against illegal immigration."

U.S. praises Russian President Medvedev's anti-corruption measures

The United States supports efforts made by Russian President Dmitry Medvedev in the fight against corruption in Russia, the U.S. Department of State said.

Medvedev [signed in April a bill on the creation of a national anti-corruption program for 2010-2011](#), aimed at eliminating corruption, including among top officials.

"President Medvedev has made anti-corruption efforts one of the priorities for his administration. President Medvedev has declared that Russia cannot compete with other

countries on the world stage unless it stems and reverses the tide of corruption in Russian society, from the top governmental level to ordinary societal interactions," the department said in its report *Advancing Freedom and Democracy*.

The Berlin-based non-governmental anti-corruption organization Transparency International has persistently rated Russia one of the most corrupt nations in the world. In the 2009 Corruption Perception Index, Russia was ranked 146th of 180, below countries like Togo, Pakistan and Libya. The United States was ranked 19th.

A total of 4,500 corruption cases were brought to court in the first half of 2009 in Russia, with 532 public officials and 700 law enforcers convicted.

Russian State Duma passes total drink driving ban

The State Duma, the lower house of Russia's parliament, on Friday passed in its third reading a bill on a complete alcohol ban for drivers.

State Duma speaker Boris Gryzlov said Wednesday a law was adopted a few years ago that allowed drivers to get behind the wheel with a small content of alcohol in their blood, adding that legislators had since decided to enforce a blanket ban on drink driving. Gryzlov said tougher punishments for drink driving, used in the past few years, which included the suspension of drivers' licenses as well as up to 15 days in jail, had been effective as in the first five months of 2010, "the number of car accidents caused by drink drivers decreased by 11% and the number of those killed in such accidents dropped 35%."

The Duma also passed on the third reading a bill on traffic violations.

He added that if a camera registers an offense which is punishable by the suspension of a driver's license, for example passing vehicles using the oncoming lane where it is prohibited, then the offender will be fined 5,000 rubles (\$160) instead.

But an amendment has been added to the bill envisioning that people making illegal U-turns will from now on be punished by the suspension of their driver's licenses for up to 6 months.

If a camera registers such U-turns, offenders will pay 5,000 rubles (\$160). Previously, such offenders had to pay up to 1,500 rubles (\$48) in a fine and their licenses were not suspended.

Punishment will also be increased for some other minor offenses.

The bills are yet to be approved by the Federation Council - the upper house of parliament - and the president.

Zero-Tolerance Bill on Alcohol and Driving Approved

Two years after the State Duma allowed drivers to have a bottle of beer before getting behind the wheel, deputies passed in a third and final reading on Friday a zero-tolerance bill on drinking and driving.

The reversal was initiated by President [Dmitry Medvedev](#), who said last December that, seeing how Russians drink, they should not be allowed any alcohol before driving.

"They start with a shot, then another one, then two, three, and then they think they can still drive," Medvedev said.

In 2008, the Duma approved a bill setting a limit of 0.0003 percent alcohol in the blood of a driver, or allowing a driver to down roughly a bottle of beer, a glass of wine or a shot of vodka.

Last year, 2,217 people died in traffic accidents caused by drunk driving in Russia, according to the traffic police.

The zero-tolerance bill must now be approved by the Federation Council before it can be sent to Medvedev to be signed into law.

Food/ Energy & Environment:

No Killing Sheep in Courtyards: Moscow Readies Etiquette Guide for Foreigners

Moscow authorities are preparing an etiquette handbook for foreigners that advises them to speak in Russian, not to walk around the city in national attire and to avoid slaughtering sheep in the courtyard of their apartment building..

"There are unwritten rules that residents of our city are obliged to follow, such as not slaughtering sheep in the backyard, not grilling shashliks on the balcony, not walking around the city in national attire, and speaking in Russian," [Mikhail Solomentsev](#), head of City Hall's committee for interregional cooperation and national policy, [told Rossiiskaya Gazeta](#).

"Now we want to develop a code to speed up the integration of migrants who take up permanent residency in Moscow," Solomentsev said in an interview published Wednesday.

"We have asked Moscow diasporas themselves to draft the rules. We'll study their suggestions and consult with scientists to create the 'Muscovite's Code,' so to speak. When a person moves to Moscow, he will receive a book from his countrymen to tell him what is acceptable here and what is not," he said.

Solomentsev first announced plans for the "Muscovite's Code" in 2008, but the idea was put on the back burner.

It is a rare sight to see foreigners walking around Moscow in national costume, and sheep slaughtering is unheard of, except at special locations during Islamic holidays.

Yulia Vaidakova, a spokeswoman for Solomentsev, said Wednesday that she could not disclose any additional details at the moment.

But Ekho Moskvyy radio reported Wednesday that [the code might be completed](#) by early next year.

Gavkhar Dzhurayeva, head of the Migration and Law Center, praised the call for dialogue but said “the absurdization” of the discussion might result in serious matters, such as the proper treatment of migrants, being dropped in favor of more controversial issues.

