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Summary of the Report

Political Issues:

Russia Slams Georgia Over Ethnic Cleansing Claims - All Headline News

Russia and Georgia on Monday appeared before an international tribunal to discuss whether the court could hear Tblisi's allegations that Moscow mistreated thousands of

ethnic Georgians that resulted in the displacement of nearly 300,000 people in South Ossetia and Abkhazia over the last two decades.

NATO not against Russian military base in Armenia – envoy

NATO does not object to the presence of a Russian military base in Armenia, the alliance's special representative for the Caucasus and Central Asia said on Wednesday.

"Armenia is a CSTO [Collective Security Treaty Organization] member and Russia's strategic partner," Robert Simmons told journalists in Yerevan. "The presence of the Russian base on Armenia's territory accounts for this factor."

Global Policy Forum in Yaroslavl: Russia seeks answers to crucial questions on democracy

The Global Policy Forum in Yaroslavl, attended by the heads of Russia and South Korea, as well as the Italian prime minister, has managed, in quite a curious way, to reinforce the conclusions made a few days ago by several Valdai Discussion Club members who toured a number of Russian regions and met with Prime Minister Vladimir Putin. Incidentally, some of the Valdai participants also attended the public meetings in Yaroslavl and President Dmitry Medvedev's meeting with political analysts.

Russia using software piracy laws to muzzle dissent - DAILY KOS

Across Russia, the security services have carried out dozens of similar raids against outspoken advocacy groups or opposition newspapers in recent years. Security officials say the inquiries reflect their concern about software piracy, which is rampant in Russia. Yet they rarely if ever carry out raids against advocacy groups or news organizations that back the government.

Russian opposition establishes coalition for elections – source

Russia's opposition parties and movements are establishing a coalition for the 2011 parliamentary elections and want to nominate a single candidate for the 2012 presidential elections, a source in the coalition said.

Over 300 questioned in Polish probe of president's plane crash

The lower chamber of the Russian parliament, the State Duma, will consider a bill to ban heads of Russian regions from referring to themselves as "presidents." The vast majority of regional leaders are known as governors, but 21 of Russia's republics have presidents. The North Caucasus republic of North Ossetia was the first to scrap the presidential title in May 2005.

Corker Backs Republican Resolution in Senate on Russia Nuclear Arms Treaty

Polish military prosecutors have questioned more than 300 witnesses during their investigation into the April plane crash in western Russia that killed Poland's president, the country's attorney general said on Sunday. Poland's PAP news agency reported that Andrzej Seremet said the evidence gathered in the case already ran to 62 volumes of documents.

Corker Backs Republican Resolution in Senate on Russia Nuclear Arms Treaty

Senator Bob Corker, a senior Republican on the Senate Foreign Relations Committee, said he will support sending a nuclear arms-reduction treaty to the full Senate under conditions that address his party's questions about the pact with Russia. Corker, of Tennessee, is among Republicans who have questioned whether the treaty limited the ability of the U.S. to fully develop defenses against missiles and whether President Barack Obama's plans to maintain the effectiveness of the nation's nuclear weapons complex are sufficient.

Economic Issues:

Putin to Offer Biggest Yield Premium in 2 Months: Russia Credit – BusinessWeek

Russia is offering the largest yield premium on federal bonds in almost two months to lure investors concerned inflation will quicken and to finance its budget gap. The Finance Ministry will auction 35 billion rubles (\$1.1 billion) of federal bonds, known as OFZs, due in July 2015 priced to yield as much as 7.30 percent today, according to a statement yesterday. The 9 basis point premium over the 7.21 percent market yield on OFZs due July 15, 2015 is the most since the government sold notes due June 2011 at 11 basis points higher than the market rate on July 28, central bank data show.

Gazprombank attracts \$900 mln 3-year syndicated loan

Gazprombank, one of Russia's five largest banks, has attracted a \$900 million three-year syndicated loan at LIBOR +2.50%, the Gazprom-controlled bank reported Tuesday.

UniCredit sees two-digit Russia growth – Reuters

UniCredit's Russian unit, ranked among the country's ten biggest lenders, believes the sector is coming back to pre-crisis levels of profitability this year after massive losses in the financial crisis-hit 2009. UniCredit made a net profit of 6.7 billion roubles (\$216.8 million) in 2009, outperforming state-run rivals like VTB (VTBR.MM), which suffered a \$2 billion net loss on provisions for bad debt.

Russia's Sberbank Jan-Aug net climbs to \$2.9 bln

The state-run heavyweight, which earned only 7.4 billion roubles in January-August 2009, has said it hopes to earn at least 100 billion roubles in 2010.

Russia's EN+ says aims to double annual coal output in 3-5 yrs

Russia's En+ Group aims to double its coal reserves in 3-5 years to 2 billion tonnes and double annual coal output to 25-30 million tonnes per year within the same timeframe, the company's head of strategy said on Wednesday.

Social & Humanitarian:

Suicide bomber kills 17 in southern Russia - Fort Wayne Journal Gazette

Russian Prime Minister Vladimir Putin blamed extremists "without souls, without hearts" for a suicide car bombing that killed 17 people Thursday in the crowded central market of a city in the North Caucasus.

Sock of US, Gavrilova of Russia win US Open junior championships - San Francisco Examiner

It's been quite a couple of weeks at the U.S. Open for 17-year-old high school senior Jack Sock. He got a chance to practice with stars such as Roger Federer and Novak Djokovic. He played in the main draw of a Grand Slam tournament for the first time. Ah, yes, and don't forget this: Sock won the U.S. Open boys' title Sunday, beating Denis Kudla 3-6, 6-2, 6-2 in the first all-American junior final at Flushing Meadows in a decade.

Clashes leave 10 dead in Russia's N. Caucasus - Philadelphia Daily News

Clashes between police and alleged extremists left 10 more people dead Friday in Russia's North Caucasus region, even as stunned residents laid flowers in a square where a suicide car bombing killed 17 people and wounded more than 140 a day earlier. Thursday's bombing near the central market of Vladikavkaz, the capital of the North Ossetia republic, was the most serious attack in Russia since the March subway bombings in Moscow that killed 40 people.

Almost as good as gold: U.S. slams Russia - Pueblo Chieftain

Chauncey Billups made the promise. Kevin Durant made sure it was kept. And by beating Russia on Thursday, the Americans brought a little joy to one of the players who will never forget what happened against the Soviets exactly 38 years earlier. Durant scored 33 points as the

United States won 89-79 to move within two victories of its first world basketball title since 1994.

