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Bombings away

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From *The Economist* print edition

A terrorist attack fuels worries about the police and security services

A FEW years ago an explosion of a packed train a few hundred miles from Moscow would have caused shock and outrage right across Russia. Yet when a train from Moscow to St Petersburg was blown up on November 27th, killing at least 26 people and injuring nearly 100, it was met with fatalistic acceptance.

This was not just because Russians, like so many people elsewhere, have become inured to terrorism, though Russia has certainly had more than its fair share, from apartment bombings through the Moscow theatre siege to Beslan. It is also because people have such low expectations that the police and security services can stop terrorist attacks. When a second, less powerful bomb exploded in front of investigators at the scene several hours later, it almost seemed to prove the point.

As one Russian columnist said, violent death in Russia has become a statistic, not a tragedy; the surprising thing is that there are not more terrorist attacks. Responsibility was claimed first by far-right nationalists, then by Islamist fundamentalists. Both have often acted with impunity; quite possibly, neither did it.

The police said they were looking for Pavel Kosolapov, a former army officer who converted to Islam and now supports Islamic fundamentalism. He was suspected of involvement in a bombing of the same train two years ago. Two of his alleged accomplices were arrested then; one pleaded guilty only two days before the second bombing.

President Dmitry Medvedev ordered a thorough investigation to solve the crime, but few Russians expect much. Even more striking, their feelings of anger and fear, which were once aimed mainly at terrorists are now just as often directed at the police, security services and bureaucracy. (There were even rumours that the security agencies staged the explosion to cover up a derailment caused by poor maintenance.) Yet this is perhaps not so surprising, given recent stories about police violence and corruption.

The latest batch started on April 27th, when a drunk (or drugged) police-station chief opened fire on the street and in a supermarket, killing three people and injuring another seven with a gun that had been listed as missing for nine years. Next came a policeman who recorded a videoblog saying he was sick and tired of fabricating crimes and not being paid properly. The publicity over both stories has prompted a litany of similar confessions.

News of crimes committed by police officers now comes almost daily. Several drunk policemen beat to death a man from Abkhazia. Corruption and violence have reached such levels that many Russians see the police as threats rather than protectors. The interior minister, Rashid Nurgaliev, has even admitted as much by saying that ordinary Russians had the right to self-defence if attacked by the police.

Some observers see all these stories as part of an inter-clan rivalry between the interior ministry and the security services. Others say Mr Nurgaliev, who has a security-service background, has lost control and is about to be sacked. But nobody

disputes the fact that demoralisation and degradation of the police force are now threatening not just anarchy but even, in some regions, civil conflict.

In parts of the north Caucasus, where the train bombings seem to have been planned, signs of anarchy and civil war have been evident for some time. They were seen in the shooting of a journalist by the security chief of a former president of Ingushetia, Murat Zyazikov; in the shooting of police officers and a flow of bribes from armed rebels to corrupt officials; and in an attempt on the life of Mr Zyazikov's replacement, Yunus-Bek Yevkurov, who was trying to stop the anarchy. The train from Moscow to St Petersburg may have been just another victim.

Saving the oligarchs
Dec 3rd 2009 | MOSCOW
From *The Economist* print edition
The Kremlin is bailing out the business tycoons it was once expected to curb

Reuters

ANYONE watching Russian television this summer could have been forgiven for thinking that Oleg Deripaska, one of the country's richest tycoons and the boss of Rusal, the world's largest aluminium company, was finished. The closure of three factories, one of them owned by Mr Deripaska, in Pikalevo, a small cement-producing town near St Petersburg, had left workers without pay. In protest they had blocked the road and called for help from Vladimir Putin, the prime minister, who appeared on June 4th like a superhero in a sports jacket, with a penitent Mr Deripaska in tow. "I wanted the authors of what happened here to see it with their own eyes," Mr Putin thundered, in a tirade beamed across Russia by state television. "You have made thousands of residents hostage to your ambition, your lack of professionalism and perhaps your greed." "Come here and sign," Mr Putin instructed Mr Deripaska, pointing to an agreement to restart the factory and holding out a pen. Mr Deripaska signed. "My pen—give it back," Mr Putin then snapped. In the inflamed imagination of Russia's disgruntled citizens, Mr Deripaska was about to share the fate of other disgraced oligarchs such as Mikhail Khodorkovsky, the former boss of Yukos, a dismembered oil firm, who has languished in prison for more than six years.

The stony-faced presenters did not tell viewers that the agreement had in fact been reached before Mr Putin's visit, nor did they mention that state-owned Vnesheconombank (VEB) had agreed to extend a \$4.5 billion loan to Rusal for another year, even though the amount exceeds its normal limit on exposure to a single firm. The public would have been even more surprised to learn that a state bank would soon be offering to invest in Rusal's planned initial public offering (IPO) in Hong Kong. The rescue of Mr Deripaska, in turn, is a sign of the ever-closer ties between the Kremlin and Russia's oligarchs.

In November the supervisory board of VEB, headed by Mr Putin, agreed to spend about \$600m buying as much as 3% of Rusal, which is registered in Jersey. The money will come from the interest earned by a fund holding a portion of Russia's income from oil and gas, which is managed by VEB. By law, that interest would normally accrue to the fund, which is dedicated to supplementing Russian citizens' private pensions. But Alexei Kudrin, Russia's finance

minister, who is also a member of VEB's board, says VEB will be allowed to keep some of it to invest in Rusal. "We have an interest in Rusal settling all its financial questions and coming out of the crisis. Private investors will see that we are supporting this deal and that will be a good signal," he says.