“The idea of a common code for everyone is great, but it must not be reduced to a false intrigue such as dress style, eating habits and behavior patterns,” said Dzhurayeva, who is the former head of the Tajikistan Foundation.

Eldar Guliyev, executive director of the All-Russian Azeri Congress, said people who move to a big city from a village — which includes Russian citizens as well as foreigners — really require help in integrating, but the new norms should be “delicate.”

“Rules are needed, but they must not be something the officials can use against a person’s rights,” he said.

Solomentsev said the handbook would preserve Moscow’s way of life.

“Moscow’s lifestyle is based on Russian culture and centuries-old traditions, and everyone moving to the city must reckon with this,” Solomentsev said.

But he added that Muscovites are “a community that is bigger than a nationality because it is a tangle of various cultures.”

Solomentsev also said the city has more migrant workers than it needs.

Geo-strategic:

Iran Says Sanctions Don't Ban Russian Missiles

DAMASCUS, Syria — A senior Iranian official said Thursday that new UN sanctions do not ban Russia from delivering sophisticated air defense missiles to Iran as agreed under a 2007 contract, countering the Russian stance.

"It is an old contract, therefore it has nothing to do with the ... resolution. Moreover, it is a defensive weapon," Larijani told reporters on a visit to Damascus.

Speaking to reporters in Damascus on Thursday, Larijani denied any tension between Iran and Russia but added that there were some "fluctuations" in Russia's position toward Iran.

Russia supported a fourth round of UN sanctions imposed last month to curtail Iran's nuclear program, because of concerns that it is developing weapons. Iran insists that its nuclear development program is for peaceful goals.

But Russia criticized additional U.S. and EU sanctions against Iran, hitting more than three dozen additional companies and individuals. Russia said the West went too far with additional penalties.

Israel and the United States have long urged Russia not to give Iran the powerful ground-to-air missile system. Russia signed a deal to sell the missiles in 2007 but delayed their delivery even before the latest sanctions were approved.

The truck-mounted S-300 missiles can target aircraft, low-flying cruise missiles and ballistic missiles, according to weapons experts.

Larijani said Thursday at the news conference in Damascus that the new UN sanctions would affect his country "very little."

Russia may lose billions for breaching missile contract with Iran

Russia's refusal to deliver S-300 surface-to-air missile systems to Iran means Tehran could turn to China as its main arms supplier, depriving Moscow of a serious source of revenue, a Russian daily suggested on Wednesday.

Moscow said in mid-June it would freeze the delivery of S-300 air-defense systems following a new round of [UN sanctions imposed on Tehran](#) on June 9. Security Council Resolution 1929 imposed a fourth set of sanctions on Iran over its nuclear program, including tougher financial controls and an expanded arms embargo.

According to Nezavisimaya Gazeta, Russia's losses will amount to the value of the contract plus penalties for breach of contract.

In another indication of a trend that should be worrying to Moscow, experts pointed to Iran's decision to effectively end cooperation with Russia in the civil aviation sector.

Earlier in June, Iran banned its airlines from using Russian-built Tu-154 airliners on domestic and international routes. In addition, there have been reports of the imminent deportation of Russian pilots because the Islamic Republic already has "enough qualified flight personnel."

Iranian Defense Minister Ahmad Vahidi warned on June 22 that Russia would be responsible for the consequences of its failure to deliver S-300 surface-to-air missile systems to Iran.

Russia initially said the delivery of S-300 systems to Iran would not be affected by the new UN sanctions since they are not included in the UN Register of Conventional Arms, but experts from the Federal Service for Military and Technical Cooperation concluded the missiles did come under the new set of sanctions.

A Kremlin source echoed that opinion on June 11, while Foreign Minister Sergei Lavrov said it was up to the president to make the final decision.

Moscow signed a contract on supplying Iran with at least five S-300 systems in December 2005, but nothing has been delivered. The United States and Israel have urged Russia not to fulfill the contract.

The advanced version of the S-300 missile system, called S-300PMU1, has a range of over 150 kilometers (over 100 miles) and can intercept ballistic missiles and aircraft at low and high altitudes, making it effective in warding off airstrikes.

Russia to expand world's largest training ground in Siberia

World's largest Telemba military training ground located in Siberia will be expanded within the recent time so that it to host tests of S-400 long-range missile defense systems, Col. Sergei Kuryshkin, Telemba's chief said on Saturday.

The bill approved Friday specifies that drivers whose bodies produce alcohol naturally — what sometimes happens during certain metabolism dysfunctions — will need to carry a special medical certificate.

"We currently coordinate transferring of additional... parcel of land to the tanning ground with Buryat Republic leadership," Kuryshkin said, adding that the length of the parcel is 160 kilometers and its width is 70 kilometers.

Kurryshkin said the training ground would be used to for S-400 long-range missile defense systems tests as well as for other prospective missile defense systems.

Two Russian ships leave Far East to participate in S. Korean drills

Two Russian vessels from the Russian Far Eastern regions of Primorye and Sakhalin left the port of Vladivostok early on Sunday to take part in anti-terrorist and rescue exercises in South Korea.