Religious Freedom in Russia

Although the Russian Constitution provides for freedom of religion and the government generally respects this right in practice, according to the U.S. State Department's latest International Religious Freedom Report, Russia's 1997 religion law "seriously disadvantages religious groups that are new to the country by making it difficult for them to register as religious organizations." Unregistered groups lack the legal status necessary to establish bank accounts, own property, invite foreign guests, publish literature, or conduct worship services in prisons, state-owned hospitals, and among the armed forces.

Russian communists call for arrest of 'drug pusher' Sting

A Russian communist organization urged on Tuesday the arrest of British singer Sting over his "public promotion of drugs." Sting, 58, played St. Petersburg on September 13 and is due to perform in Moscow on Wednesday.

Moscow school principal fired over gay porn stash

The principal of a prestigious school in southwest Moscow has been dismissed over the discovery of gay pornography materials in his office, an education department spokesman said. The videos, magazines and sex toys, stored in the principle's private "relaxation room", were uncovered by firefighters who were combating a small blaze caused by a heater on Saturday. Photos of the materials appeared the next day in the Internet.

Putin ordered his KGB/FSB terrorists to murder Belarus President

A video statement by a former Russian terrorist, a member of one of the gangs in Russia, appeared on the YouTube. He warns that the Russian terrorist leader Putin plans to kill the President of Belarus, Lukashenko. The repentant Russian KGB officer said that he states this very seriously, because he has trustworthy facts.

Thirteen militants killed in Russia's Dagestan - Global Security

A total of 13 militants were killed during a special operation in southern Russia's volatile republic of Dagestan on Sunday, the National Antiterrorism Committee said on Monday.

Food/Energy & Environment:

Moscow mayor rejects criticism over absence during smog

Moscow's Mayor Yuri Luzhkov said on Tuesday that he had remained in control of the situation in the capital as it was shrouded in toxic smog this August, despite being on vacation.

Geo-Strategic:

Russian Superjet 100 completes static tests program

Specialists from the Central Aerodynamics Institute tested the aircraft's components for static capacity from October 2008 through August 2010 as part of the SSJ 100 certification program, the statement said.

Top Russian, U.S. defense officials to discuss military ties

Russian Defense Minister Anatoly Serdyukov and U.S. Defense Secretary Robert Gates will hold a 4-hour meeting in Pentagon on Wednesday to discuss bilateral military cooperation.

Russia, France locked in Mistral talks - United Press International

Russia says it is waiting for France to provide additional financial details before making a final decision on the purchase of helicopter carriers for its navy. Talks between Paris and Moscow have been mired by disputes for months, with the Kremlin throwing open the contract to an international tender last month.

Russia supplies another batch of rocket engines to the U.S.

Russia's Energomash company will send on Wednesday a batch of four rocket engines for U.S. Atlas rockets under a contract with Lockheed Martin. "Four five-ton engines in special containers will be loaded on trailers and delivered to the Sheremetyevo airport. They will be later transported on board an An-124-100 cargo aircraft to the United States," Energomash said on Tuesday.

Russia's Kazan aircraft plant to build next generation bomber

The Kazan aircraft maker will start manufacturing a new strategic bomber, Prime Minister Vladimir Putin said on Tuesday.

Detailed Report:**Political Issues:****Russia Slams Georgia Over Ethnic Cleansing Claims - All Headline News**

The Hague, Netherlands (AHN) - The hearing before the International Court of Justice came nearly two years after Georgia filed a complaint at the United Nation's highest court.

Russia blasted Georgia for its accusations and claimed that Tblisi's complaint came only after it lost a five-day war with Russians in 2008 and failed to regain control of the areas.

"The application (to the court) was launched only when it became clear that Georgia's military operation had failed," said Kirill Gevorgian, head of the Russian Foreign Ministry's legal department. He added that the case filed at the court was only about the brief war and not about the Russians' violations of the International Convention on the Elimination of All Forms of Racial Discrimination on the Georgian territory. "The other objective of the applicant state was to portray itself as a victim of the conflict that it itself had started," he added.

In 2008, Russia and Georgia engaged in a brief war in which Russian troops crushed the Georgia military's assault on South Ossetia. Since then, Moscow has recognized Georgia's two separatist regions as independent states – a move vehemently criticized by the international community.

Following the war, the U.N.'s highest court urged both the countries to protect their civilians from ethnic violence. However, it did not take any action on Georgia's allegations that Russia has used a discriminative approach in treating ethnic Georgians since the early 1990s when the Soviet Union broke up.

NATO not against Russian military base in Armenia – envoy

Armenia has always expressed a readiness to develop cooperation with NATO, Simmons said.

"So no imbalance is observed; moreover, NATO is on good terms with Russia as well," he added.

[Russia and Armenia signed a deal in August](#) extending the term of a 1995 bilateral treaty on the Russian 102nd Military Base at Gyumri, northwestern Armenia, from 25 to 49 years.

The base, which is under the command of Russia's North Caucasus Military District, is part of the CIS integrated air defense system.

Global Policy Forum in Yaroslavl: Russia seeks answers to crucial questions on democracy

Not only did their assessments of the problems facing and prospects for Russia's modernization tally, but the questions they posed matched as well. Valdai participants also devoted the lion's share of their time to Russia's history and its repercussions (alas often negative) for ongoing developments. Now, President Medvedev, who met with political analysts "on the sidelines" of the Yaroslavl Forum, has again pointed out the "high level of inertia" in history, which to a large extent continues to determine the country's development. Russia had never been a democracy before the last two decades, RIA Novosti quoted him as saying. "We are a country with a thousand years of authoritarian history," he said, adding that Russia is an interesting example of how a democracy can develop against the backdrop of a powerful authoritarian past.

Yet, does the fact that never before has there been democracy in Russia automatically imply that Russians have no individual freedom and have never had it? Certainly not. Adam Michnik, the editor in chief of Warsaw's *Gazeta Wyborcza*, who has long described himself as "an anti-Soviet Russophile," was very convincing when he talked about this during the Valdai Forum. Europe has in fact long tended to distinguish between the Russian state and the Russian people. Although often fair, this practice also serves as a fig leaf for Russophobia. As people claim it's only the Russian government they dislike, not Russians in general, and their isolation of the whole nation is highly regrettable, but unavoidable.

Still, even the fiercest critics of Russia cannot claim that there is no individual freedom in the country. Other Valdai participants agreed, citing the famous 19th century historian Vasily Klyuchevsky, whose books are still relevant because they lack all political bias, and were entirely impartial, devoid of obsequious loyalty to the regime or opposition rhetoric.

First deputy head of the Kremlin staff Vladislav Surkov commented on this at the Yaroslavl Forum: "I don't know if I am a democrat. But I know that I am a free individual," he was quoted by *Rossiiskaya Gazeta* as saying.

