

## Business and Politics in the Muslim World

Weekly Report on **Russia**  
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**Summary of the Report**

**Political Issues**

**Poland 'dissatisfied' with Russian documents on Smolensk plane crash**

Polish experts working in Moscow on a probe into the plane crash that killed the Polish president and 95 others near Smolensk in April are "dissatisfied" with the documents supplied by the Russia side,

**The Arctic: Territory of Dialogue" forum: live broadcast on September 23**

The Russian Geographical Society is hosting "The Arctic: Territory of Dialogue" forum on September 22-23. A live broadcast of the forum's plenary session will be shown on RIAN.RU on September 23 at 12.00. Moscow time (08.00 GMT).

**Russia in NATO: fantasy or feasible? - Today's Zaman**

Since taking office, Russian President Dmitry Medvedev has argued that the present European security system is out of date and dysfunctional and that Moscow feels "excluded." Russia wants something new. At the same time the West insists that NATO will remain the foundation of European security.

**Netanyahu admits he tried to block Russia-Syria arms deal - Arab News**

Israel's prime minister said Sunday that he failed to block Russian plans to sell Syria anti-ship cruise missiles that his country fears could fall into the hands of Hezbollah fighters.

**U.S. Lauds Russia on Barring Arms for Iran**

The White House praised Russia's president, Dmitri A. Medvedev, on Wednesday for publicly barring the shipment of an advanced antimissile system to Iran, even as American diplomats here discussed a plan to reopen negotiations with Tehran over its nuclear program.

**Excessive sanctions will not solve the Iranian nuclear problem**

"We have reached an agreement; it was a very good meeting," French Foreign Minister Bernard Kouchner said about the meeting of the foreign ministers of the six world powers that monitor Iran's nuclear program at the EU mission in New York.

Russia, the United States, China, Britain, France and Germany have been trying to force Iran to stop its uranium enrichment program and to engage in a dialogue on nuclear issues with them since 2003.

### **Russian ministry calls for more access to Arctic for geological exploration**

We are suggesting that separate licenses for the exploration and estimation of mineral resources should be granted without limits to all companies, including foreign enterprises, interested in that business, Maidaiov said at The Arctic: Territory of Dialogue international forum in Moscow.

### **NATO, Russia seek new trust at New York talks**

The foreign ministers-level meeting of the NATO-Russia Council comes as the 28-nation alliance waits for Russia to respond to an invitation to hold a full-scale leaders summit in Lisbon on November 20.

### **Democracy Still Matters**

One mystery of the first decade of the 21st century is the decline of democracy. It's not that nations with democratic systems have dwindled in number but that democracy has lost its luster. It's an idea without a glow. And that's worrying. I said "mystery." Those who saw something of the blood expended through the 20th century to secure liberal societies must inevitably find democracy's diminished appeal puzzling. But there are reasons.

### **Economic**

#### **Putin trumpets Russia's growth prospects**

Vladimir Putin, Russia's prime minister, trumpeted the prospect of strong economic growth and defended his accomplishments in a major address on Friday that contrasted sharply with a pessimistic tone adopted by President Dmitry Medvedev last week in a similar landmark speech.

#### **Gazprom, China's CNPC agree key terms for gas supplies to China**

Russia's gas giant Gazprom and China's oil and gas corporation CNPC have agreed key elements of a deal for Russian gas supplies to China, Gazprom said on Wednesday. "The parties have come to an agreement about key terms and parameters of forthcoming Russian natural gas supplies to the Chinese market from 2015," Gazprom said, adding that it planned to supply China with 30 billion cubic meters per year.

#### **Russia unlikely to join WTO by 2011 - Putin (Update-1)**

Russia is unlikely to join the World Trade Organization (WTO) by the projected date of January 1, 2011, though the country will make all possible efforts to fulfill this goal,

**European Commission retracts objections to Russia-Poland gas deal – Tusk – ITARTASS**

The European Commission has retracted objections to the Russia-Poland gas deal, Polish Prime Minister Donald Tusk told a Tuesday press conference. He said the objections were lifted, and all the sides had to do was to edit the prospective accord.

#### **Hyundai motor plant opens in St Petersburg**

The opening ceremony was attended by Prime Minister Vladimir Putin and representatives of Hyundai, who jointly pressed the button and the first Solaris rolled off the assembly line. Serial production will begin in January 2011. The concept of this model was presented at the Moscow Motor Show in August under the working title RB. The car looks very much like a new, third generation of the budget model Verna (in some markets the car is known as Accent).

#### **Russia's Arctic holds 100 Bln tons of oil, gas - Charleston Daily Mail**

Russia's Arctic territories are estimated to contain up to 100 billion tons of oil and gas and the nation needs to defend its claim to those riches, a Cabinet minister said Tuesday.

#### **Sevmash to set up oil and gas platform subsidiary**

The company is now completing the Prirazlomnoye offshore platform in the Barents Sea. It expects the platform to be installed at an oil and gas field next June.

#### **Putin hopes to eliminate budget deficit ahead of plan**

The Russian government hopes to eliminate its budget deficit earlier than expected, Prime Minister Vladimir Putin said on Thursday.

#### **Sovcomflot first half net profit down 5 pct to \$111.2 mln**

Sovcomflot's gross revenues in the first six months of 2010 grew 11 percent to \$678.6 million year-on-year, while EBITDA fell 4.3 percent to \$292.6 million, the company said.

#### **Emerging Markets: Capital Flows Follow Growth and Innovation**

If there is one economic lesson that prevails during tough economic times, it is that investment capital always flows to where the growth is. The simple truth is that where there is growth, corporate profits and investment returns, much higher than average, are sure to follow. Capital will seek these higher returns, mitigating risks as best it can along the way. Most investors in tune with the underlying currents in the market have followed this migratory path to emerging and developing economies. Growth in this sector has trebled the GDP growth in the developed world in recent years and is projected to continue to do so through 2015.

#### **Oil export duties 'shock' for Belarusian economy - IMF envoy**

Russia exported more than 21 million tons of oil to Belarus last year, but only 5-6 million tons was for domestic consumption. The rest was re-exported, some after passing through one of the country's two oil refineries.

#### **Rusmoloko to build \$1.3bn milk and meat complex in Penza region**

Penza region-based dairy company Russian Milk Company (Rusmoloko) intends to invest a total of \$1.3bn building a large milk and meat animal breeding complex in Penza region, regional officials report.

**Social/ Humanitarian:**

**Soyuz TMA-18 spaceship to return to Earth Friday**

A Russian child who was adopted in the U.S. and then sent back to Russia does not want to be adopted again and remains at a children's center in Moscow, the Russian children's ombudsman said on Wednesday.

**Russian boy rejected by U.S. family refuses to be adopted**

A Russian child who was adopted in the U.S. and then sent back to Russia does not want to be adopted again and remains at a children's center in Moscow, the Russian children's ombudsman said on Wednesday.

**Russia: Protest Over Gay Rights**

At least eight gay-rights activists were taken into police custody on Tuesday at a protest calling for the arrest of Moscow's conservative mayor, Yuri M. Luzhkov, left, a longtime opponent of gay rights. The rally was timed to observe the 74th birthday of Mr. Luzhkov,

**FOOD/energy & Environmrnt:**

**Russians to attend special meeting on food prices**

Russian grain company executives will be among experts attending a special meeting prompted by global worries about high food prices, including the effects of Russia's grain export ban, U.N. officials said Thursday.

**Russian watchdog orders WBD to cut Siberian prices**

The Russian Federal Antimonopoly Service (FAS) has ordered one of the country's top dairy producers, Wimm-Bill-Dann (WBD) to cut prices, after discovering that it overpriced its goods in Siberia's Novosibirsk region, the FAS said on Wednesday.

**Russian crop misery spreads to world's supermarkets**

This year however, the machine is not harvesting wheat but ploughing dead crops back into the cracked, sun-scorched earth, a symbol of a land hit by an unprecedented summer drought and savage forest fires.

**Summit starts on race for Arctic wealth**

An international meeting has begun in Moscow in an attempt to stop the Arctic becoming the next battleground over mineral wealth. One quarter of the world's resources of oil and gas are believed to lie beneath the Arctic Sea. Russia, Norway, Canada, Denmark and the United States have already laid claim to territory in the region.

## **Geo-Strategic**

### **NATO calls for strategic partnership with Russia**

NATO's chief says a proposed summit of the leaders of Russia and NATO's 28 nations will showcase the strategic partnership between the former Cold War rivals and result in greater cooperation in the Afghan war, missile defense and other areas.

### **Russia developing laser weapons - military chief**

Russia is working on a military laser system, the chief of Russia's Armed Forces General Staff said on Wednesday.