All this has been crucial in keeping Rusal afloat. The firm emerged from the aluminium wars of the 1990s, when Mr Deripaska and his former partner, Roman Abramovich, gained control of 70% of Russia's aluminium industry. Cheap electricity, along with efficient management, made the firm very profitable. In 2004 Mr Deripaska bought out Mr Abramovich and began to expand his empire vertically, horizontally and tangentially, sweeping up carmakers, insurers, construction companies, airlines and airports. In 2007 he merged Rusal, his main asset, with rival Sual and the aluminium operations of Glencore, a commodities broker, creating the world's largest aluminium firm. Next Mr Deripaska competed with Vladimir Potanin, another Russian businessman, to win a 25% stake in Norilsk Nickel, the world's biggest nickel producer, which he finally secured last year at the height of the commodities boom.

When commodity prices plunged, so did these firms' revenues, and Mr Deripaska's net worth fell from \$28 billion to \$3.5 billion. His spending spree had been fuelled by cheap loans that were no longer available. In March Rusal declared a standstill on some repayments. VEB's support has helped restore his finances to order. On December 3rd Rusal said it had reached a deal to restructure debts of \$17 billion, including \$7 billion held by foreigners, clearing the way for the IPO. Foreign banks had no desire to write down their massive loans, nor to seize prized assets against the Kremlin's wishes. The only creditor of Rusal which threatened bankruptcy (and was promptly repaid) was Russia's Alfa Bank, which has as much political backing as Mr Deripaska.

Hong Kong's stockmarket must now decide whether to approve the listing. A secondary listing is planned on the Paris exchange next year. If everything goes according to plan, Mr Deripaska's stake in Rusal would fall to below 50%.

Yet the Kremlin has not, as some observers had predicted, used the crisis to renationalise Rusal's assets. Some officials argue that this shows the authorities' commitment to market forces. But the Kremlin has not left the fate of the company in the hands of creditors. Instead, it has helped Mr Deripaska maintain his grip. Nor is Mr Deripaska the only tycoon to have received such help. During the oil-fired economic boom of recent years Russian firms accumulated more than \$430 billion of foreign debts. Fearing that prized assets might fall into foreign hands, the Kremlin directed state banks to lend to indebted property, metals and consumer-goods firms and to buy shares in such firms as Lukoil and Norilsk Nickel. Cynics argue that Russia's rulers benefit more by leaving

assets in the hands of tycoons beholden to the state than by handing them over to corrupt and incompetent bureaucrats. When Mr Putin came to power, 22 business groups controlled 40% of Russia's industrial output, according to the World Bank. Mr Putin's admirers, including some foreign investors, saw the attack on Yukos as an attempt to dilute this concentration. Instead it marked the beginning of a system whereby a cabal of bureaucrats and businessmen friendly to the Kremlin manage important assets for their own benefit and what they deem to be the state's. The line between the bureaucracy and private assets has become increasingly blurred in recent years. Witness the proliferation of opaque outfits called state corporations, which manage public assets but retain profits for their own benefit and submit to little public scrutiny. The most notable is Russian Technologies, a holding group for some 500 state-owned firms run by Sergei Chemezov, a friend and former colleague of Mr Putin in the KGB. State banks have pledged to restructure the debts of its subsidiaries and have poured billions into Avtovaz, a carmaker in which Renault holds a 25% stake. Mr Deripaska, for his part, acknowledges that Rusal's fate is up to the government. "If the state says we need to give it up, we'll give it up. I don't separate myself from the state. I have no other interests," he told the *Financial Times* two years ago. These words are just as true today. As for the Russian public, it may have to be satisfied with the drama at Pikalevo.

Russian modernisation
Dmitry Medvedev's building project
Nov 26th 2009 | MOSCOW
From *The Economist* print edition
The Russian president talks up modernisation, but to little purpose

Illustration by David Simonds

"STABILITY" was once the buzzword in Russia; now it is "modernisation". In reality, there is little of either. Russia's future is less predictable and modernisation more elusive than either was a decade ago. Yet the shift in language creates expectations of change. And in recent months, President Dmitry Medvedev has been talking and writing of little else.

In doing so, he is stirring ghosts of *perestroika* in the late 1980s. In April 1985 Mikhail Gorbachev, as the new general secretary of the Communist Party, talked of negative trends in the economy and the need to speed up scientific and technological progress, while preserving stability and political continuity. At times Mr Medvedev's speeches sound uncannily like postmodern renditions of Mr Gorbachev's. His diagnosis is relentless: a primitive, commodity-based economy that cannot create prosperity; the lack of reforms; and all-pervasive corruption. And his vision of the future is charged with excitement: a Russia bursting with nanotechnology and nuclear-powered spaceships. Yet ultimately his recipe for change is implausible.

His "plain-spoken analysis of past mistakes is more convincing than his formula for putting them right," *The Economist* wrote of Mr Gorbachev in 1986. Much the same could now be said of Mr Medvedev. Unable and unwilling to touch the foundations of the political system that created him, Mr Medvedev has been reduced to uninspiring talk of simplifying Russia's 11 time-zones and of creating business incubators at universities.