This historic paradox - an authoritarian country full of free individuals - is reflected in the Valdai Index. The Valdai Index is a rating of Russia's development in the periods between Club meetings, based on the Valdai participants' impressions and assessments. The Russian president and prime minister studied the Valdai Index, although the document might have not been very pleasant reading for either man. The Valdai participants were especially critical of the "de facto status of Russia's political system."

This status in fact should have been significantly improved by the political reforms laid out in Dmitry Medvedev's article "Forward, Russia!", which was published exactly 12 months ago and which was one key focus of last year's political forum. However, 52% of those polled for this Valdai Index questionnaire said they had seen no discernable political improvement in the country, with many even describing recent developments as a significant regression. Well, the freedom to criticize is a start, at least.

Interestingly, Valdai participants were much more positive in their assessments of other aspects of contemporary Russia: 74% cited a revival of Russia's diplomatic activity, while 69% saw progress in Russia's role in global security. Just as with the criticism of political processes, these positive evaluations do reflect reality. Today's Russia is a non-aggressive and pragmatic country, not imposing its lifestyle or ideology on anyone.

The Valdai participants' evaluations of the "human dimension" of Russia's development might seem low: Only 38% said they saw progress while 12% mentioned deterioration, and 50% failed to notice any changes over the past year.

Well, Medvedev did say that democracy cannot develop faster than an individual in the broadest sense, including their personality, education and self-respect. It is this last point that has been a big problem in Russia lately. "Surprisingly, even today, in the twenty-first century, many Russians still like to say that they are not free, belittled, that things 'do not depend on them'. Such a position can be convenient: If you cannot do anything, neither are you responsible for anything, not responsible to the country or even your family. This is a very comfortable position but it is also a dangerous one," Medvedev said at the forum.

In his opinion, one of the key criteria of democracy is the extent to which people themselves believe that they live in a democratic state. This conviction should be as deeply held as possible, while traditionally it has been weak in Russia. This situation can be partly explained by objective reasons, but it is also a way of dodging responsibility. In any case, even objective difficulties are no excuse to become discouraged, as the American participants of the Valdai Club are particularly well aware.

Harvard Professor Timothy Colton said that Americans, whatever their failings, have faith in their country's democracy. Maybe that is naive, but this naive belief in their system keeps them safe from dictatorship. Americans believe in their institutions rather than in specific "good" politicians with absolute powers, he explained.

Maybe it was this naivety that prompted Colton to ask Prime Minister Vladimir Putin in Sochi how he was planning to boost the role of institutions rather than personalities in Russia. Russia has been searching in vain for an answer to this question for centuries, as is evident from Medvedev's speech in Yaroslavl. Finding an answer to this is crucial.

Russia using software piracy laws to muzzle dissent - DAILY KOS

We all know that Russia is a democracy in name only. Yet more proof of this comes from the front page of today's NYT (below the fold). The Kremlin is using a particularly insidious tactic to silence those who dare speak out against it--claiming that dissidents are using pirated software.

Anyone who knows anything about the Internet knows how transparently insincere this is. Russia has long been a haven for Internet bottom-feeders--spammers, porn, etc.

Microsoft's lawyers have been cooperating with the Kremlin, but that may change after the NYT alerted senior Microsoft officials. A spokesman said that while Microsoft is as zealous about snuffing out piracy, it is equally committed to human rights.

- [Christian Dem in NC's diary](#) :: ::
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In many cases, the police did such shoddy work that the dissidents were easily able to discredit the charges. However, the damage has usually already been done. For instance, Novaya Gazeta, the country's most prominent opposition newspaper, had its computers seized just before Putin held a summit meeting with several of his European counterparts. It later turned out the police never bothered to examine the computers, and a raid on a sister paper was based on a complaint from a man who had never set foot in its office. Still, the paper has had to close its local Moscow edition.

Another group, Baikal Environmental Wave, was protesting the reopening of a paper factory that had fouled Lake Baikal with heavy metals and chlorine. Even though the group had proof it bought genuine Microsoft software, the authorities carted off the computers anyway. Baikal Wave got its computers back--but not before having its Website disabled and many of its supporters harassed.

This story, to my mind, is proof that a country that seemed to be well on the way to democracy has turned into a bigger version of Singapore.

Russian opposition establishes coalition for elections – source

Representatives of four democratic organizations have decided to establish a coalition to subsequently attempt to register a party for the parliamentary elections, the source said.

Leading opposition figures Boris Nemtsov, Mikhail Kasyanov, Vladimir Ryzhkov, Sergei Aleksashenko and Ilya Yashin will form the coalition's organizing committee.

"Then we want to hold a united democratic congress to nominate one candidate for the presidency," the source said.

Russian parliament to consider ban on 'president' title for regional heads

The head of the Russian North Caucasus republic of Chechnya, Ramzan Kadyrov, announced the decision to change his title in August this year, and the president of neighboring Ingushetia, Yunus-Bek Yevkurov, voiced his intention to follow suit.

The idea to devise a common title for regional heads has been under discussion for a long time, and Kremlin sources say that the process may be launched now on a voluntary basis.

"In my personal opinion, [the bill] is reasonable and unification is necessary. A single state should have one president, and top regional officials should have other titles," said Viktor Usachev, who heads the State Duma's regional policies committee.

The idea to adopt a single name for regional heads was first voiced in 2001, along with the start of a reform to bring regional constitutions in line with the Constitution of Russia.

Russian President Dmitry Medvedev said last year that a "recommended set of titles" was "theoretically possible," but the issue should be discussed at the regional level first.

State Duma Speaker Boris Gрызлов proposed this January all top regional heads should change their title to "the head of a Russian region."

Over 300 questioned in Polish probe of president's plane crash

Polish President Lech Kaczynski was killed on April 10 along with his wife and 94 other passengers and crew when their plane crashed while attempting to land in heavy fog at an airfield near the Russian city of Smolensk.

The top-level Polish delegation, which included dozens of senior military and civilian officials, were to attend a memorial ceremony marking the 60th anniversary of the 1940 Katyn massacre, in which Soviet secret police killed thousands of Polish military officers.

Kaczynski's twin brother, Jaroslaw, on Saturday called for the Polish government, including new President Bronislaw Komorowski and Prime Minister Donald Tusk, to resign over the investigation, accusing them of "completely abandoning" the probe.

Jaroslaw Kaczynski lost the presidential election to replace his late brother in a runoff against Komorowski.

The Polish attorney general praised the cooperation between the Russian and Polish sides in the investigation and said it would be stepped up following the awaited conclusion of a memorandum of cooperation.