### **Report: Russia Drops Plans To Supply Iran With S-300 Missiles**

The chief of Russia's general staff says Russia has dropped plans to supply Iran with S-300 missiles because they are subject to international sanctions.

### **Arctic valuable to world, not just polar states - Russian expert**

The forum involves well-known foreign and Russian scientists, representatives of nongovernmental organizations and business circles, and key political figures. Russian Prime Minister Vladimir Putin, who heads the Russian Geographical Society Board of Trustees, is also expected to attend.

### **Russia not to deliver S-300 missiles to Iran - Russian top general**

Russia will not deliver S-300 air defense missiles to Iran as planned because such transfers are prohibited under UN sanctions, the chief of the Russian general staff said Wednesday.

### **Ukraine hopes to set up joint aircraft venture with Russia in October**

Ukraine hopes that a joint venture with Russia to build Antonov aircraft will be set up in Russia as soon as October, the country's Minister of Industrial Policy said on Wednesday.

### **Israel ready to counter Yakhont missiles — General Staff**

Israel is concerned by Russia's decision to sell anti-ship Yakhont missiles to Syria but the Israeli Defense Forces (IDF) would be able to "deal" with the challenge, the chief of Israeli General Staff said on Tuesday.

### **U.S.-Russia arms-control treaty gains 3 Republicans' support - Denver Post**

A major arms-control treaty with Russia drew support from three Republicans on the Senate Foreign Relations Committee on Thursday, a sign that one of President Barack Obama's top foreign-policy goals might have the bipartisan support required for ratification.

### **Iran Criticizes Russia for Missile Deal Ban**

Iran's defense minister has criticized Russia for its decision to ban sales of an air defense missile system to Tehran. Iran's state-run TV quotes General Ahmad Vahidi on Thursday as saying Moscow wilted under international pressure on its commitments to Iran.

### **Israel threatens to scrap UAV deal with Russia over Syria arms sale**

The first victim of the fallout could be Russia and Israel's planned \$300 million deal to set up an unmanned air vehicle (UAV) manufacturing facility in Russia. Russia has spent around \$50 million on Israeli-built UAVs this year to train operators and develop tactics for using modern systems.

## **Detailed Report**

### **Political Issues**

#### **Poland 'dissatisfied' with Russian documents on Smolensk plane crash**

Poland's TVN24 channel said on Wednesday.

"I'm leaving with the feeling of dissatisfaction. Many things [in the documents] that we wanted to know are missing," leading expert Edmund Klich said.

The experts have submitted their complaints to the Interstate Aviation Committee (MAK). Most of them concern a lack of technical details about the Severny airport in Smolensk.

MAK has not yet commented on the complaints.

The worn-out Tu-154 that crashed while carrying Lech Kaczynski and other senior Polish officials was on its way to a commemoration ceremony of the 1940 Katyn massacre of more than 20,000 Poles by Soviet forces near Smolensk.

Russia-Poland ties have warmed on the back of Moscow's gentle handling of the aftermath the tragedy, but were strained again last week after Poland refused to extradite exile Chechen separatist leader Akhmed Zakayev, who came to Warsaw for a Chechen congress.

#### **The Arctic: Territory of Dialogue" forum: live broadcast on September 23**

The main purpose of the forum is to discuss potential international cooperation in the Arctic and establish the region as an area of peace and cooperation.

Discussion will focus on environmental protection and the sustainable development of the Arctic's natural resources.

The forum will be attended by well-known foreign and Russian scientists, representatives of nongovernmental organizations and business circles, and key political figures.

The forum has been organized by the Russian Geographical Society; its information sponsor and operator is the Russian News and Information Agency RIA Novosti.

#### **Russia in NATO: fantasy or feasible? - Today's Zaman**

It is not surprising that talk of Russian membership in NATO is on the increase both in the West and in Russia. Konstantin Kosachev, chairman of the international relations committee in the Russian Duma, recently said that a serious NATO membership proposal could be embraced by Moscow.

Russian NATO membership is not a new idea. In the dying days of the Soviet Union, Boris Yeltsin stunned NATO by sending a letter declaring, "Today we are raising the question of Russia's membership in NATO." Yeltsin called it a long-term political aim. At the time NATO ministers were too taken aback to give a constructive response. In the years that followed Yeltsin continued to raise the topic and the West kept fudging over its reply. And in the first days of Vladimir Putin's presidency, during his first foreign interview, he left many flabbergasted when he said, "We believe we can talk about more

profound integration with NATO, but only if Russia is regarded as an equal partner.” Asked if Russia could join NATO, Putin replied, “I do not see why not.” He also gave a warning: Any attempt by NATO to exclude Russia from the debate over NATO’s eastward enlargement will provoke opposition. And we have clearly seen this in the years that followed.

Russia was not happy about the enlargement to the countries of the former Warsaw Pact and was particularly aggrieved by the entry of the Baltic states. Moscow was upset by NATO’s action in the Balkans -- Bosnia and Kosovo in particular. But it was the idea of Georgian and Ukrainian membership as well as George Bush’s plan to establish a Missile Defense System (MDS) right on Russia’s doorstep that was the snapping point, and US-Russia relations hit an all-time low with Russian tanks rolling into Georgian territory. US President Barack Obama has gone some way to restore relations with his “reset” -- MDS plans have been ditched, Ukraine has now dropped the membership goal, and while Georgia still has NATO on its mind, the chances of Georgia making it into the club any time soon would seem slim. But still the issue of European security remains unresolved.

Earlier this year a number of political and military leaders called on NATO to invite Russia to join the alliance. It is not that surprising, simply because without constructive Russian involvement it will prove impossible to have an adequate security system in Europe and more particularly in the Eurasia area, where maintaining stability is proving increasingly difficult. Furthermore, NATO has lost its goal. Many of the US’s NATO allies are no longer ready to engage in dangerous combat missions simply to further America’s strategic interests. The US has revised its list of priorities to favor the Middle East, where many EU states feel they have limited interest with their populations having no appetite for doing battle. It seems the most successful military-political alliance in history has lost its way and has been unable to transform itself into a “global” organization.

A European security structure that excludes Russia makes no sense. For its part, Russia has created a number of its own security initiatives involving the CIS states, and while not comparable to NATO, Russia (quite rightly) will never give up on what it considers to be its natural right to have a security role in the region that it views as its zone of influence. Russia still has a strong military presence in the region. Within Europe alone Russia has a military presence in Belarus, Ukraine, Moldova (troops in Transnistria), Armenia and in the occupied territories of South Ossetia and Abkhazia in Georgia. Only in Azerbaijan do they have no real presence (only a radar station at Gabala).

Having Russia on board means that NATO would not have to depart from its enlargement doctrine and would be able to maintain its role as the only security structure in Europe.

Furthermore it would put an end to Moscow’s complaints that NATO frequently does not take its interests into account. But there are many obstacles: Many new NATO members cannot contemplate an organization with their former “masters” on board. Furthermore, Russia has always seen itself as an independent power that does not join clubs where decisions are taken by unanimity and while all NATO members are formally equal, the

US is the undisputed hegemonic force. Russia is hardly likely to enter an organization where the deciding vote belongs to the US. Therefore NATO would have to evolve away from the current set up to something different and perhaps "fairer." The question is whether the US would ever agree to this. And lastly Russia would have to meet the criteria to join -- as do all other candidates -- meaning undertaking several democratic reforms, including guarantees for the rights of the opposition, freedom of media and political competition. Not an easy task.

Having Russia on the inside, cooperating constructively towards common goals, would seem far more logical than keeping Russia on the outside -- remaining unpredictable, feeling excluded and looking for "alternatives." However, Russia would only do this if they see tangible benefits from membership.

### **Netanyahu admits he tried to block Russia-Syria arms deal - Arab News**

**JERUSALEM:** Syria is a key backer of the Lebanese Hezbollah, which has used Russian-made weapons against Israel in the past, including anti-tank missiles that were one of the group's most effective weapons during the monthlong war with Israel in 2006. Prime Minister Benjamin Netanyahu warned the deal to sell Syria P-800 missiles would be "very problematic" for the Jewish state.

"We have been aware of this deal for some time, and there were discussions with the Russians at every level," Netanyahu told a closed meeting of Cabinet ministers from his Likud Party. His comments were confirmed by a meeting participant, who spoke on condition of anonymity because the meeting was closed.

A string of Israeli leaders raised concerns about the deal, most recently Defense Minister Ehud Barak during a trip to Moscow earlier this month. Israeli defense officials said Barak was told the sale would go through.

Russia's defense minister, Anatoly Serdyukov, announced in Washington last week that his government would go ahead with the deal, signed in 2007. Both Israel and the US had voiced objections.