Indeed, there is perceived to be a growing gap between Mr Medvedev's words and reality. That reality includes the recent sudden death of a corporate lawyer in a Moscow jail. Sergei Magnitsky worked for Hermitage Capital, an investment fund run by Bill Browder, once a loyal Putinist who was barred from Russia in 2005 after feuding with firms close to the Kremlin. Last year Mr Browder complained that a gang of bent policemen had stolen his Russian companies and used them to embezzle \$230m of state funds.

The Russian authorities retaliated with a \$17.4m tax case against Hermitage and arrested Mr Magnitsky, who had uncovered evidence of fraud and implicated the policemen who arrested him. In jail he developed a severe medical condition but was left without

treatment, a fact that he meticulously documented in his diary. Investigators seem to have denied him help in an effort to extract a confession. On November 16th he died of an abdominal rupture. Mr Magnitsky's death was shocking, but hardly unusual: many people die in pre-trial detention across Russia, and even more in prison. Even so, the death of a successful lawyer working for a Western company has shaken young Russian professionals. This week Sergei Guriev, head of Russia's New Economic School, had planned to publish an article in *Vedomosti*, Russia's leading business paper, about "whether modernisation is impossible without political liberalisation." Instead he wrote about Mr Magnitsky. "Without an article about Sergei's death, talking about all other aspects of Russian modernisation is pointless...Who cares if the RTS equity index is rising or falling, or what is happening with interest or exchange rates, if life has no value?"

After meeting human-rights activists, Mr Medvedev ordered an investigation into Mr Magnitsky's death and into conditions in Russian detention centres. Prison doctors or wardens may be punished. But Mr Medvedev is unlikely to stop the hostage-taking, corporate raids by state agencies, rent-seeking and corruption that have become part of a system. It is a system that began in 2000 under President Vladimir Putin, when Vladimir Gusinsky, a media tycoon, was hounded out of the country. It kept a pregnant Yukos lawyer and the firm's fatally ill manager in prison in a vain effort to make them testify against their old boss, Mikhail Khodorkovsky, who is now on trial once more. And it is the main obstacle to Russia's modernisation.

Mr Guriev suggests that the reason Russia has failed to modernise is that its ruling class can pocket rents from things as they are. Serious modernisation threatens them because it would require stronger institutions that would make this harder. This rent-seeking psychology is transmitted right down the bureaucratic chain, with each man taking a slice for himself.

For all his fine words, Mr Medvedev is not an independent politician. He was picked by Mr Putin (who is now prime minister) for his loyalty and obedience. Despite much speculation, there are few signs of any falling-out between the two. Each plays his part. Mr Medvedev is the good cop who talks up modernisation, meets human-rights groups and negotiates nuclear-arms treaties with America's Barack Obama. Mr Putin, the bad cop, runs Russia and distributes the money, as he made clear in the recent conference of his United Russia party.

Yet Mr Medvedev's talk of modernisation, even if no more than that, will resonate with many educated Russians, who increasingly believe that their country is heading in the wrong direction. As Mr Medvedev himself has put it, "a need for change has become particularly obvious in the past few months." Russia was hit harder

than any other G20 economy by the financial crisis. After a decade of oil-fired growth, GDP will shrink by 8% this year. The oil price is high enough to sustain public spending, but may not meet expectations of rising salaries and pensions. Real wages, which had been growing by over 10% a year for a decade, are falling. As one Russian businessman sums up, "Putin's model of restoring Soviet symbols, lifestyle and incomes has run out of steam. Nobody has any strategy or even vision of what this country should become." Under Mr Putin the political system is held together by the collective interest of those who divide up rents, combined with occasional repression. If the oil price stays flat or falls, that formula may keep working only if the repression is stepped up. Even that could be problematic: an epidemic of confessions on the internet by disgruntled and badly paid Russian policemen, plus a wave of police violence, point to a corrupt and uncontrollable force. Even a senior United Russian figure recently called the police unreformable; he went on to call for the force's disbandment.

The deterioration of democratic institutions in Russia since Mr Putin came to power in 2000 has led the country into a dead-end that is reminiscent of the late 1980s. Back then the Soviet Union could not meet people's growing expectations and the economy was running out of resources. Today's Russia is hardly the Soviet Union. It has basic freedoms and a large private sector, even if it is stifled by corruption. It also has reserves of \$430 billion—not \$3 billion as in December 1991.

Yet unless oil prices rise again, Kremlin leaders may face the same choice as their Soviet predecessors did: to preserve themselves (and their country) by more repression or more liberalisation. Mr Gorbachev chose liberalisation. Mr Putin, who believes that the collapse of the Soviet Union was the greatest geopolitical catastrophe of the 20th century, is unlikely to make the same choice. But it may prove hard for him to find enough support for his repressive system.

The Moscow Times

Moscow Prepares for Better Kiev Ties

15 January 2010

By Nabi Abdullaev

Alexander Zemlianichenko / AP

A worker pasting up a poster of Prime Minister Yulia Tymoshenko in Kiev on Thursday. The Kremlin prefers Tymoshenko and Yanukovych over Yushchenko.

Moscow is so confident that relations with Ukraine will improve after a weekend presidential election that it won't wait for an expected runoff in three weeks to fill its long-vacant ambassadorship in Kiev.