"In October, we look forward to a representative of the Russian Prosecutor General's Office coming to Warsaw. Hopefully, a memorandum of cooperation will be signed," Seremet said.

Corker Backs Republican Resolution in Senate on Russia Nuclear Arms Treaty

Indiana Senator [Richard Lugar](#), the Foreign Relations panel's top Republican and a supporter of the treaty, has offered a resolution of approval that he says addresses opponents' concerns. Its

provisions include a statement that Russia's opposition to U.S. missile defense plans in the treaty's preamble doesn't put legal restrictions on the U.S.

"If Senator Lugar's resolution is adopted in its entirety" when the committee votes tomorrow and isn't "weakened through amendments," Corker said in an e-mail statement that he will support sending the resolution for consideration on the Senate floor.

Obama, who has made reducing nuclear threats a priority, needs Republican backing to secure the required two-thirds of senators, or 67 votes, for treaty ratification. Democrats control 59 votes in the Senate and may lose some of those in the November election.

Republican Alternative

Lugar's resolution is an alternative to a proposal from committee Chairman [John Kerry](#), a Massachusetts Democrat. The Republican resolution also requires Obama to provide Congress with assurances that Russia's compliance with the treaty can be verified and that the administration's spending plans to modernize the U.S. nuclear arsenal are firm.

The Obama administration is working to gain Republican support for the nuclear arms-reduction treaty by arguing that congressional backing for \$80 billion to modernize the U.S. stockpile hinges on the cuts.

Lining up support for the treaty is "a work in progress," Undersecretary of State [Ellen Tauscher](#) told reporters on a conference call yesterday. She declined to comment on Lugar's provisos except to say that any terms outlined in the Senate's approval shouldn't raise alarms in Moscow that could jeopardize Russian ratification.

The administration has particularly sought to sway undecided Republicans on the Foreign Relations committee, including Corker, [John Barrasso](#) of Wyoming, [Johnny Isakson](#) of Georgia, [James Risch](#) of Idaho and [Roger Wicker](#) of Mississippi.

'Intense' Process

"We have a process going on that's very, very intense this week," [Rose Gottemoeller](#), the U.S. assistant secretary of state who led the negotiations on the treaty in Geneva, told an audience at [Georgetown University](#) in Washington on Sept. 13.

Republican critics led by Arizona Senator [Jon Kyl](#), who isn't a member of the Foreign Relations panel, have questioned whether the accord would hamper U.S. missile defenses and criticized the administration's 10-year nuclear-arms modernization plan as insufficient. The tens of billions of dollars proposed by Obama would pay for upgrading [nuclear laboratories](#) and taking other steps to ensure the reliability of the nuclear arsenal.

Lawmakers who favor cutting nuclear weapons might balk at spending on the arsenal without the assurances in the Strategic Arms Reduction Treaty that the number of weapons will shrink in the long term, Tauscher says.

“You have to find the compromise and the balance,” Tauscher told reporters in Washington on Sept. 10. The national nuclear laboratories also can only spend so much money well, she said yesterday. Tauscher served in the House of Representatives for 13 years from a California district that includes two of the labs.

Seeking Votes

While Gottemoeller wouldn’t speculate on whether a committee vote would send the treaty to the full Senate, she said, “I anticipate we’ll see some real progress this week.”

The agreement would replace the START accord that expired in December, leaving the former Cold War rivals with no way to verify each other’s nuclear weapons. The new agreement caps each side’s warheads at 1,550, down from 2,200 allowed previously, and sets a maximum of 800 for missiles, bombers and submarines that carry the weapons.

The Senate committee will be making its decision as Russian Defense Minister [Anatoly Serdyukov](#) visits Washington this week to meet with U.S. Defense Secretary [Robert Gates](#).

The senior leadership of the Defense Department “unanimously” support the treaty, Principal Deputy Undersecretary of Defense for Policy James Miller said on the conference call yesterday.

“The department is entirely comfortable that we will have the ability to deploy the types of systems that this country needs,” Miller said.

Economic Issues:

Putin to Offer Biggest Yield Premium in 2 Months: Russia Credit – BusinessWeek

While investors are showing increasing appetite for government debt from the U.S. to India, Prime Minister Vladimir Putin’s government has failed to sell most of the OFZs due in three years or more at weekly auctions since mid-August, after the country’s worst drought in 50 years boosted food prices and led traders to increase bets Bank Rossii will raise interest rates. Citigroup Inc. won’t buy federal bonds that mature after 2013 because borrowing costs may rise, Eugene Belin, the bank’s head of fixed-income in Moscow, said in an interview on Sept. 7.

“The market demand has definitely been focused on short- term OFZs rather than the longer-term bonds because of inflation,” said Elena Kolchina, head of fixed-income products at

Renaissance Asset Management, a unit of Renaissance Group, in a phone interview yesterday. “A significant premium does make these bonds much more attractive.”

Yield Premium

Lenders including Moscow-based IFC Metropol and Bank Zenit called in the past four weeks for OFZ yield premiums of as much as 15 basis points, as investors speculate the central bank may lift key interest rates by 1.7 percentage points over the next nine months, according to forward-rate agreements tracked by Bloomberg. Bank Rossii left the refinancing and repo rate unchanged at its Aug. 31 meeting, after 14 cuts between April 2009 and May this year.

Concern that inflation will accelerate is damping demand for longer-dated OFZs, Deputy Finance Minister Dmitry Pankin said in a telephone interview Aug. 18. The Economy Ministry raised its inflation forecast for 2010 this month to as high as 8 percent from 6 percent. The last time annual inflation reached 8 percent was in January.

Russia has sold 314 billion rubles, or 26 percent, of the 1.2 trillion rubles of OFZs it is targeting in auctions this year to cover a budget shortfall forecast to be 5.3 percent of gross domestic product.

‘Accent Shifted’

The world’s biggest energy exporter sold as little as 5.7 percent of the 2014 OFZs offered Aug. 18, as a 13 percent surge in grain prices and a 3.2 percent jump in the cost of dairy products helped inflation quicken to 6.1 percent last month, from a record-low 5.5 percent in July, according to data compiled by Bloomberg.

Demand for the longer maturity OFZs will be “good” today because of that yield premium, Ekaterina Gorbunova, head of credit analysis at Bank of Moscow, said by phone yesterday. “Judging by last week’s auction the accent has shifted to trying to place more.”

Yields on July 2015 OFZs jumped to 7.28 percent yesterday, from a record-low 6.96 percent on Aug. 3. They were unchanged at 7.28 percent today.