"The issue of selling the missiles to Syria was raised during the talks with US Defense Secretary Robert Gates," Serdyukov told the state news agency RIA Novosti.

«Undoubtedly, it would be fulfilled by the Russian side.» It was not immediately clear when the weapons would be transferred.

The agency said the P-800s have a range of 300 km, carry a 200-kg warhead and cruise just yards above the surface, making them difficult to detect and intercept.

Israeli officials say they are deeply concerned about the transfer of sophisticated weapons to Syria, which supports Hezbollah in Lebanon and Hamas fighters in the Gaza Strip.

Israel has said Hezbollah used Russian-made weapons obtained from Syria during the 2006 war, in which some 120 Israeli soldiers were killed.

After the fighting, which ended in a stalemate, an Israeli delegation went to Moscow to complain about Hezbollah's use of Russian-made anti-tank missiles. The Israelis brought what they said was conclusive evidence, such as serial numbers, to prove the weapons were Russian.

At the time, Russia said that any of its weapons obtained by Hezbollah came from third countries, not Russia or Syria.

Last week, Israel announced an arms deal of its own, giving final approval to the planned purchase of advanced F-35 stealth warplanes from the US.

Netanyahu on Sunday called that deal “a significant step in strengthening the state of Israel's military capabilities.” The first aircraft are expected to be delivered in 2015.

“This is one of our answers to the changing threats around us, to maintain our attack capabilities, along with other actions to improve both our defensive and offensive abilities in the decades to come,” Netanyahu told his Cabinet. “I think that this step, acquiring the most advanced plane in the world, more advanced than any plane in the area, is an important and significant step for the security of Israel.”

### **U.S. Lauds Russia on Barring Arms for Iran**

UNITED NATIONS — The White House praised [Russia](#)'s president, [Dmitri A. Medvedev](#), on Wednesday for publicly barring the shipment of an advanced antimissile system to [Iran](#), even as American diplomats here discussed a plan to reopen negotiations with Tehran over its nuclear program.

### **Iran Criticizes Russia Over S-300 Missile Deal Ban**

President Dmitri A. Medvedev, at an engineering plant outside Moscow on Wednesday, was praised by American officials.

“The days when your development was dictated by foreign capitals must come to an end,” Mr. Obama said from the well of the United Nations, the first of two speeches there over two days, drawing applause from nearly 190 nations attending the Millennium Development Goals summit meeting.

Mr. Medvedev's announcement confirmed in public what Russian officials had quietly told American and French officials in June: that he would interpret the United Nations sanctions against Iran as mandating that Russia should permanently halt delivery of S-300 missiles, which Tehran wanted to build as a deterrent to airstrikes against its nuclear facilities. The declaration by Mr. Medvedev ended equivocation by Russian officials about whether the sophisticated advanced air defense system would fall under the sanctions ban.

Iran declared several months ago that it would build an equivalent system of its own, but obtaining the components, the guidance systems and the expertise would be a challenge, especially with the ban on high-technology imports to the country.

The White House, eager to demonstrate cooperation with Russia at a moment when the Senate is debating ratification of the new strategic arms reduction treaty, said in a statement that Mr. Medvedev “has demonstrated leadership on holding Iran accountable

to its international obligations from start to finish.” It added, “This continues to demonstrate how Russia and the United States are cooperating closely on behalf of our mutual interests, and global security.”

Mr. Medvedev’s decree ended an internal debate in Russia, pitting supporters of sanctions against those trying to bolster economic relations with Iran, and about whether the Security Council sanctions included the air defense missiles. Russian news media had reported that the contract was worth \$800 million.

“The importance is, it is now public and official,” James F. Collins, former ambassador to Russia and a senior associate at the Carnegie Endowment for International Peace, said in a telephone interview from Washington.

The Russian and American announcements came as Iran’s president, [Mahmoud Ahmadinejad](#), continued a seemingly endless series of public appearances in New York: television interviews, meetings with reporters and academics and speeches denouncing American imperialism, proclaiming the failures of capitalism, and warning the United States that it had never been involved in a “real war.”

But he also said that the resumption of talks between Iran and the West was inevitable, and while the United States fears being mired in fruitless negotiations while Iran’s stockpile of nuclear material increases, Mr. Ahmadinejad’s prediction seems about right.

At a meeting today with France, Britain, Germany, Russia and China, diplomats planned what one senior American official described to reporters as a “phased approach” that would include reviving an earlier proposal to supply Iran with enriched fuel for a research reactor in Tehran in return for Iran’s shipping the bulk of its stockpile of uranium to Russia and France.

“We’re prepared to engage and see if we can’t produce what would be a confidence-building step,” said a senior administration official, speaking on condition of anonymity because he was discussing a private meeting.

The original deal fell apart soon after it was negotiated last October in Geneva, rejected in Tehran. That set off a chain of events that led to the Security Council sanctions, the toughest of four passed in as many years.

Part of the motivation for the sanctions was to force Iran back to negotiations, and ultimately to comply with the Security Council demand that it halt all enrichment of

nuclear fuel and answer the questions posed by international inspectors. But resurrecting the research reactor deal will be tricky.

The original deal called for Iran to turn over 1,200 kilograms of nuclear fuel, in return for specialized fuel rods that would enable the research reactor to produce medical isotopes. At the time, that would have left Iran with less than one bomb's worth of low-enriched uranium. But since then, Iran's stockpile has increased, and it has begun enriching some uranium to 20 percent, a level of purity that takes it closer to bomb-grade fuel.

A new deal would call for Iran to turn over more of its stockpile, and to cease the 20 percent enrichment.

Communicating with Iran has been characteristically difficult. Iran has yet to respond to specific overtures by the [European Union's](#) high representative for foreign affairs, [Catherine Ashton](#). She is seeking a specific date for a meeting.

Iran's reluctance to do that may reflect internal disagreements in Tehran about how to respond to the latest Western efforts to discuss its nuclear program, another senior official said.

The administration hopes to learn more about Iran's intentions later this week when the British foreign secretary, [William Hague](#), meets the Iranian foreign minister, Manouchehr Mottaki, in New York. Iranian officials are also likely to meet diplomats from Russia and China.

But in a sign of the chill between the United States and Iran, officials said they did not expect any meetings, even impromptu encounters, between American and Iranian officials in New York. Just the process of arranging a meeting with Iran will take several weeks, an official said.

Mr. Obama used the United Nations development conference to announce a plan to reinvigorate American development efforts and the principal agency for delivering them, the [United States Agency for International Development](#), which languished for years with financing cutbacks and a loss of talented employees.

Instead of dictating development projects and goals to poorer countries, he said, the United States would seek partnerships with local governments and organizations to give them a voice in setting their priorities. He also said the administration would focus on choosing development projects where it believed that American involvement could produce sustainable economic growth. It will also seek to team up with other governments and well-financed new players, like the [Bill and Melinda Gates Foundation](#).

While the administration does not plan to change its overall commitment to aid, officials said it would reallocate funds from countries that are deemed less promising to those with a greater chance of success.

The White House wants to raise the profile of the development agency, but it has not fundamentally changed its place in the administration. The agency's administrator, Rajiv Shah, will continue to report to Secretary of State [Hillary Rodham Clinton](#). In a largely symbolic step, he will have a seat on the [National Security Council](#) for issues that are relevant to development.

*David E Sanger reported from the United Nations, and Andrew E. Kramer from Moscow. Mark Landler contributed reporting from the United Nations.*

### **Excessive sanctions will not solve the Iranian nuclear problem**

Western powers suspect Iran of building nuclear weapons under the guise of a nuclear program that Tehran claims is entirely peaceful and focused on power generation.

Iran cut all communications with the six-nation group in 2009 and has not altered its stance even after the UN Security Council adopted tougher sanctions against it on June 9, 2010. Despite this, the six countries' foreign ministers met in New York during the 65th session of the UN General Assembly this week.

It's worth noting that the international community interacts with Iran in a highly complicated manner, and that this six-nation group should not be confused with the UN Security Council. But there is one issue common to both agencies - Moscow's attitude to sanctions against Iran.

On June 9, the Security Council adopted a fourth set of sanctions on Iran purely concerned with elements related to its nuclear program. The sanctions were a compromise between the resolutely anti-Iranian U.S. proposals supported by Europeans and the ideas posited by Russia, China and some other Security Council members. However, many Security Council members remained dissatisfied even with that compromise version of the sanctions.

The Russian delegation then warned the United States and the European Union that balanced UN sanctions should not prompt them to introduce unilateral, much harsher, sanctions against Iran that would be detrimental to the country's economy and its people. What's the point of hammering out agreements in the UN if some countries opt to act unilaterally?