Ties sank to new lows in August when President Dmitry Medvedev announced that he would not send the newly appointed ambassador, Mikhail Zurabov, to Ukraine while President Viktor Yushchenko remained in office. Now Yushchenko, whose pro-Ukrainian and pro-Western rhetoric repeatedly infuriated Moscow over the past five years, is all but certain to be voted out of office in the election Sunday.

The Kremlin has avoided offering blatant support to any of the 18 candidates in the election but made no secret that it hopes that front-runner Viktor Yanukovych wins an expected runoff with Prime Minister Yulia Tymoshenko on Feb. 7.

Convinced that Russia is on the cusp of improved relations with Ukraine, the Kremlin will move to restore full diplomatic ties by dispatching Zurabov to its embassy in Kiev within a few days, Vladimir Likhachyov, deputy chairman of Federation Council's International Affairs Committee, told The Moscow Times. He said he had spoken with Zurabov about the issue recently. Likhachyov said Yanukovych and Tymoshenko would make Ukraine more politically stable and pragmatic than it is now, and this in turn would be in Russia's interests.

"Viktor Yushchenko, the incumbent president, has been playing up every contradictory issue involving Russia in order to gain support from the West, only to shatter Ukraine's statehood and create an explosive social situation there," Likhachyov said.

But he and State Duma Deputy Speaker Alexander Babakov, who oversees the Duma's ties with Ukraine, stressed in interviews with The Moscow Times that Moscow would not interfere in the election.

Medvedev also said last month that Ukraine's election was an internal matter. "Russia does not have and cannot have its own candidate in the presidential election in Ukraine because this is an independent country whose leader can only be elected by its citizens," he said.

Medvedev's comments are in sharp contrast to Ukraine's presidential election five years ago, when the Kremlin strongly supported Yanukovych and even congratulated him on his victory in a fraudulent vote that was later overturned. But Moscow still has its preferences in Sunday's election. In early December, Prime Minister Vladimir Putin said in a televised call-in show that he did not support Tymoshenko's candidacy and noted that United Russia, which he heads, has long cooperated with the Party of Regions, headed by Yanukovych.

A senior Russian official, speaking on condition of anonymity because of the sensitivity of the issue, said there was a consensus in Moscow that Yanukovych would suit Russia's interests best as president.

"Tymoshenko has a rich history of betraying partners and forgetting promises," the official said, reiterating a common and well-known complaint from Russian officials about the temperamental Ukrainian prime minister. The official said Tymoshenko caters to Ukrainian nationalists and cosmopolitan businesspeople, while Yanukovych has the support of Ukraine's millions of Russian-speaking, largely low-income working class. Yanukovych has repeatedly said Ukraine would remain a neutral country under his watch, leading Russian decision makers to believe that Ukraine's inevitable integration with Europe — a priority announced by all of the presidential candidates — would not be made at the expense of Russia's national interests, which include the security of its western borders and energy transit to Europe.

But Yanukovych might not prove to be an easy partner for Moscow. As prime minister in 2006, he took a tough stance in negotiating gas prices with Russia and spoke against entering a customs union with Moscow.

The Kremlin, however, can be confident that Yanukovych would not lavish praise on Ukrainians who collaborated with the Nazis during World War II, restrict the Russian language, and attempt to edge out the Russian Orthodox Church — measures taken by Yushchenko that have irritated the Kremlin, said Kirill Frolov, a political analyst with the Institute of CIS Countries, a Kremlin-leaning think tank.

Yushchenko has labeled rival presidential candidates as "Kremlin projects" and called the election "a national referendum about Ukraine's European future."

According to several polls taken this week, including one by Russia's VTsIOM, Yanukovych will collect more than 30 percent of the vote Sunday, while Tymoshenko will get 15 percent to 20 percent. Yushchenko is supported by slightly more than 3 percent of the electorate.

During Yushchenko's presidency, Moscow and Kiev waged two wars over gas prices that saw Moscow cut supplies to Ukraine, leading to disruptions to Europe. Western diplomats initially accused Russia of resorting to energy blackmail and, growing weary of the continued bickering, privately wished a plague on both countries.

Yushchenko's foreign policies that irritated Moscow most included his attempts to join NATO and to kick the Russian Black Sea Fleet out of its base in Sevastopol, which Russia rents under a lease that expires in 2017. Moscow has also accused Yushchenko of driving a wedge between the Russian and Ukrainian peoples by trying to forge a new Ukrainian national identity through restrictions on the official use of the Russian language and support for the independent Ukrainian Orthodox Church in its bid to take over parishes, many of which answer to the Moscow Patriarchate. Putin and Medvedev have denounced Yushchenko for praising Ukrainian nationalists who collaborated with the Nazis and portraying a 1930s famine in Ukraine as genocide.

Medvedev offered a wish list for Ukraine's next president during his televised New Year's Eve address, saying he hoped "for no insults to the Russian language, for mutual relations and joint economic projects to develop, and for no strange desire to join a foreign military bloc that will make a great number of people nervous in one way or another." Yanukovych has said he would not try to bring Ukraine into NATO.

The Moscow Times

Putin Aims to Halve Drinking in 10 Years

15 January 2010

By Nikolaus von Twickel

President Dmitry Medvedev's anti-drinking campaign got another boost Thursday when it emerged that the government has set itself the ambitious goal of reducing the country's rampant alcohol consumption by more than half over the next decade.

National alcohol demand will be slashed in two phases, by 15 percent between 2010 and 2012 and by another 55 percent between 2013 and 2020, according to the government's anti-alcohol strategy.