Finance Minister Alexei Kudrin sold just 16 percent of the 75 billion rubles of OFZs offered in the government’s biggest- ever federal bond sale Sept. 1, and his ministry started issuing yield guidance soon after in a bid to make the market more “transparent,” according to Mikhail Galkin, head of fixed- income research in Moscow at VTB Capital, the investment banking arm of VTB Group, Russia’s second-largest lender.

Konstantin Vyshkovsky, head of the Finance Ministry’s debt department, and Sergey Shvetsov, Bank Rossii’s head of financial operations, didn’t return calls from Bloomberg seeking comment.

Emerging Market Demand

Demand for government paper has been increasing throughout emerging markets. International holdings of Indian government and corporate debt climbed 116 percent this year to \$16.4 billion as of Sept. 10, approaching the country's \$20 billion limit, according to data from the Securities & Exchange Board of India. The country's 10-year bonds yield 7.95 percent, the third-highest in Asia. The U.S. benchmark 10-year note yields 2.7 percent, up from 2.47 percent on Aug. 31, this year's low.

The ruble was little changed at 30.7300 per dollar by 12:05 a.m. in Moscow, and has lost 1.5 percent to the dollar so far this year. Non-deliverable forwards, or NDFs, which provide a guide to expectations of currency movements and interest rate differentials and allow companies to hedge against currency movements, show the ruble at 30.9535 per dollar in three months.

Swaps

The yield on Russia's dollar bonds due in 2020 fell 4 basis points, or 0.04 percentage point, to 4.60 percent, the lowest level since Sept. 1. The price of the country's ruble notes due November 2014 were unchanged, with the yield at 6.84 percent for a second day.

The cost of protecting Russian debt against non-payment for five years using credit-default swaps fell 3 basis points to 161 basis points on Sept. 13, according to data provider CMA. The contracts pay the buyer face value in exchange for the underlying securities or the cash equivalent should a government or company fail to adhere to its debt agreements.

Credit-default swaps for Russia, rated Baa1 by Moody's Investors Service, its third-lowest investment grade, cost 1 basis point less than similar contracts for Turkey, which is rated four levels lower at Ba2. Russia swaps cost as much as 40 basis points less on April 20.

The extra yield investors demand to hold Russian debt rather than U.S. Treasuries fell 5 basis points to 219, according to JPMorgan Chase & Co. EMBI+ indexes. The difference compares with 154 for debt of similarly rated Mexico and 209 for Brazil, which is rated two steps lower at Baa3 by Moody's.

The yield spread on Russian bonds is 64 basis points below the average for emerging markets, down from a 15-month high of 105 in February, according to JPMorgan indexes.

Bank Rossii's sale yesterday of 619.9 billion rubles of its own debt due March next year may dilute demand for OFZs overall, Luis Costa, an emerging markets strategist in London at Citigroup, said by phone yesterday.

Deposit Accounts

The central bank issues Obligatsii Banka Rossii, or OBRs, to drain cash from the banking sector. Policy makers have sold 1.9 trillion rubles of debt so far this year, helping reduce excess liquidity in the industry by more than 20 percent, according to data compiled by Bank Rossii. Cash held in the central bank's deposit and correspondent accounts for lenders dropped to 1.1 trillion rubles yesterday, from 1.4 trillion rubles on Jan. 1, according to the bank's data.

"Oversupply of bonds on the Russian market is a main topic right now," Costa said. Bank Rossii and the Finance Ministry are "undermining each other."

Russia will have to "borrow heavily" to plug the budget shortfall, Kudrin said Sept. 8. The government raised \$5.5 billion from a sale of Eurobonds in April, its first offering on the international markets since defaulting on \$40 billion of domestic debt in 1998, and will be ready to sell ruble- denominated Eurobonds in November, Pankin said the same day. Russia will still have to tap its \$40 billion Reserve Fund to plug the hole, Pankin said in July.

No Premium

Russia plans to sell OFZs due June 29, 2011, today at a yield that will probably be less than the market level. Kudrin's ministry will offer a yield of as much as 4.3 percent in the sale, according to yesterday's guidance, 5 basis points below what the bonds yielded on the market Sept. 13, according to data compiled by Bloomberg. The Finance Ministry sold 79 percent of the 2013 OFZs offered in last week's sale, compared with 48 percent of the federal bonds due 2016, according to Bank Rossii data.

A bigger premium on the longer-dated bonds "allows both the Finance Ministry to sell more debt and investors to make some money," said Alexander Ovchinnikov, a vice president of global markets at Moscow-based Troika Dialog, Russia's oldest investment bank. Investors will cut bets the OFZ price will fall and buy "a significant amount from the issuer," he said.

--With assistance from Artyom Danielyan in Moscow. Editors: Stephen Kirkland, Alex Nicholson

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Gazprombank attracts \$900 mln 3-year syndicated loan

The funds will be used for the bank's general corporate needs, including the financing of trade contracts, the bank said.

As of January 1, 2010, Gazprombank's assets exceeded 2 trillion rubles (\$65.3 bln). The bank's net profit in 2009, calculated to Russian Accounting Standards, dropped 57% year-on-year to 9 billion rubles (\$294 mln).

UniCredit sees two-digit Russia growth – Reuters

UniCredit ([CRDI.MI](#)) aims for double-digit growth in [Russian](#) loans this year, driven by an economic recovery, though margins are under pressure and battling local giants for market share is seen as futile.

"We may see a double-digit growth of our loan portfolio this year ... If the situation does not change dramatically we may see a double-digit growth next year too," Mikhail Alexeyev, the head of UniCredit's local unit said at the Reuters Russia Investment Summit on Monday.

Russian banks have since enjoyed a sharp rise in profit as bad debt loosens its grip on the sector, but their long-term performance is open to question as the central bank's policy of lower interest rates has hurt margins, Alexeyev warned.

"One of the main issues is a narrowing of the margin spread -- this would be an issue for the next year. The next year probably will not be an easy one, life will definitely become not so easy for the banks," he said.

He added that bad debts were no longer "a serious problem."

Alexeyev said UniCredit's margins of around 5 percent should still provide a platform for sustainable profitability despite uneasy market conditions, adding that Russia is largely undeveloped in comparison to trouble-hit western Europe.

"The margins (in Russia) are still dramatically higher than in western Europe and there are no chances for western Europe to dramatically increase these margins for the next decade. The potential is there (for Russia) ," Alexeyev said, adding that the economy's hot sectors included telecoms, steel makers and fertilizers.

CONSOLIDATION

Russia is home to around 1,000 banking firms, but with the bulk of assets concentrated among the 100 biggest lenders consolidation is just a matter of time, Alexeyev said.

He added that UniCredit was not in talks with any targets at present, but did not rule out a move in the future.