But the United States and the EU did adopt their own sanctions, prohibiting their companies from investing in Iran's oil and gas sector, the key industry generating the country's livelihood.

This has created a complicated and very delicate situation. Analysts say that Russia's warning to the Americans and Europeans could indicate that it will not support the Security Council's next set of sanctions against Iran.

Asked if these sanctions are indeed the last to be adopted by the UN, Foreign Minister Sergei Lavrov said immediately after the six nations' meeting in New York that my

question concerned the future while the immediate task is to implement those decisions that have been approved.

This is a logical stance; it is also clear that Moscow is dissatisfied with these "additional" sanctions. Lavrov said in his address at the 65th General Assembly: "There has long been a general consensus about the need to abide by the humanitarian limits of sanctions, and to prevent these measures from adversely affecting either the civilian population or the country's socio-economic development. However, we must express our serious concern over individual countries' persistently taking unilateral forcible measures [...] exceeding the provisions set out in the UN Charter and the decisions made by the Security Council. We believe that this practice must be stopped."

Are we returning to an age of confrontation? No, the times have changed. The fragile but growing cooperation between the key political players - Russia, the United States, the EU and China - is now recognized as having intrinsic value. Moreover, it is just as important as the goal of fostering interaction with Iran over its nuclear program. All the meetings about this problem, including the latest meeting of the six-nation group in New York, signify the sides' attempts to find a delicate balance.

While the world leaders and foreign ministers met in New York for the 65th UN General Assembly, Russian President Dmitry Medvedev signed a decree prohibiting the delivery of the S-300 air defense missile systems, armored vehicles, combat aircraft, helicopters and warships to Iran, or their transit to Iran across Russia. It also prohibits financial transactions with Iranian partners that are related to Iran's nuclear program and the entry into Russia or transit across Russia of Iranians connected with the country's nuclear program.

This decree was written in strict compliance with the UN Security Council's sanctions of June 9, for which Russia voted and which are currently binding for all countries. Russia's sanctions do not suggest any covert desire to place a strangle-hold on Iranian fishing or oil companies, and in this way they differ dramatically from the separate sets of sanctions adopted by the EU and the United States.

Overall, the general aspiration is to resume the talks between the six-nation group and Iran.

UN Secretary-General Ban Ki-moon spoke about this in New York during his meeting with Iranian President Mahmoud Ahmadinejad.

U.S. Assistant Secretary of State for Public Affairs Philip Crowley has advocated this too. He said: "A P5 plus one meeting [should] review where we are in terms of trying to encourage Iran to come forward and engage constructively with the international community."

Let's hope the resumption of talks with Iran will eventually lead to a solution to the Iranian nuclear problem.

### **Russian ministry calls for more access to Arctic for geological exploration**

The Russian Natural Resources Ministry has called for exploration licenses to be granted to all companies wishing to search for mineral resources in the Arctic, with a further right to develop explored fields, Deputy Natural Resources Minister Igor Maidaonov said on Thursday.

"The license holder will have guarantees that if he discovers a field, he will have the right to develop it as part of a consortium. This will help increase the shelf's exploration degree, remove risks of early exploration stages from state companies, and preserve government control over the project."

The Natural Resources Ministry is considering a special tax regime for companies working on the shelf, including the possibility of tying taxes to profitability of fields, he said.

Maidanov said it was necessary to boost the number of companies which can work on the shelf to develop production.

"It is impossible to develop our shelf projects in the foreseeable future without a large-scale involvement of private companies, including foreign capital," Maidanov said.

Currently, only state companies Gazprom and Rosneft have the right to carry out geological exploration work on the shelf.

The ministry is proposing that large consortia, should be established with foreign companies with shelf exploration experience.

"We think that the implementation of joint economic and administrative stimulus measures will considerably increase the attractiveness of hydrocarbons exploration and development projects," Maidanov said.

### **NATO, Russia seek new trust at New York talks**

NEW YORK — NATO and Russia will seek to build a new foundation of trust at a key meeting on the sidelines of the UN General Assembly on Wednesday, encompassing common threats and lingering disagreements.

The New York talks are seen as way to lay the groundwork for that summit, and will discuss issues including NATO-Russia cooperation on Afghanistan and the controversial US missile defense scheme.

The US ambassador to NATO Ivo Daalder told reporters on Tuesday that the session in New York was designed to provide a new channel of communication between the western alliance and Moscow.

"The NATO-Russia Council is a place where we can do business, where we can work together to resolve issues of common concern ... and also where we can continue to have a dialogue about those issues on which we disagree," he said.

"NATO wants, the United States wants, all of the allies want, a relationship with Russia, a partnership. We don't want an adversary. We're not looking for an adversary. We don't think Russia is an adversary.

"But just as friends disagree we will find that there will be times when NATO and Russia will disagree.

"That's not a bad thing -- that's just the reality. The bad thing is when we can't talk about it."

Russia's ambassador to NATO, Dmitry Rogozin, has said that the Russian national security council will examine the summit invitation announced by NATO Secretary General Anders Fogh Rasmussen last week.

NATO and Russia held their last meeting at the level of heads of state and government in April 2008 in Bucharest.

The Lisbon meeting would take place after NATO leaders hold their own summit in the Portuguese capital November 19-20.

Russia and the West are at odds over the disarmament of conventional weapons in Europe, the situation in Georgia following the August 2008 Russian-Georgian war and NATO's eastward enlargement and the membership of post-Soviet states.

But the two sides have identified common interests in the face of threats such as terrorism, nuclear proliferation and drug trafficking as they gingerly revive ties that had sunk to a new low following the war in Georgia.

On the Afghan front, Russia cooperates in the fight against drug smuggling and allows the transit of supplies, except weapons, for NATO troops through its territory.

### **Democracy Still Matters**

LONDON — The lingering wars waged partly in democracy's name in Iraq and Afghanistan hurt its reputation, however moving images of inky-fingered voters gripped by the revolutionary notion that they could decide who governs them. Given the bloody mayhem, it was easy to portray "democracy" as a fig leaf for the West's bellicose designs and casual hypocrisies.

While the democratic West fought, a nondemocratic China grew. It emerged onto the world stage prizing stability, avoiding military adventure and delivering 10 percent annual growth of which Western democracies could only dream.

China's "surge" was domestic. It was unencumbered by the paralyzing debate of democratic process. When the West's financial system imploded in 2008, the Chinese response was vigorous. A "Beijing consensus" gained traction.

The borderline between democracy and authoritarianism grew more opaque. The dichotomy between freedom and tyranny suddenly seemed oh-so 20th century. The new authoritarianism of China or Russia was harder to define and therefore harder to confront.

"Regimes like the one in Russia are stabilized by the fact that they have no ideology," said Ivan Krastev, a fellow at the Institute for Human Sciences in Vienna. "There is really no ideological means to attack them."

They also derive resilience from the fact that their borders are open. "The middle class is not interested in changing the system because if they don't like it they can fly to London," Krastev noted.

Having grown up in Communist Bulgaria, he believes democracy was oversold in the 1990's. All good things, at the Cold War's end, were shoveled into the democratic basket: prosperity, growth, peace. When democracy stopped delivering in these areas, it suffered. Too little was said about democratic values, including freedom.

Meanwhile technology kicked in with what the author Jonathan Franzen has called its "trillion little bits of distracting noise." People, synched with themselves, retreated into private networks and away from the public space — the commons — where democratic politics had been played out.

Democracies seemed blocked, as in Belgium, or corrupted, as in Israel, or parodies, as in Italy, or paralyzed, as in the Netherlands.

There were exceptions, particularly the heady mass movement that brought Barack Obama to power in 2008. But Obama soon found himself caught in the gridlock of the very partisan shrieking he had vowed to overcome. Less than halfway through his presidency the prospect of legislative paralysis looked overwhelming. The world's most powerful democracy, its promise so recently renewed, seemed mired once more in its frustrations and divisions.

So what? So what if money trumped democracy and stability trumped open societies for hundreds of millions of people? So what if the rule of law or individual freedom was compromised, the press muzzled, and media-controlling presidents thought they could use "democracy" to rule for life with occasional four-year breaks.

So what if people no longer thought their vote would change anything because politics was for sale? Perhaps liberal democracy, along with its Western cradle, had passed its zenith.

Wrong. It's important to stanch the anti-democratic tide. Thugs and oppression ride on it.

If anyone needs reminding of that, read the remarkable Tony Judt, the historian who brought the same unstinting lucidity to his death last month from Lou Gehrig's Disease as he did to the sweep of 20th-century European history. Judt was a British intellectual transposed to New York whose rigorous spirit of inquiry epitomized Anglo-American liberal civilization. Nobody knew better the repressive systems that create captive minds. Nobody wrote more persuasively about the struggle against them for pluralism, liberty and justice.