The Russian FSB patrol ship Herluf Bidstrup with a Ka-27 helicopter on board and the Boug Coast Guard ship will take part in a joint exercise on July 7 in the Sea of Japan to train anti-piracy, anti-smuggling, and anti-terror efforts near the Mukho harbor in South Korea's Donghae City.

"Two Russian and three South Korean ships, two helicopters from the Russian FSB and South Korean National Marine Police Agency, two boats and a group of special forces from both sides will participate in the drills," the regional Russian Federal Security Service (FSB) border guards department spokesman said.

The participants will train how to cooperate in combating against illegal activities at sea, such as searching for, trailing and detaining a ship seized by terrorists, disarming criminals and freeing hostages, as well as rescuing people at sea and extinguishing fires on board caused by a bomb blast.

The drills will be held during the Russian Coast Guard's visit to South Korea on July 6-9. The Russian delegation will be led by the head of the FSB's Coast Guard department, Col. Gen. Viktor Trufanov.

Cyber News:

In Cyber Era, Human Factor Keeps Spies at Work

04 July 2010

Reuters

LONDON — How can intelligence services justify human spies in the cyber age, when hacking can also pierce a foe's defenses, and at a fraction of the cost and time?

The answer is — pretty easily, although the question is an understandable one amid a Russia-U.S. spy furore whose human dimension has provided soap opera-style fodder for the media.

It's an issue of particular relevance for countries seeking to target the military and industrial secrets of the United States, an open society that has a strongly competitive media and sometimes leak-prone governments.

"Doesn't the Kremlin understand that even with the [U.S. President Barack] Obama administration, you can figure that out from the Op-Ed pages of The Wall Street Journal," former CIA officer Robert Baer wrote in Time magazine. "Wouldn't it have been a lot cheaper for Moscow to open an Amazon account and start buying up memoirs written by former CIA operatives?"

Even in the age of 24-hour media, Facebook and LinkedIn, human spies can do things hackers cannot, like spotting human frailties and wrongdoing that people can and do keep private.

"The human angle can be really valuable and should not be underestimated," said Charles Crawford, a former British diplomat who served in Moscow. "The whole point of intelligence is to discover weaknesses and then exploit them."

After all, traditional human spycraft was the method that enabled spies in Britain, the United States and Canada, such as Klaus Fuchs, to give the Soviet Union details on U.S. nuclear weapons design in World War II and the early Cold War.

On its web site, Britain's MI5 security service estimates that at least 20 foreign services are operating to some degree against Britain, with the Russians and Chinese of most concern.

While intelligence officers often use the latest technology to eavesdrop, tap telephone calls and communicate secretly, MI5 says, "the human relationship between an intelligence officer and his or her agents remains a key element of espionage."

Increasingly, secrets sought by intelligence services are commercial, dealing with communications technologies, IT, genetics, aviation, lasers, optics and electronics, MI5 says.

Analysts suspect that the role of at least some of the purported group of long-term penetration agents or sleepers was to identify people inside government to be blackmailed or bribed to inform. Such a task would require outgoing, sociable people good at making contacts — online and face to face — and patience and generous funding on the part of their bosses at home.

In those terms, the intent behind the purported operation looks serious and professional, notwithstanding the fact that it was eventually detected by the FBI and the evidence of lapses in spycraft detailed in the court papers, experts say.

"The right human agent in the right place gives you something that no one else can give you," said Richard Aldrich, a historian of intelligence.

Experts say hacking and electronic signal interception can paint a reliable portrait of events at a given moment. But human sources can give you a foe's private intention. Knowing what a cabinet decides within a day of it meeting can give a hostile intelligence service several days, weeks, even months notice of what the government in question will do.

"If you recruit an administrative assistant for someone who is part of Obama's inner cabinet, that's the dream recruitment," Aldrich said.

By definition, those sources are rare.

"In any decade there are maybe just three or four agents that really pay the wages of a service, whether you are CIA, MI6 or SVR [Russia's Foreign

Intelligence Service], " he said.

The better the agent, the more challenging the handling tends to be. Output of high-grade information prompts bosses to want more of it, and more frequently.

But more frequent contact with a handler increases the risk of exposure, suggest security experts Fred Burton and Ben West of the Stratfor strategic forecasting consultancy.

They raise the possibility that a Russian intelligence officer, Sergei Tretyakov, may have been the source who tipped off Washington to the purported spy ring when he defected in 2000. If that turns out to be so, it would simply underline the importance of the human factor in espionage.

Sometimes, like in the latest case, intelligence services are accused of using "illegals," people with no official cover, thus less conspicuous but not protected by diplomatic immunity.

In a 2007 interview with the California Literary Review, Alexander Kouzminov, a former officer of the KGB and its successor SVR in the 1980s and early 1990s, said he worked in a section handling illegals. He suggested timelines were long. "We prepared our 'illegals' for work in target countries for a period normally of 15 to 20 years or even more," he told the Review. "While 'illegals' will work in target countries for 15-20 years, our agents — citizens of target countries — continued to work with the SVR all of their lives."