"I think we cannot completely exclude this question from agenda. My guess is that a relatively good financial performance from the banking sector during this year will postpone this issue but maybe it will remain on the agenda during the next few years," he said.

Alexeyev, a banker with two decades of experience, said that there was reduced interest in Russian banking assets even though prices had fallen.

"People are not so sure about the overall environment -- there's a reduction in the magnitude of interest," he said.

Alexeyev said the dominance of the big two state-controlled banks Sberbank [SBERO3.MM](#) and VTB make it difficult for UniCredit to significantly increase market share.

The bank's 2 percent market share by assets in Russia compared with 30 percent for Sberbank, he said.

"What about poor foreigners?" he said.

Russia's Sberbank Jan-Aug net climbs to \$2.9 bln

Sberbank ([SBERO3.MM](#)), [Russia's](#) biggest lender, on Wednesday reported a net profit of 88.5 billion roubles (\$2.9 billion) for January-August under Russian accounting standards.

The share of bad loans on the bank's balance sheet was unchanged in August, remaining at 5.8 percent of its total loan portfolio, the bank said on its web site. (Reporting by Oksana Kobzeva; Writing by Dmitry Sergeyev; Editing by David Holmes) (\$1=30.61 Rouble)

Russia's EN+ says aims to double annual coal output in 3-5 yrs

The company was also in talks with Chinese power and mining companies about possible investments in coal projects and was looking to form joint ventures with Chinese power companies to import electricity into China from Russia, said Dmitry Yudin, head of strategy of En+ Group on the sidelines of the Russia & CIS Investment Summit in Hong Kong.

En+ Group, owned by Russian billionaire Oleg Deripaska, employs more than 100,000 people and is involved in mining, metals and energy businesses. (Reporting by Kennix Chima and Alison Leung; Editing by Chris Lewis)

Social/ Humanitarian:

Suicide bomber kills 17 in southern Russia - Fort Wayne Journal Gazette

Associated Press

ROSTOV-ON-DON, Russia – It was the fourth terrorist attack at the market in a decade, and while no one claimed responsibility, the Kremlin has been trying to contain Islamic militancy in the mountainous southern region of Russia.

Nearly 140 were wounded in the bombing in Vladikavkaz, the capital of North Ossetia, with about a half-dozen hospitalized in serious condition. The bomber drove to the market's main entrance and detonated the explosives, the Emergency Situations Ministry said.

Putin met with Russia's top Muslim cleric after the blast and said Russia's estimated 20 million Muslims should play a key role in eradicating Islamic extremism in the nation.

Sock of US, Gavrilova of Russia win US Open junior championships - San Francisco Examiner

NEW YORK — Top-seeded Daria Gavrilova beat Yulia Putintseva 6-3, 6-2 in an all-Russian girls' final.

Sock is the first U.S. Open junior champion representing the United States since Andy Roddick in 2000. Roddick beat Robby Ginepri in that all-U.S. final, then went on to win the men's title in 2003.

Sock, though, doesn't feel outside pressure to be the Next Big Thing in U.S. tennis.

"No, I think us, as in 'juniors' — we're just doing what we can. We're practicing hard and we're working hard and doing what we can to improve," Sock said. "Hopefully we can get to that level one day and be in the American tennis spotlight. Hopefully."

Sock grew up in Lincoln, Neb., and went to go work with coach Mike Wolf at a tennis academy in Kansas about six years ago. Now Sock is trying to figure out whether to go to college — he's considering a list of about 10 or 12 — or turn professional.

"I'm indecisive right now, pretty much. I'm going to finish out 2010, probably, and see where my game is and my ranking, and take some visits this fall," Sock said. "My ultimate goal, obviously, in tennis is to be a professional tennis player and hopefully make a living, so I'll just decide which path is the best for me to get there. If it's college, then it's college; if it's pros right away, then it will be pros."

Sock played with a wild card in the men's tournament, losing in the first round to Marco Chiudinelli of Switzerland. Sock won the boys' 18s national championship last month.

He went to Djokovic's U.S. Open base in New Jersey a few times to hit on a private court with the man who will face Rafael Nadal in the tournament final. Sock also practiced with Federer in New York, and in Miami once, as well.

"Those guys are on a different level — on a lot of different levels," Wolf said. But, Wolf noted, Sock "at least has a sense of belonging."

Clashes leave 10 dead in Russia's N. Caucasus - Philadelphia Daily News

Associated Press

VLADIKAVKAZ, Russia - Russia's ethnically diverse North Caucasus region has been gripped by violence stemming from two separatist wars in Chechnya and fueled by poverty, rampant official corruption, and alleged extrajudicial killings, kidnappings, and torture by law enforcement officials.

In the North Caucasus republic of Dagestan, the Interior Ministry said police Friday killed four suspected extremists holed up in a house in the village of Makhargi. Three police officers were killed in hours-long battle.

Police also killed a suspected extremist during a raid on a house in the town of Derbent, near the border with Azerbaijan, said Magomed Tagirov, a spokesman for the regional Interior Ministry's branch.

A Dagestani policeman and a prison warden were also shot to death in separate attacks, ministry officials said Friday.

The Vladikavkaz market was cordoned off Friday and investigators combed the site for clues about the bombing. Flags flew at half-staff throughout the city.

A North Ossetia health official said 107 of the wounded were in local hospitals and 11 severely injured victims had been flown to Moscow, according to the state news agency ITAR-TASS.

Russian President Dmitry A. Medvedev pledged to track down the perpetrators of the attack.

"The terrorists involved in such actions will be destroyed," he said at a policy forum in Yaroslavl, a city in western Russia. "We are determined to fight the terrorism to the end."

There has been no public claim of responsibility for Thursday's attack, but suspicion fell on Islamic extremists who launch frequent small attacks in neighboring North Caucasus republics, including Dagestan, Chechnya, and Ingushetia.

Those three republics have a Muslim majority, but North Ossetia is predominantly Orthodox Christian with a sizable Muslim minority.

Almost as good as gold: U.S. slams Russia - Pueblo Chieftain

The win came on the anniversary of the Soviet Union's win over the Americans for the 1972 Olympic gold medal, a game with an ending so controversial the U.S. players refused to accept their silver medals.

No player on the young American team is old enough to remember that game. But Mike Bantom, the NBA's senior vice president of player development, played on that U.S. team and is in Turkey with the Americans.

"I told him today, 'I know nothing's going to bring that back, man, but at least we'll try to make you at least smile today,'" said Billups, who scored 15 points. "And he was like, 'Yeah, that'd be nice.'"

The U.S. will play Saturday against Lithuania, which beat Argentina 104-85.