Judt died as I moved the other way, from New York to London. It's a move across a continuum of language — even if I can't get used to "letter box" or "white" coffee — but also, still, across the continuum of Anglo-American civilization, the civilization of Locke and Adam Smith and Isaiah Berlin, however marginalized those dead white men may appear in the dawning Asian century.

So I'm grateful to Timothy Garton Ash, in his tribute to Judt in *The New York Review of Books*, for finding in the words of a 17th-century Englishman, Colonel Thomas Rainsborough, a quintessential expression of the democratic idea:

"For really I think that the poorest he that is in England hath a life to live as the greatest he: and therefore truly, sir, I think it's clear, that every man that is to live under a government ought first by his own consent to put himself under that government."

From that utterance in 1647 to Lincoln at Gettysburg in 1863 — "that government of the people, by the people, for the people, shall not perish from the earth" — is a natural progression. And democracy is still an idea worth the fight.

## Economic

### **Putin trumpets Russia's growth prospects**

Mr Putin's performance will feed speculation that he is already campaigning to be president again in 2012, when Mr Medvedev's term is up. Neither man has ruled anything out.

It was revealed on Friday that Russia's Federal Bodyguard Service, which protects the president and prime minister, had registered Cyrillic alphabet internet domain names "Putin2012.rf" and "Putin-2012.rf". But Mr Putin's press spokesman was quoted in press reports saying that his boss probably did not even know this had been done.

Mr Putin, in a keynote address to the annual Sochi Investment Forum, highlighted the sweeping accomplishments of the past decade, while he was president, saying poverty had been drastically reduced and incomes doubled.

He predicted 4.4 per cent growth for the Russia economy this year, against an 8 per cent drop in 2009, and 7 per cent inflation for the year, compared with 13 per cent in 2008.

"Our colleagues in Europe and the United States did not believe that our economy would return to health so rapidly" he said. "Despite the strict budget constraints, due to the budget deficit and inflation, we were able to support the living standard of our citizens."

Economists said while the data were impressive, Russia's growth was in reality lower, although still positive, because of the low base from which it was being calculated.

Mr Putin's comments on Russia's economy differed markedly from those of Mr Medvedev a week earlier, when the latter spoke to delegates at the annual presidential summit in Yaroslavl.

Mr Medvedev, in making the case for the sweeping economic and political reforms he announced last year, said Russia's emergence from the economic crisis was only temporary and down more to good luck than skill.

"Just because energy prices have risen and we have had a burst of growth, people get comfortable but it might not last," Mr Medvedev said, defending the need for fundamental liberalisation of the economy and the political system. "It is unavoidable that we completely change our economic infrastructure."

Mr Medvedev has long been the more bearish of the two men, quite possibly, in an attempt to justify the far-reaching reforms he has proposed, and by extension, a second term as president.

He mandated deep budget cuts in May 2009, based on pessimistic economic forecasts, which Mr Putin appeared to oppose, even overturning some of Mr Medvedev's changes.

"This has been a source of some real friction" said Aleksander Auzan, an economist and member of the Institute of Contemporary Development, a think-tank close to Mr Medvedev.

Mr Putin's optimism, appeared to be an attempt to maintain the status quo. Maksim Shevchenko, a television commentator, said both Mr Putin and Mr Medvedev agreed that modernisation of Russia's economy was a priority but they each were trying different strategies.

Mr Putin, he said, was focusing on increasing revenues from hydrocarbons export projects, such as North Stream and South Stream gas pipelines, which will finance Russia's modernisation, creating a "second energy wave" as he put it.

Mr Medvedev, meanwhile, was trying to "create a trend", Mr Shevchenko said, popularising his concept of Russia as a post industrial "innovation economy" which appeals to much of the elite.

However, few see a real conflict between the two men. "Their differences are more about style than substance" said Peter Ghavami, head of Global Markets for Troika Dialog, the Moscow investment bank.

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### **Gazprom, China's CNPC agree key terms for gas supplies to China**

The companies plan to sign up to further points on key supply terms at the end of September, which will become the cornerstone of a final contract.

Gazprom Deputy CEO Alexander Medvedev has said the agreement on the core terms of supply, including volumes, cutoff points and take-or-pay terms, will be signed during a visit to China by President Dmitry Medvedev at the end of September.

In June, Alexander Medvedev said that Gazprom would set the final price of gas supplies in the middle of 2011.

Russia and China signed a gas supply memorandum in 2006, but a framework agreement was signed only in 2009 as the parties could not agree on prices.

The gas will be supplied from Western Siberia, and Eastern Siberia and Russia's Far East and Sakhalin.

### **Russia unlikely to join WTO by 2011 - Putin (Update-1)**

Russian Prime Minister Vladimir Putin said on Tuesday.

"We want to join the WTO and are doing everything we can to achieve this... But, in all honesty, I do not believe it will happen by January 1 next year," Putin said.

Russia is the only major economy outside of the global trade body and has been in negotiations for membership for 17 years.

This summer Russian President Dmitry Medvedev said he hoped Russia would complete negotiations on its accession to the WTO by yearend.

### **European Commission retracts objections to Russia-Poland gas deal – Tusk - ITAR-TASS**

WARSAW, August 31 (Itar-Tass) -- Russian, Polish and European Commission delegations will convene in Moscow on Saturday to discuss amendments to the agreement approved in the Brussels negotiations of the Polish economic minister.

Russian Gazprom and Polish PGNiG coordinated several months ago the terms of a supplement to the gas agreement on 1993 enlarging gas deliveries to 10.3 billion cubic meters and extending the contract until 2037. An agreement on long-term gas supplies was reached during an April meeting of the Russian and Polish premiers but the agreement was not signed by now because of certain doubts of the European Commission.

The European Commission expressed concern about the operator of the Yamal pipeline supplying gas to Europe. An independent operator must supervise gas deliveries on the Polish territory in keeping with the EU requirements, so that all market dealers have an equal access to the infrastructure, the European Commission said.

The European Commission comment on the Russian-Polish gas contract will not become an impediment, Tusk said on August 31.

He said Poland paid attention to comments of certain European officials but the comments were not fundamental and could not prevent the signing of the contract. The premier also noted that the comments concerned certain provisions of the contract rather than essential details.

The gas agreement with Russia meets the interests of Poland and Polish citizens, Tusk said. He also noted that Poland would not allow to apply larger restrictions to Polish gas treaties than those applied to gas treaties of other countries with the same exporters.

Gas and energy security are fundamental not only for Poland but also for the entire European Union and Polish-Russia relations, Tusk said.

Poland knows how sensitive the issue is, so it is ready for discussing contract details with Russia and the European Union, he said.

EuRoPolGAZ, which belongs to Gazprom and PGNiG, is the operator of the Yamal-Europe gas pipeline. The company applied for transferring control over the Polish segment of the pipeline to Gaz System S.A, a designated natural gas transmission system operator in Poland last Friday.

Polish Economy Minister Waldemar Pawlak held negotiations with European Energy Commission Gunther Oettinger in Brussels on September 6. He told a press conference after the negotiations that the European Commission demanded a more precise and transparent description of functions and relations between the gas pipeline owner and the operator. The minister also said that the European Commission did not question fundamental provisions of the treaty, as such as the amount of deliveries or charges.

Poland hopes for signing the intergovernmental agreement very soon, as Poland will spend all the gas supplied under the current contract already in October and will encounter problems in the provision of local consumers with gas in winter.

### **Hyundai motor plant opens in St Petersburg**

ST. PETERSBURG, September 21 (Itar-Tass) -- Hyundai has officially launched its venture Hyundai Motor Manufacturing Rus in St. Petersburg.

The production of sedans designed especially for Russia will begin in January, and sales, in March 2011. The hatchback will begin to be manufactured in May 2011.

It is expected that the car will be available as a sedan and a hatchback, powered with engines of 1.4 liters (109 hp) 1.6 liters (122 hp) and a 5-speed manual gearbox or a 4-speed automatic one. The company is currently considering the possibility of exporting products from the factory in St. Petersburg. However, at the same time it plans to continue to export cars into Russia after the launch of the plant in 2011 with the aim to build up sales 130,000 a year.

Putin said taxes from the Hyundai plant would make up more than 30 billion rubles in the coming years. As the prime minister said, the opening of this production facility in Russia means that technologies are transferred to this country and new highly waged jobs are created."

"Deductions to the tax authorities alone will make up 30 billion rubles in the coming years," Putin said, adding that the total investments reached 500 million dollars.

He said that the total production capacity was estimated at about 100,000 vehicles a year.