The 12-page document was signed by Prime Minister Vladimir Putin on Dec. 30 and published on the government's web site the same day, yet it went largely unnoticed until being picked up by the national media this week.

Health advocates voiced doubt on whether the goal was realistic and if there was enough political will to solve the country's drinking problem, pointing to the alcohol industry's vested interests and widespread illegal vodka production and distribution.

While the strategy is in many respects vague, it does explicitly target the black market, saying the main hurdle to achieve its goal was to eliminate illegal alcohol during the second phase.

The document says per capita consumption of pure alcohol has almost doubled from 5.4 liters in the early 1990s to 10 liters in 2008. Its authors argue that the rise was possible because of a lack of a coherent government policy. They point to the fact that between 1914 and 1917 Russians consumed only 0.83 liters per capita.

During those years, a ban on alcohol introduced by Tsar Nicholas II was in force.

Experts say that if illegal trade is included, today's per capita consumption of pure alcohol would be closer to 16 liters, about double the amount that U.S. citizens consume.

Russians' infamous vodka-drinking habits are widely blamed for the country's dismal health statistics. The average life expectancy for men at birth has only recently climbed over the 60-year threshold, and is still among the lowest in industrialized countries. Official data show that at least 2 million Russians are alcoholics and some 100,000 deaths annually are blamed on alcohol consumption.

Health advocates also say the effects of alcohol are all the more devastating in Russia because most of it is consumed as spirits and not as wine and beer like in Western countries.

Since taking office in 2008, Medvedev has vowed to improve the situation. Last summer, he described alcoholism as a "national disaster" that undermines public health and hampers the economy, urging the public to unite in fighting against it.

The government's anti-alcohol strategy comes after Medvedev set a three-month deadline in September to get tough on alcohol abuse.

The government announced in December that new labels on beer, wine and liquor would warn buyers in large print about the dangers of drinking. On Jan. 1, it raised the minimum price for vodka to 89 rubles (\$3) per 0.5 liter.

Officials are also weighing the pros and cons of creating a state-run monopoly on the country's \$52 billion alcohol market.

The latest plans won praise from state-sanctioned vodka producers. Dmitry Dobrov, a spokesman for the state-owned Rosspirtprom holding, which oversees about 40 percent of that market and more than 100 distilleries, said the measures were positive and the achievement of its goals realistic.

"It is first and foremost illegal production that we want to get rid of," he told The Moscow Times.

Dobrov said the black market's size could partly be guessed by measuring the gap between official vodka production, which was 1.2 billion liters in 2008, and official sales, which amounted to 1.77 billion liters the same year.

He also argued that bootlegged vodka posed greater health risks because of the use of surrogates not meant for human consumption.

But Kirill Danishevsky, a lead consultant at the Open Health Institute, said reducing alcohol consumption would be extremely difficult because of huge profits gained by producing spirits. To produce a bottle of vodka usually costs 10 rubles, he explained.

A first step, he said, would be to curb the production of drinking alcohol.

"There are about 500 factories that make ethanol, and there is no way to control them," he said.

Danishevsky said about half of that ethanol output is sold to people or organizations producing vodka illegally.

Another step, he said, would be to raise the price for alcohol sold as vodka to the same level as alcohol sold as beer.

"Today it is seven to 10 times more expensive to get drunk on beer than on vodka," he explained.

But he said he doubted that there was enough political will for that, citing the industry's powerful lobbying system.

Europe's Troublesome Neighbors

12 January 2010

By Nick Witney

Geography has dealt Europe a mixed hand. Europeans can congratulate themselves on being a relatively safe distance away from whatever tensions may accompany the rise of powers like India, Brazil and particularly China. But Europe is bordered to its south and east by two great regions that give cause for significant concern.

Neither Russia nor the Islamic world is, thus far, adapting well to globalization. The economies of both remain overdependent on oil and gas exports. In the Middle East, this exacerbates the problem of creating jobs for ballooning populations of young adults. Russia, too, faces real demographic difficulties, though in the other direction, as Russia's population is projected to shrink by as much as 10 percent over the next 15 to 20 years.

Despite the understandable concerns of Finns, Poles and others in Central and Eastern Europe, the relationship with Russia should be the easier of the two to manage. The West's relations with Russia since the end of the Cold War have resembled the meeting of two tectonic plates, with one progressively forced beneath the other. The Georgia-Russia conflict of 2008 was the tremor that signaled substantial resistance to the western plate's eastward movement.

But the shifts that have taken place left Russia much diminished in terms of its sphere of influence and military might. To be sure, Prime Minister Vladimir Putin's Russia is nationalistic, awkward and disposed to dangerous troublemaking. The country faces acute social and public health problems and has 1.3 billion Chinese on its eastern border.

There are many crucial areas that unite Russia with Europe — above all, trade in gas and oil and a shared preoccupation with Islamic extremism. Handled with forbearance and firmness, relations with Russia should remain difficult but manageable. Major confrontation should be avoidable, considering that NATO is backing off and the European Union is stepping in, including with its Eastern Partnership initiative to shift continuing competition in the post-Soviet space onto a less antagonistic footing. Moreover, U.S. President Barack Obama has repeatedly shown his willingness and ability to assuage Russia's damaged pride.

Europe's relations with the Islamic world are a lot trickier. First, although Russia's resentments may be fresher, those of the Muslim world run deeper and are born of more profound interactions, past and present.