Religious Freedom in Russia

Under current law, Russian authorities may seek to ban a religious organization considered a threat to society. Since 1998, the Moscow prosecutor's office has been trying to outlaw the Jehovah's Witnesses. The suit was dismissed in February 2001, but a new trial opened in October 2001 and is still ongoing. Moscow Helsinki Group Chairwoman Lyudmila Alekseyeva and the Keston Institute have criticized the litigation as part of a campaign of oppression.

Another group facing obstruction is the Salvation Army. It has made repeated attempts to reregister, but Moscow city authorities allege that the organization's documentation is insufficient. The city also claims that the Salvation Army is a paramilitary organization. In March 2002, Russia's constitutional court ruled that the Moscow city court had no grounds for closing the local branch of the Salvation Army. But the Moscow city court has not yet rescinded its order to close the charitable organization.

Even churches -- other than the Russian Orthodox Church -- often face legal discrimination in Russia. This is especially evident with regard to foreign clergy. In April 2002, a Roman Catholic bishop and priest discovered while traveling that the Russian authorities had arbitrarily canceled their visas. Many foreign Catholic clergy do not leave Russia over concerns they would not be allowed to return. An estimated eighty-five percent of Catholic clergy in Russia are foreigners.

It is clear that the practice in Russia of requiring religious groups to register is by its nature subject to abuse. While the Russian Orthodox Church has deep cultural and historical roots in Russia, this should not be used as a pretext for restricting the growth of other religions. As U.S. Secretary of State Colin Powell said, no creed or tradition should ever be used to sanction religious intolerance.

Russian communists call for arrest of ‘drug pusher’ Sting

In April 2010, Mister Sting publically called for “the worldwide legalization of marijuana,” the Communists of Petersburg and the Leningrad Region, a separate organization from the much larger Communist Party, said in a statement.

“Not only communists, but everyone in favor of a healthy way of life, the strengthening of our nation’s culture and tradition must understand that such a figure , however talented screaming teens may consider him, can not appear on stage in the Russian Federation,” the group said.

It also claimed the failure of the police to detain Sting as a “leading” proponent of drug use in St. Petersburg was an example of “double standards, negligence and rotten liberalism.”

The statement went on to call for the dismissal of St. Petersburg’s cultural authorities, and accused them of “pushing our children toward the hell of degeneration,” by allowing Sting to perform.

Sting has yet to comment.

The group earlier made headlines in Russia by criticizing football star Andrei Arshavin for "displaying for sale his body for many months in front of covetous Western clubs."

It also accused the most recent Bond girl, Ukrainian Olga Kurylenko, of a "moral and intellectual betrayal" in starring in a movie about the "enemy of the Soviet people."

Moscow school principal fired over gay porn stash

Yury Zavalsky, 59, said the materials were planted on him during the firefighting operation. He said a police officer tried to blackmail him.

He also earlier said the items might belong to his nephew, Lifenews.ru reported.

The Russian president's ombudsman for children's rights, Pavel Astakhov, said Zavalsky had to be dismissed.

"Such materials are inadmissible at school," Astakhov said.

Lyceum 1561, also known as School X, is a prestigious educational institution that prioritizes creativity and scientific specialization among its students.

Putin ordered his KGB/FSB terrorists to murder Belarus President

Publication time: 14 September 2010, 12:31

Here is a full transcript of the statement by the Russian KGB officer:

"I, a former employee of one of special services of the Russian Federation, would like to make the following public statement. The Russian prime minister Putin wants to murder the President of Belarus Lukashenko. I say this with full responsibility, because I have reliable facts. For obvious reasons, I can not give my name. I was and still am a patriot of Russia.

I personally do not like Lukashenko - neither as a man nor as a politician. I do not like that he wants to ensure the welfare of his country at the expense of my homeland - Russia. There come presidential elections in Belarus soon. We have a range of normal means and methods to eliminate Lukashenko. Our media could make of Lukashenko any image they wish: of him being crazy or sick. We can put him on his knees economically - through oil and gas supplies. We can finally come to an agreement with Europe and the United States. And that would be enough - Lukashenko would collapse.

But I absolutely do not accept the methods of the physical elimination of the President of Belarus that are envisaged by the leadership of my country.

I know for certain that a special group of former employees of the Federal Security Service, the Foreign Intelligence Service and other intelligence agencies has been created in June this year in the state corporation "Russian Technologies" to achieve this goal. The group was created under the direct orders from Putin.

Everyone knows that "Russian Technologies" is actually a branch of the FSB, and its leader Chemezov is a close friend of Putin. There, former employees of the intelligence services are not

only earning enormous amounts money from various transactions, in internal slang, this is called "nagging the projects". Dirty business is planned and implemented there. I say this with full responsibility.

A group for the physical elimination of the President of Belarus is top secret. It includes only security officers most trusted and loyal to Putin. Several scenarios for the murder of Lukashenko have already been worked out: a car or a plane accident, a poisoned gift or a poisoned letter, a sniper shot.

But the most likely scenario includes a large-scale terrorist attack during one of events with the participation of Lukashenko. In his election campaign, he will be obliged to have a lot of such events.

A bombing during the traditional Harvest Festival in Belarus is under a serious consideration. Possible losses of human lives are simply not taken into account.

In order to create a sense of panic, a series of intimidating act with the use of explosive devices and abductions of prominent persons are planned in forthcoming months in Belarus. In order to spread panic against Belarusian export products, the specialists of the group intend to contaminate several batches of food with radioactive substances.

Where do I know these facts from? There are also decent people in this special group. I am a combat officer, I have been for many years in combat areas, and I know what terrorism is, and what the death of innocent civilians means. Volgodonsk and Beslan are only the most vivid examples. I absolutely do not accept such dirty methods of removing the head of another state, even if you do not like him. Especially, if it is connected with the death of ordinary Belarusians. And they are most close to us, Russians, in spirit.

Not only I but many of my comrades think this way. That is why I decided to reveal the existing plans, openly and publicly. It is clear that those who are behind these plans, would say that this is a provocation. But later developments would speak for themselves.

To my colleagues in the intelligence services I want to say that I, too, is a professional and that it is useless to search for me. Honorably yours ".

Thirteen militants killed in Russia's Dagestan - Global Security

11:19 13/09/2010 MOSCOW, September 12 (RIA Novosti) - Ten militants were killed in the Dagestani capital of Makhachkala with another three "eliminated" in the Kizilyurt district's Komsomolskoye village.

Two police officers were as well killed in the operation, the committee said.

The security operation lasted over 19 hours and was launched after the head of the department for the fight against extremism in Russia's North Caucasus Federal District was shot dead as he drove to work in Makhachkala.