"In addition, it is important for us that it works the full cycle from stamping to assembly," Putin said. "Recently I met with President Lee Myung-bak. The leadership of South Korea attaches great importance to this project."

After the ceremony, the Russian prime minister and head of the Hyundai concern, Chung Mong-Gu took seats in a Hyundai Solaris and drove a few meters.

Hyundai started building the plant near St. Petersburg in June 2008. The volume of planned investments was 500 million euros and in 2011 it will produce 105,000 cars and in 2012 it will reach the capacity output of 150,000. Hyundai car sales in August grew in Russia by 58 percent to 7,532 cars, and in January-August 2010, the sales were up by 15 percent, to 53,282.

### **Russia's Arctic holds 100 Bln tons of oil, gas - Charleston Daily Mail**

MOSCOW (AP) -Natural Resources Minister Yuri Trutnev's statement comes as Russia is strengthening efforts to defend its claims to parts of the Arctic, which is believed to contain as much as a quarter of the Earth's undiscovered oil and gas. Russia, the U.S., Canada, Denmark and Norway have all been trying to assert jurisdiction over parts of the region, which is promising new opportunities to tap its oil and gas resources as the polar ice shrinks.

"Our sector in the Arctic is estimated to contain up to 100 billions tons of resources," Trutnev told a small circle of reporters on Tuesday.

Russia, Canada and Denmark are planning to file claims to the United Nations to prove their respective rights to the Lomonosov Ridge, an underwater mountain range. Russia first submitted its claim in 2001 to the U.N., but it was sent back for lack of evidence.

Russia will spend 2 billion rubles (\$64 million) on research in the next three years to prove its claims, Trutnev said Tuesday.

The Kremlin's point man for the polar regions said Monday that Russia would speed up collection of scientific data and submit it to the United Nations in 2013, matching a similar claim that Canada plans to file the same year.

Trutnev said the government will not going to rush to search for energy riches in the Lomonosov ridge if it wins the case.

"Lomonosov is about working for the future," he said. "I don't think we will start to develop this territory immediately."

#### **Sevmash to set up oil and gas platform subsidiary**

The Northern Machine Building Enterprise (Sevmash), Russia's largest ship and submarine building company, is to establish a subsidiary to develop oil and gas projects, the company said on Thursday.

"Sevmash has all the chances of participation in working on Gazprom's projects, including the Shtokman field. To this end, the company will develop a project to set up SevmashShelf company," Sevmash said on its official website.

#### **Putin hopes to eliminate budget deficit ahead of plan**

The budget deficit cutting policy will be continued in the future. The deficit will be below three percent of GDP in 2013, and then we'll manage to reach a zero deficit, or even earlier," Putin told a cabinet meeting on Thursday.

Russia's federal draft budget for the next three years stipulates a 3.6 percent budget deficit in 2011, a 3.1 percent deficit in 2012 and a 2.9 percent deficit in 2013.

#### **Sovcomflot first half net profit down 5 pct to \$111.2 mln**

Sovcomflot, Russia's largest shipper, posted a 4.8 percent fall year-on-year in its January-June net profit to \$111.2 million to IFRS, Sovcomflot said on Thursday.

The company, which the government plans to privatize in the next three years, increased its fleet to 144 vessels with a total deadweight of 10.5 million tons, it said.

"With a growing portion of our revenues coming from the Group's industrial business portfolio with project vessels employed under long-term fixed-rate contracts (in such specialized areas as LNG, shuttle-tanker and offshore supply vessel operations) our fleet as a whole continued to earn in excess of market expectations," the company quoted Evgeny Ambrosov, executive vice president and the group's chief operating officer, as saying.

## Emerging Markets: Capital Flows Follow Growth and Innovation

Persistent globalization trends have fostered this growth differential for decades, starting in the early nineties and gathering steam after the millennium crossover. “BRIC” is a new anagram that has entered the public lexicon and represents the combined economic success of Brazil, Russia, India and China to grab the reins of global economic leadership and outperform Western Capitalism at its own game. Although these markets have had to pull back on the accelerator to accommodate slower demand from the major economies, their prospects for the future remain dynamic and highly optimistic.

The combination of higher growth prospects and low interest rates in developed countries of the world has triggered a resurgent flow of capital to emerging economies. In the past, these types of flows would create risk concerns over potential inflation and the formation of asset bubbles, but emerging economies have learned from their past mistakes and have been moderating their growth engines accordingly. These cross-border financial flows have also impacted the [forex market](#) where many developing country currencies have appreciated versus the U.S. Dollar, as favorable trade imbalances with the West continue to expand.

The most positive development pertaining to this emerging market success has been the emergence of a broad and burgeoning middle-class in these countries. Although primarily focused in the past on export-driven economies, these countries are now transitioning to support the demand for consumer goods by their respective populations. Banking infrastructure, a major roadblock to progress in the past, has given way to cell phone technology. Today’s reality is that it is much easier for less affluent people to get a mobile phone account than a bank account. Where traditional credit rating scores would deny a bank account in the past, a prepayment for mobile phone credits will instantly establish credit worthiness in today’s world.

Global wireless subscriptions have crossed the 5 billion milestone, amounting to nearly 75% of the world’s population. It is no wonder that innovation in the financial services arena is also moving to emerging markets where mobile banking is welcome and systems of local agents are springing up to support transactions with people that do not have a mobile phone. Western banks have focused too long on preserving and extending the wealth of their employees. Innovation in emerging markets is all about opening access to new markets and using technology as the enabler.

The [economic success story](#) in emerging markets of the world cannot be denied. Although policy and production coordination with developed countries is still a must, the prospects for growth and innovation are very positive out to 2015 and beyond. As long as related risk issues can be accommodated, prudent investors would be wise to take advantage of the obvious investment opportunities that abound in these developing countries. A variety of international mutual funds and exchange-traded funds have been created for this very purpose. [Portfolio diversification](#) is advised when investing in emerging markets.

## **Oil export duties 'shock' for Belarusian economy - IMF envoy**

The Belarusian economy has been heavily hit by the introduction of duties for the reexport of Russian oil, the International Monetary Fund's envoy to Belarus said.

"This was a shock for Belarus's economy, which has been estimated at about \$2 billion this year, while the current account deficit accounted for 13 percent of GDP," Natalia Kolyadina said.

Russian First Deputy Prime Minister Igor Sechin suggested in December that Belarus could import the domestic volumes duty-free, citing the "brotherly relations" between the two countries, leaving the remaining 15 million tons subject to export duties.

Moscow and Minsk faced off at the start of the year over tariffs on imports of Russian oil, which Belarus said should be completely duty-free in the Customs Union.

"An increase in oil prices has caused a significant decline in oil refineries' profitability. In connection with this, oil export has significantly decreased," the IMF official said, adding that the Belarusian government had taken steps to decrease the impact of the "shock" on the country's economy.

The introduction of oil export duties forced Belarus to halve crude oil exports in the first half of 2010. Export of petroleum products has lowered by 40 percent, and the output of Belarus's oil industry by 30 percent.

Belarusian President Alexander Lukashenko has pledged to seek alternatives to Russian energy supplies.

"Diversification of the [Belarusian] economy is certainly necessary, but Russia and the EU will remain Belarus's major trade partners," Kolyadina said.

The CIS Economic Court ruled on September 7 that Moscow and Minsk must come to an out of court agreement within one month on a dispute over export duties.

The court dismissed a request from Belarus that Russia be prohibited from levying export duties on oil products until the end of the dispute.

## **Rusmoloko to build \$1.3bn milk and meat complex in Penza region**

Under the project, the complex's annual capacity is to total about 90,000 tons of milk and up to 235,000 tons of meat.

Under plans, the funds are to be invested into construction of farms for 13,600 milk cows, 24,000 heads of cattle and 1.6 million turkeys.

The project started in 2008, its further timeframes have yet to be disclosed

## Social

### **Soyuz TMA-18 spaceship to return to Earth Friday**

The Russian Soyuz TMA-18 spaceship with three crew members on board will depart early on Friday from the International Space Station, a spokesman for Russia's Mission Control said.

The three crew members are Russian cosmonauts Aleksander Skvortsov and Mikhail Korniyenko and NASA astronaut Tracy Caldwell-Dyson.

The Soyuz spaceship is expected to undock from the ISS at 05:34 am Moscow time (01:34 GMT) and land at 08:55 am Moscow time (04:55 GMT) to the south-east of the central Kazakh city of Jezkazgan, the spokesman said.

NASA astronaut Douglas Wheelock will take over from Expedition 24 Commander Alexander Skvortsov on Friday after midday, he said.

Russian cosmonaut Fyodor Yurchikhin and NASA astronauts Wheelock and Shannon Walker will continue working at the space station.