Second, whether one thinks of al-Qaida's terrorism or the presence of Western armies in Iraq and Afghanistan, Europe and the Islamic world have demonstrated a continuing willingness to deal violently with each other.

Third, even if Europeans are a disparate group, the Islamic world is infinitely more so. Islam is its identifying glue, but how much else do Indonesia and Yemen, for example, have in common? The Islamic world is riven by disputes between Arab and non-Arab, Sunni and Shia, and Salafi extremists and theological moderates. Al-Qaida's agenda is as much about the creation of a new Islamic caliphate as it is about waging jihad against the West.

Fourth, Europeans find it hard to stomach traditional Islamic attitudes toward, say, women or homosexuals. Muslims find it hard to understand how we can believe our society is civilized when pornography and drunkenness are openly displayed. To the extent that Europeans are Christian at all, we see religion as a matter of an individual's relationship with his or her God. Muslims see it as an organizing social principle. Ours is a guilt culture, while theirs is a shame culture.

Israel is, of course, the single issue on which the Islamic sense of resentment focuses. It exemplifies Western hypocrisy — whether over nuclear nonproliferation, the refusal to deal with the elected Hamas or readiness to criticize Russia for “disproportionate” use of force in Georgia while remaining quiet over 1,300 deaths in Gaza.

Unlike his two predecessors, Obama has had the courage to target the Israel-Palestine problem, the intractable seat of the infection, from the beginning of his presidency. And he went to Cairo to address the Arab world with humility and respect, without shirking issues of human rights and individual freedom.

The risk in this U.S. activism is that it will provide the excuse for Europeans to sit back and cheer while someone else does the heavy lifting. But passivity would be a historic mistake. The United States' Middle East interests are not identical with those of Europe.

Protected behind its oceans and applying its vast technological capacity to the goal of energy self-sufficiency, the United States is ultimately able to distance itself from the travails of the Middle East. Once out of Iraq and Afghanistan, the United States may find itself increasingly tempted to do just that. For Europe, such distancing is impossible. European security is inextricably bound up with the need to find and maintain a *modus vivendi* with the Muslim world.

Europe is not without leverage. It has currently put on hold a deepened economic relationship with Israel. If Israel's government continues to refuse to stop its colonization of the West Bank, Europeans should make clear that as Israel's most important export market, they have tougher options at hand.

Given the determination of both the Israeli and Iranian governments to use each other's intransigence, as an excuse for their own, Europe must also be prepared to use its economic muscle on Iran if and when the mullahs reject Obama's extended hand.

European military forces will also be required to play a crucial role in policing and guaranteeing a two-state settlement. This makes it all the more important for Europe to wake up to where its real security interests lie and to take responsibility for asserting them.

Nick Witney, a senior policy fellow at the European Council on Foreign Relations, was formerly chief executive of the European Defense Agency. © Project Syndicate

The Kremlin Two-Step

11 January 2010

By Dmitry Trenin

Westerners often see Russian politics in terms of a high-level struggle between liberals and conservatives: Alexander Yakovlev versus Yegor Ligachev under former Soviet leader Mikhail Gorbachev; reformers versus nationalists under President Boris Yeltsin; economic liberals versus *siloviki* under President Vladimir Putin. They also view Russia in terms of a tradition whereby every new tsar partly repudiates the legacy of his predecessor, creating a political thaw at the beginning of a new reign. Former Soviet leader Nikita Khrushchev's de-Stalinization campaign is Exhibit A.

Both methods were used to describe the relationship between President Dmitry Medvedev and Prime Minister Vladimir Putin — to understand its nature and dynamic and what it portends for Russia. But observers remain puzzled.

To dismiss Medvedev as a mere Putin puppet — a constitutional bridge between Putin's second and third presidential terms — would be both unfair and wrong. Russia's third president has a broader role and a distinct function. Conversely, portraying Putin as "a man from the past" and Medvedev as "a hope for the future" exaggerates the differences between them and omits the more important factors that unite them. A better analytical model is needed.

For all the apparent freshness of Medvedev's recent pronouncements — including his now-famous “Go, Russia!” article that sounded a clarion call for modernization and liberalism — he is borrowing massively from Putin's vocabulary of 2000. This suggests that the issue of modernization, which lay dormant throughout the fat years of high oil prices, is back on the Kremlin agenda.

In 2008, Medvedev was installed in the Kremlin as part of “Putin's Plan,” the substantive part of which was known as “Strategy 2020,” a blueprint for continued economic growth and diversification. The intervening crisis only made the Kremlin modify and sharpen its plan. And Medvedev is a key agent in its execution.

Putin chose Medvedev carefully and not only for his unquestionable loyalty, vitally important as that is. Putin, among other things, is a combative nationalist, and he wants Russia to succeed in a world of competing powers. He is certainly conservative, but he is also a self-described modernizer.

As such, he might be compared to Pyotr Stolypin, another conservative prime minister who famously asked for 20 years of peace and quiet — mostly from liberals and revolutionaries — to transform Russia. Stolypin never got the chance — a revolutionary assassinated him in 1911 — and neither did Russia, which stumbled into World War I, leading directly to the collapse of the monarchy and the Bolshevik Revolution.