Attacks on police and officials are common in Russia's North Caucasus republics, in particular Chechnya, Dagestan and Ingushetia.

On Saturday, a bomb placed under a car went off in Dagestan's capital, injuring a police officer who was hospitalized with shrapnel wounds, while another officer was shot dead on Friday in the republic.

A week ago, Dagestan's Minister of National Policy, Foreign Relations and Information Bekmurza Bekmurzayev survived an apparent assassination attempt that killed his driver and injured two bodyguards.

Food/ Environment:

Moscow mayor rejects criticism over absence during smog

Pollution levels rocketed in the city during two weeks of almost constant smog and an unprecedented heat wave, with experts warning people to stay inside and keep their windows closed.

"There are those who wish to criticize the mayor, who spent a short six days on holiday," Luzhkov, 74, told a meeting of the Moscow branch of the United Russia party.

"The city functioned, and I can't accuse a single one of my deputies of bad work," he added.

The mayor said he had signed an order to allocate money from the city's reserve funds to send pensioners and disabled people to Russian and foreign health resorts.

Luzhkov, who has been in office since 1992, is allegedly at odds with President Dmitry Medvedev. Their conflict is thought to have its roots in a September article by Luzhkov in the Rossiiskaya Gazeta government daily that hinted at criticism of the Medvedev-Putin tandem.

On Friday, several state-run TV channels accused the mayor and his wife, powerful businesswoman Yelena Baturina, of massive corruption. They also hit out at him over [his absence during the worst of the smog](#). Luzhkov and wife have said they will take the channels to court over the claims.

Geo-Strategic:

Russian Superjet 100 completes static tests program

Russian specialists have completed static capacity tests on the Sukhoi Superjet 100 aircraft, Sukhoi Civil Aircraft said on Wednesday.

"The completion of the static tests program is an important landmark in the implementation of the SSJ 100 certification program," Sukhoi CEO Vladimir Prisyazhnyuk said.

"Besides the static tests, we have also completed a flight program to confirm [the aircraft's] strength characteristics," he said.

The SSJ100 is a family of medium-haul passenger aircraft developed by Sukhoi in cooperation with U.S. and European aviation corporations, including Boeing, Snecma, Thales, Messier Dowty, Liebherr Aerospace and Honeywell.

Sukhoi has so far sealed deals on the delivery of 122 SSJ 100s.

Top Russian, U.S. defense officials to discuss military ties

Serdyukov is on a three-day [official visit](#) to the United States, which is viewed as the next step in the development of bilateral ties in line with the agreements reached by Moscow and Washington during the presidential summit in June.

"The sides are planning to discuss various aspects of ongoing military reforms in both countries, the ways to develop closer cooperation in the military sphere, and the most urgent issues of global and regional security," said Lt. Col. Irina Kovalchuk, the Russian minister's press secretary.

On Thursday, Serdyukov will visit the U.S. Naval Academy in Annapolis near Washington.

Russia-U.S. relations improved after incumbent U.S. President Barack Obama came into office in 2009 and then visited Russia. In April 2010, Obama and Russian President Dmitry Medvedev signed a [pact](#) to replace the START 1 strategic arms reduction treaty which expired on December 5, 2009.

The new treaty is seen as an important part of efforts to reset relations between the two countries.

However, the planned placement of [U.S. missile defenses in Eastern Europe](#), close to the Russian borders, remains "an apple of discord" in bilateral relations.

Russia, France locked in Mistral talks - United Press International

PARIS, Sept. 13 (UPI) -- Still, recent statements made by senior Russian military officials Moscow have confirmed that France and Russia are in exclusive talks for the purchase of Mistral-class ships.

In a recent meeting with his French counterpart, Russian Foreign Minister Sergey Lavrov said negotiations were "proceeding intensively" and "include a number of technology transfers."

In separate remarks, Defense Minister Anatoly Serdyukov told Moscow's ITAR-Tass news agency that the Kremlin was "expecting the detailed financial conditions" from France to push the deal to its final stages.

"We will examine them and then refer to experts, not just in Russia but also abroad," he added.

Serdyukov accompanied Lavrov during the Paris talks with French President Nicolas Sarkozy.

Designed to attack the shore from the sea, the Mistral class is viewed as an ideal weapon for Russia against possible uprising by nearby countries.

Details of the deal remain sketchy, but Russian officials have suggested that the price tag for each vessel was estimated at around \$380 million. French officials have also indicated that the building of the ships would be a "50-50 project."

The Mistral amphibious assault ship can carry 16 heavy or 35 light helicopters, dozens of tanks and more than 900 soldiers.

The deal has drawn concern from NATO allies apprehensive the transfer of Western naval technology to their former Cold War foe. Still, if clinched -- along with rights to construct several other vessels of the same class in Russia -- the deal would mark the most important transfer of military equipment to Russia by a NATO member country.

Moscow's announcement last month to hold an international tender follows heated complaints raised by Russian shipbuilders claiming that it would be illegal for Moscow to seal the deal with France without a previous tender.

Defense News reported that other competitors considered for the carriers include Russia's Zvezda shipbuilder in the Far East which has a joint venture with South Korea's Daewoo Marine Shipbuilding and Engineering.

With its cutting edge technology, the Mistral is prided as the most powerful asset of the French fleet.

Russia owns only one Soviet-built aircraft carrier, which is much smaller than its U.S. counterparts and is considered outdated.

In all, Russia has expressed interest in buying four Mistral ships with the prospect also of eventually building such vessels on Russian soil.

Russia supplies another batch of rocket engines to the U.S.

The Russian-made RD-180 liquid-fuel engine uses an extremely efficient, high-pressure staged combustion cycle. It is considered the best in its class worldwide.

Rights to employ the RD-180 were acquired by General Dynamics Space Systems Division (later purchased by Lockheed Martin) in the early 1990s for use in the Evolved Expendable Launch Vehicle (EELV) and the Atlas program.

The RD-180 was first deployed on the Atlas III carrier rocket in May 2000 and powered 28 Atlas-family delivery vehicles since then.

Energomash has produced 46 RD-180 engines for the Atlas rockets so far.

The next Atlas launch is scheduled for September 20, 2010.

Russia's Kazan aircraft plant to build next generation bomber

The plant will continue upgrading [Tu-160](#) and Tu-22 long-range bombers and will then "start assembling a new-generation strategic bomber," he said.

He offered no indication of the new bomber's specifications or exactly when production would start.

Another Kazan-based enterprise - a helicopter plant - will start production of a new Mi-38 helicopter and continue making Mi-8, Ansat and Aktai helicopters that have already proved their worth, Putin also said.