A new Russian Soyuz TMA-01M spaceship equipped with a new digital computing and telemetric system will blast off from the Baikonur space center in Kazakhstan on October 8.

### **Russian boy rejected by U.S. family refuses to be adopted**

VLADIVOSTOK, September 22 (RIA Novosti) - Artyom, now 8, was put on a one-way flight to Russia in April just half a year after he was adopted, with a note from his U.S. adoptive mother claiming he was "psychopathic."

"Artyom was given the opportunity to choose one of three families... but right now he does not want to," Pavel Astakhov said. "But we are working on him."

He also said that the case was the third time a child had been sent back to Russia by his adoptive family, but the two previous cases had been "swept under the carpet."

Russia is one of the largest sources of foreign adoptions for U.S. families, accounting for about 10% of foreign adoptions, but the issue has become controversial in recent years following several incidents involving the mistreatment of Russian children in the United States.

Negotiations on a bilateral agreement regulating adoptions began earlier this year after the Artyom case caused widespread public outrage. At least 15 children have died at the hands of their adoptive parents in the U.S. since the fall of the Soviet Union.

"It is impossible to explain why [Russian] children are sent abroad without any legal grounds, without any guarantees. We can not rely just on our partners' goodwill. We do not know anything about the fate of more than 200 children adopted from Russia," Astakhov said.

Critics say the case has been used to draw domestic attention away from the country's pitiful record on child abuse. Around 2,000 children are killed by adults every year in Russia.

## **Russia: Protest Over Gay Rights**

•  
who is locked in an increasingly public struggle with the Kremlin over his job after 18 years as mayor of Russia's economic powerhouse, a struggle that is testing President Dmitri A. Medvedev ahead of national elections in 2011 and 2012. The mayor has described homosexuality as satanic. There is little public support for gay rights in Russia, where the dominant church frowns on homosexuality.

## **FOOD/ENERGY**

### **Russians to attend special meeting on food prices**

The Food and Agriculture Organization is hosting the one-day session Friday at its Rome headquarters.

The meeting was arranged after member countries expressed concern about high prices and volatile cereal markets.

"Delegates will share information on recent market instability and examine the role of market information and transparency for crops such as grains and rice," both essential to global food security, the U.N. agency said in a statement.

Riots recently erupted in Mozambique over high food prices. But U.N. officials have been stressing that although prices have stayed persistently high over the last few years, the current situation is nowhere near the emergency crisis in 2007-2008.

Then, high petroleum costs, increased demand for biofuels and speculation combined to drive up food prices, sparking violence and unrest in several countries.

A very hot, dry summer is blamed for Russia's wheat harvest shortfall, which led Moscow to ban grain exports. Russia is one of the world's largest wheat exporters.

Among participants expected at Friday's meeting is the chief executive of a 100-percent government owned Russian grain company.

Prices on buckwheat, which Russians eat as a side dish or as porridge, went up by 11.6 percent this month alone after millions of worried Russians rushed to buy up their staple food, but bread prices in Russia have so far stayed put.

Russian officials have blamed the price hikes on unscrupulous businessmen.

President Dmitry Medvedev this week said his country could lift its ban on grain exports later this year when the final harvest figures arrive.

The Russian export ban has been blamed as one factor in higher global wheat prices.

Export bans in some 38 countries during the price crisis in 2007-2008 caused a dramatic drop in cereal stocks, and U.N. officials have been pressing for coordinated strategies to avoid a repeat of that scenario, which was blamed for worsening hunger in the developing world.

FAO says it will make public its quarterly outlook on cereal supply and demand, both globally and regionally, on Friday during the closed-door meeting on price concerns.

### **Russian watchdog orders WBD to cut Siberian prices**

NOVOSIBIRSK, Russia, September 22 (RIA Novosti) - The FAS is also considering starting an administrative case against WBD which could lead to a fine amounting to 1-15 percent of its 2009 revenues.

A Novosibirsk WBD subsidiary blamed the price rise by higher prices for raw milk, which accounts for more than half of the retail milk price, and by the fact that raw milk prices did not fall this summer, as in previous years.

The FAS dismissed the company's explanation.

"The check discovered that milk prices have grown by over 30 percent since the start of the year, while raw milk prices have grown by only 13 percent in the first eight months of this year. Other expenses, which influence the price, have not changed greatly during this period," the FAS said.

This summer's abnormal heat wave, which wiped out a third of the country's grain harvest, did not affect Siberia much, the FAS said.

"We must [not blame drought for everything](#). Our country is large and not all regions, have suffered from it, including the Novosibirsk region."

On Monday, the Federal Antimonopoly Service said that WBD's Omsk subsidiary overpriced its products and ordered it to cut prices.

### **Russian crop misery spreads to world's supermarkets**

The hulking green combine tractor clatters across a wheat field at the sprawling Maslovka farm, a typical autumn scene in Russia's agricultural heartland.

"These are scary times," says Karpa Osipova, 84, who lives on Lenin Street, a few blocks from the Maslovka farm.

"The prices of crops are slowly rising, and my pension isn't big enough," says Osipova. "I don't even know how I am going to be able to afford bread."

The situation on Maslovka farm will affect not just whether Osipova gets her daily loaf of bread, but may also have a far-reaching impact on global bread supplies and food prices.

Not far from Osipova's tiny brick cottage, Victor Milovanov, the director of Maslovka farm, speeds across fields in his silver SUV, monitoring winter-grain planting. Milovanov says this year's harvest on his farm was three times lower than last year's.

"We're preparing for the winter, but we can already see that not much will grow," he

says. “This year was very hard for us. We lost 85 percent of our planned output. What will happen next year, we don't know.”

Russia’s worst drought in more than a century cut the wheat harvest forecast dramatically in farms across the country. The projected grain harvest has been estimated at 60-67 million tons, down from 97.1 million tons in 2009, hitting world grain markets.

On August 15, Russian Prime Minister Vladimir Putin announced a ban on wheat exports, saying it was needed to ensure domestic supply. The initial announcement said exports would be banned until the end of this year, but the embargo was later extended until next autumn’s harvest.

Within a day of Putin’s announcement, world wheat futures reached a two-year high of nearly \$8 a bushel, from just about \$4.50 in early June.

“We can only review lifting the ban on grain exports after next year’s crop is harvested and we have clarity on the grain balances,” Putin said at a government meeting in Moscow. “Extending the export restrictions will add predictability to the market”

Russia’s extended ban may contribute to higher global food prices, raising concern of a repeat of the 2008 food crisis, when grain prices reached record highs and riots broke out worldwide, according to analysts.

“The situation is serious. Many farms this year have harvested half last year’s figures,” says Andrei Sizov, the executive director of SovEcon, an agricultural research firm in Russia. “They now face a choice: either not to sow winter wheat, or sow it in the dry earth.”

Russia is one of the leading global grain exporters, accounting this year for 14 percent of global exports of wheat, flour and related products in the year to June 30, according to the U.S. Department of Agriculture.

The effect of rising wheat prices is reflected in the United Nations’ Food and Agriculture Organization’s (FAO) global food price index, which covers 55 food commodities. In the first week of September, the FAO said the index for August had hit its highest level in two years, largely driven by higher wheat prices.

The FAO has called a special meeting on September 24 for policy makers to discuss the recent rise in global food prices. The FAO says it is concerned by the speed at which prices have increased over the past two months

“In the past few weeks, global cereal markets experienced a sudden surge in international wheat prices on concerns over wheat shortages,” says the UN agency. “The purpose of holding the meeting is for exporting and importing countries to engage in constructive discussions on appropriate reactions to the current market situation.”

Despite concerns over global food prices, the head of the Russian Grain Union, Arkady Zlochevsky, is optimistic about the situation and doesn’t think the country is facing a grain deficit.

“There is no grain shortage in Russia and still no threat of a shortage,” Zlochevsky says.

“A lot will depend on the weather. Extremely bad weather is always a possibility, and if this comes to pass, then the ban on exports will likely remain in place so that we can meet domestic demand. I consider the current export ban a form of insurance.”

Amid the crop damage, Osipova and many other pensioners look back with nostalgia on the Soviet Union, saying its centrally-planned economy at least guaranteed they would have bread to eat.

“I may have had to stand in a long line, but at least I got my bread,” Osipova recalled. “Life was much easier back then. Now it’s just unpredictable.”

### **Summit starts on race for Arctic wealth**

Delegates will discuss cooperation but are also likely to push their claims to the Arctic's riches.

The region's resources are rapidly becoming accessible due to the dramatic shrinking of the polar ice cap.

The race for the Arctic centres on an underwater mountain range known as the Lomonosov Ridge.