Putin wants to finish the job, and much works in his favor. He is the tsar. He has both money — the government's budget and the oligarchs' fortunes — and the coercive power of the state firmly in his hand. He is the arbiter at the top and the trouble-shooter in social conflicts below. His most precious resource is his personal popularity, which adds a flavor of consent to his authoritarian regime.

But none of that is good enough. The 75 percent of Russians who make up the Putin majority are essentially passive and seek only the preservation of a paternalistic state. Putin can sit comfortably on their support, but he cannot ride forward with it. The best and brightest are not there.

Enter Medvedev. His Internet-surfing, compassionate and generally liberal image helps recruit a key constituency — those beyond the reach of Putin himself — to Putin's plan. They include the country's most apolitical citizens and its brainy, techy youth. Whether the plan succeeds is another matter. Conservative modernization is a gamble. To modernize Russia, one must break the stranglehold of corruption, establish accountability and free the media. At some point, Putin and Medvedev will have to decide: Either they give priority to the survival of the current system and accept Russia's steady marginalization, or they start opening up the system, putting its survival at risk. Given the weight of geopolitical factors in Russian decision making, it is difficult to foretell which path they will choose.

Putin is no King Lear. He understands leadership and control and does not plan to retire. But Medvedev, today's front-office guy, is more of a junior partner than a simple salesperson. If he grows in stature and influence, he may eventually inherit the store. One thing is clear, though: He does not like raw meat and the taste of blood.

Thus, Putin's governing pact with Medvedev, his trademark creation, is likely to remain in force. Both members need each other. So the real issue is not whether the noises that Putin and Medvedev make suggest real divergence

and a potential for rivalry, but whether there is daylight at the end of the tandem. Or to put it differently, whether they choose modernization or marginalization.

Putin Is Medvedev's Biggest Spoiler

13 January 2010

By David J. Kramer

Comments by Prime Minister Vladimir Putin in late December must have come as an unwelcome surprise to Presidents Barack Obama and Dmitry Medvedev as they try to conclude a new U.S.-Russian arms control agreement to replace the Strategic Arms Reduction Treaty, or START, that expired on Dec. 5.

But this was not the first time that Putin has thrown cold water on Medvedev's efforts. In June, Putin stunned Medvedev and leaders in the West by announcing a change in Russia's approach to pursuing membership in the World Trade Organization just when everyone thought that Russia was about to cross the WTO finish line. In both cases, Putin reminded Medvedev and the international community that if you want to get things done, it isn't good enough to just have the Russian president on board. The prime minister has virtual veto power.

The latest problems arose following a meeting between Medvedev and Obama in Copenhagen on Dec. 18. They announced that their negotiators were close to reaching agreement on the START replacement treaty. Despite last-minute snags and sticking points over inspections and telemetry, both sides expected to finalize the agreement early in 2010 — that is, until Putin opened his mouth on Dec. 29 while on a visit to Vladivostok. Asked by a journalist to name the biggest obstacle to reaching agreement on the arms control treaty, Putin responded, "The problem is that our American partners are building an anti-missile shield and we are not building one."

This wasn't the first time that Putin has tried to throw a monkey wrench into Medvedev's efforts to finalize major agreements. During the St. Petersburg economic forum in June, where Medvedev was the main feature, the talk among Russian officials and international visitors was about Russia's imminent membership in the WTO. Until that time, Russia remained the largest economy outside of the organization. But after extensive negotiations, U.S. Trade Representative Ron Kirk and other trade officials present in St. Petersburg were speaking more positively than ever about Russia being on the verge of ending its exclusion from the WTO.

But then within days after we heard these optimistic statements, Putin pulled the rug out from under Medvedev by announcing that Russia would seek membership in the WTO only in union with Kazakhstan and Belarus. Putin's announcement came as a complete surprise to everyone, including those in his own government, and derailed a deal that finally had seemed to be within reach of Russia after many years of trying. Moreover, Putin had the temerity to blame the United States for blocking Russia's WTO membership when he himself is responsible.

Depriving Medvedev of victories seems to have become an objective for Putin. This is a reflection of Putin's deep sense of insecurity and manifests itself when he competes with Medvedev for global attention and glory. During his eight years as president, Putin failed to achieve membership in the WTO, while it appeared that Medvedev was close to reaching that goal at the start of his second year in office. Similarly, signing an arms control agreement with the United States would have marked another accomplishment for Medvedev and an early milestone in the "reset" in U.S.-Russian relations. It seemed that Putin feared that Medvedev could show him up in one of the most important areas in global affairs — nuclear disarmament and nonproliferation. Beyond raining on Medvedev's parade, Putin also seems intent on maintaining hardline positions on issues of importance to the United States, including sanctions against Iran. In contrast to Medvedev's seemingly open position on sanctions, Putin has repeatedly made clear his opposition to getting tougher with the Iranian regime. Is Putin weighing in on the hopes of exacting last-minute compromises from the United States, assuming that Obama is desperate to get an agreement signed and might be willing to make key concessions to Russia? Perhaps Putin is intent on blocking the reset in bilateral relations because he needs to maintain the image of the United States as a "threat" to Russia to justify his autocratic vertical power structure. Whatever the explanation, the U.S. State Department responded correctly to Putin's year-end salvo in Vladivostok by flatly rejecting a link between post-START negotiations and missile defense. Maintaining a firm stand against provocations and bullying from Putin is exactly the right response. At the same time, the Obama administration should resist getting drawn into a corner in which it is forced to make a choice between Medvedev and Putin as "most-favored negotiating partner." It would be a mistake to assume that Medvedev would be more amenable than Putin to improving relations. Obama already made that mistake last summer when, on the eve of the summit with Medvedev, he made a sharp remark that Putin has "one foot in the old [Cold War] ways of doing business."