In 2001, Moscow submitted a territorial claim to the United Nations which was rejected because of lack of evidence.

Three years ago, a Russian expedition planted a titanium flag on the ocean floor beneath the North Pole in a symbolic gesture of Moscow's ambitions.

Russia's Natural Resources Minister Yuri Trutnev says, however, that there are no immediate plans to develop the territory.

"Lomonosov is about working for the future," he said.

Canada and Denmark are also planning to submit separate files to the UN.

### **Geo-Strategic**

#### **NATO calls for strategic partnership with Russia**

NEW YORK — NATO Secretary-General Anders Fogh Rasmussen says the Nov. 20 summit in Lisbon, Portugal, will "take our relations to a new level."

Rasmussen addressed a meeting of the NATO-Russia Council attended by Secretary of State Hillary Clinton and her Russian counterpart, Sergey Lavrov. The council, comprising representatives of NATO member states and Russia, was formed in 2004 to improve ties between the alliance and Moscow.

Relations hit a post-Cold War low after the Russo-Georgian war two years ago but have improved since President Barack Obama announced a "reset" of U.S.-Russia ties.

#### **Russia developing laser weapons - military chief**

Work on laser weapons is underway across the world, and that includes us, Gen. Nikolai Makarov said.

It is "too soon yet" to speak about the specifications of the Russian laser system, he added.

According to some media reports, Russia has been developing an airborne laser - the so-called flying laser - to disable enemy reconnaissance and data processing systems, as well as shoot down missiles in flight.

### **Report: Russia Drops Plans To Supply Iran With S-300 Missiles**

Nikolai Makarov was quoted as saying that "a decision has been taken not to supply the S-300 to Iran. They undoubtedly fall under sanctions," in an apparent reference to UN sanctions.

Makarov, however, did not give a definitive answer when asked whether the missile contract itself had been scrapped.

Russian Foreign Minister Sergei Lavrov had previously said that the S-300 missile supplies would not be affected by UN sanctions against Iran, agreed in June, that imposed broader military and financial restrictions on the Islamic republic.

Russia agreed the missile deal several years ago but has not delivered the weapons amid pressure from the United States and Israel, which fear they would dramatically improve Iran's defensive capabilities.

### **Arctic valuable to world, not just polar states - Russian expert**

The Arctic is becoming part of the world's heritage rather than that of Arctic countries, and Russia's role in the region is very important for its preservation, a Russian environmentalist said Wednesday.

"The Arctic's nature... is becoming the common heritage of not only circumpolar countries but of the entire mankind," Professor Yury Mazurov from the Moscow State University's efficient nature management chair said at the international forum The Arctic: Territory of Dialogue.

The main purpose of the September 22-23 forum is to discuss potential international cooperation in the Arctic and establish the region as an area of peace and cooperation.

Discussions focus on environmental protection and the sustainable development of the Arctic's natural resources.

The event has been organized by the Russian Geographical Society; its information sponsor and operator is the Russian News and Information Agency RIA Novosti.

The forum was initially scheduled for April 2010, but had to be postponed following the eruption of the Eyjafjallajokull volcano in Iceland, which prevented many international participants from coming to Moscow.

### **Russia not to deliver S-300 missiles to Iran - Russian top general**

The decision has been made not to deliver S-300s to Iran, General Nikolai Makarov told journalists at an aircraft equipment production plant in the Moscow Region's town of Ramenskoye.

"They are of course covered by the sanctions," he said, adding: "The leadership decided to suspend the delivery process. We are carrying this decision out."

Answering the question whether a relevant contract with Iran will be cancelled, Makarov said "we will see - it will depend on Iran's behavior."

Western powers suspect that Iran's nuclear enrichment program is aimed at producing weapons, but Tehran claims it needs high-enriched uranium to fuel a reactor producing medical isotopes.

In late August, Russian Defense Minister Anatoly Serdyukov said a decision on the delivery of S-300 missiles to Iran had not yet been taken.

Russia signed a contract on delivery to Iran of S-300 systems to equip at least five battalions in December 2005. The contract's implementation had so far been delayed as experts considered whether the missiles fall under the sanctions imposed on Iran by the UN Security Council in June.

The sanctions include a ban on supplies on conventional arms to the Islamic Republic. According to the document, "states are prohibited from selling or in any way transferring to Iran eight broad categories of heavy weapons (battle tanks, armored combat vehicles, large caliber artillery systems, combat aircraft, attack helicopters, warships, missiles or missile systems).

However, the S-300 air defense systems are not included in the UN Register of Conventional Arms.

#### **Ukraine hopes to set up joint aircraft venture with Russia in October**

The two countries discussed the structure of the venture last week, and Russia "fully agreed" with the Ukrainian proposals, Dmytro Kolyesnikov said.

"We have now moved on to the technical level of our work," Kolyesnikov said.

The sum of the charter capital for the 50-50 venture between Russia's United Aircraft Corporation and Antonov has not yet been defined. It is likely to be denominated in rubles, since the venture will be on Russian territory, Kolyesnikov said.

In its first stage, the venture will manage the marketing and after-sales service of aircraft designed by Ukraine's Antonov Design Bureau.

The Antonov An-148 regional airliner is currently being produced jointly by both countries, and restarting production of the An-124 cargo aircraft is another project where the two nations are likely to cooperate.

Russia-Ukraine ties have blossomed since Yanukovich replaced pro-Western Viktor Yushchenko in February.

#### **Israel ready to counter Yakhont missiles — General Staff**

Russia earlier announced [it would honor a 2007 contract on the delivery of several Bastion anti-ship missile systems](#) armed with SS-N-26 Yakhont supersonic cruise missiles to Syria, despite efforts by Israel and the United States to stop the deal.

"We have been following the deal for a long time. There were attempts by the highest political levels to thwart the deal but they did not succeed," The Jerusalem Post quoted Lt. Gen. Gabi Ashkenazi as saying.

"This is a negative development and we will know how to deal with it," the general added.

Military-technical cooperation between Syria and Russia has always been an issue of criticism from Israeli authorities, who express a strong concern over the increase of Syrian defensive potential, but also see a threat of transferring weapons to Lebanese or Palestinian radicals.

The Yakhont missile has a range of 300 kilometers, the capacity to carry a 200-kilogram warhead and the unique ability of being able to cruise several meters above the water surface, making it difficult to detect and intercept.

### **U.S.-Russia arms-control treaty gains 3 Republicans' support - Denver Post**

WASHINGTON —The committee approved the New START Treaty in a 14-4 vote. Whether the full Senate would consider the treaty this year, with midterm elections looming in November, remained unclear.

Obama and Russian President Dmitry Medvedev signed the treaty in April. It would shrink the limit on strategic warheads to 1,550 for each country, down about a third from the current ceiling of 2,200. It also would implement changes in procedures that allow both countries to inspect each other's arsenals and verify compliance.

"I encourage members on both sides of the aisle to give this agreement the fair hearing and bipartisan support that it deserves, and that has been given to past agreements of its kind," Obama said in a statement following the committee vote.

Some Republicans say the pact does not establish adequate procedures for ensuring that Russia abides by its terms. Democrats will need at least eight Republican votes on the Senate floor to have the two-thirds majority needed for ratification. *The Associated Press*

### **Iran Criticizes Russia for Missile Deal Ban**

General Ahmad Vahidi said Iran is planning to build its own advanced anti-aircraft missile system, after Russia canceled all sales of its S-300 system to Tehran.

Russian President Dmitry Medvedev announced the decision Wednesday. The Kremlin says the Russian leader also decided to ban the sale of tanks, aircraft and sea vessels to Iran.

The ban is in response to United Nations sanctions imposed in June for Iran's refusal to stop enriching uranium.

Iran says its nuclear program is peaceful. Western powers have accused Iran of trying to develop nuclear weapons

Western nations had criticized Moscow for its intent to provide Iran with the missile system, saying the equipment would give Iran the means to withstand air strikes against its nuclear sites.

### **Israel threatens to scrap UAV deal with Russia over Syria arms sale**

Israel may tear up much of the unprecedented military cooperation deal it signed with Moscow at the start of this month due to anger over Moscow's rigid stance on supplying naval missiles to Israel's enemy Syria.

"We will have to reconsider all proposed deals with Russia. Moscow did not show the necessary understanding of our requests," a senior Israeli defense source quoted on aviation business magazine Flight International's website said on Thursday.

Earlier this week, Moscow confirmed it would supply P-800 Yakhont supersonic naval cruise missiles to Syria, despite vociferous Israeli objections to the deal which was signed in 2007.

It has also expressed interest in buying more Israeli UAV systems, including the IAI Heron.

The Russian forces have previously expressed dissatisfaction with locally manufactured UAVs.