For the reset in U.S.-Russian relations to succeed, both Moscow and Washington must show interest in working together. Medvedev might be interested in this, but from all appearances Putin — the real power in the Kremlin — is not.

Ria Novosti news agency

RIA Novosti choice: The top ten events in the Russian judiciary and legal system in 2009

RIA Novosti's choice: the ten major political events of 2009

Every year, the Russian judicial system hands down a number of unexpected rulings and dramatic judgments on interesting issues and cases, and 2009 was no exception. The death penalty was de facto abolished and individuals involved in several high-profile cases were released from prison, one of the country's senior investigators was indicted, the investigation into the murder of journalist Anna Politkovskaya was halted and a second case against former Yukos heads Mikhail Khodorkovsky and Platon Lebedev was opened.

The death penalty resolution

On November 20, the Russian Federation's Constitutional Court finally abolished the death penalty in Russia. The court explained that Russia is bound by international agreements prohibiting this exceptional measure of punishment; therefore, even if jury courts start operating in all regions on January 1, 2010, this will not allow the reinstatement of the death penalty.

Surveys show that 41% of Russians are in favor of reinstating the death penalty and another 12% support reinstating it and expanding its application. A number of public figures and government officials spoke out in favor of reinstating the death penalty from January 1. Experts linked Russia's resolution of the death penalty issue with the country's choice of direction for its long-term development.

Repeat tax inspections are rescinded

On March 17, the Constitutional Court prohibited tax authorities from carrying out repeat inspections of taxpayers where a court ruling on the results of a previous inspection is in force. Consequently, the Constitutional Court declared Paragraph 10, Article 89 of the Tax code, which allowed repeat inspections, to be unconstitutional.

The Constitutional Court had already specified that repeat tax inspections must be carried out only where necessary, that they must be justified and lawful, thus ensuring they are not used to suppress economic independence or limit the freedom to conduct business and exert property rights. The legal problem that the Constitutional Court resolved consisted of whether the tax authorities could adopt a different resolution from that already confirmed by the court.

Khodorkovsky and Lebedev: Part 2

The trial in the second criminal case involving the former heads of Yukos and

Menatep, Mikhail Khodorkovsky and Platon Lebedev, started in spring 2009 in Moscow's Hamovnichesky Court. Khodorkovsky and Lebedev had already been sentenced in 2005 under seven articles of the Russian Federation Criminal Code to eight years in prison. This time, the two ex-businessmen were accused of embezzling securities belonging to the state, and of the theft of 350 metric tons of oil.

The court is currently hearing evidence related to the charges and a sentence is expected no earlier than spring 2010. And exactly one week before the New Year, the Presidium of the Supreme Court of the Russian Federation handed down a ruling, the legal consequences of which cannot be foreseen: that Lebedev was arrested illegally in the first criminal case. This ruling was made following the response from the European Court of Human Rights to one of the petitions filed by Lebedev, which Khodorkovsky also filed.

The ruling is unprecedented in Russian legal practice.
Mikhail Khodorkovsky in Moscow's Khamovniki District Court

The Politkovskaya affair: court case, acquittal, supplementary examination

In February 2009, the Moscow District Military Court (MOVS) handed down a verdict of "not guilty" in the sensational case of the murder of Novaya Gazeta correspondent Anna Politkovskaya, and in September, on a directive from the Supreme Court, MOVS returned materials to investigators. Now the investigators intend to merge the case of Ibragim and Dzhabrail Makhmudov and Sergei Khadzhikurbanov with that of the alleged hitman Rustam Makhmudov and "other unidentified persons."

Public interest in the Politkovskaya affair is linked to her tireless journalistic activity and the position she took on many issues. Interest in the trial was also spurred on by the presence among the accused of ethnic Chechens and former employees of the Russian secret services: in the light of the fact that Politkovskaya investigated human rights violations in the North Caucasus.

The condemned investigator

Investigator Dmitry Dovgy, who was investigating the Yukos and Khodorkovsky cases, has himself been imprisoned.

On the basis of a jury verdict in June 2009, the Moscow City Court found Dmitry Dovgy, the former head of the Main Investigative Directorate of the Investigative Committee at the Russian Federation Public Prosecutor's Office, guilty of accepting a 750,000-euro bribe and abusing his authority.

Now the former investigator faces nine years in a maximum security prison if, of course, the Russian Supreme Court does not hand down a different ruling on Dovgy's petition in the trial, which has been postponed until mid-January.

It was intriguing that Dovgy's crimes were uncovered right after he gave an interview to State Duma Deputy Alexander Khinstein for the newspaper

Moskovsky Komsomolets, in which he said that in his opinion, Investigative Committee employees are engaged in the unlawful persecution of certain citizens. Dovgy gave the interview as a former employee of the agency and he was detained one day prior to the Moscow City Court hearing on his reinstatement claim. Two days later, Moscow's Basmanny Court authorized his arrest. The Moscow City Court denied Dovgy's request that he be reinstated to his former post and refused to collect 100,000 in punitive damages on his behalf.

In addition to Dovgy, a former employee of the Head Military Prosecutor's Office, Andrei Sagura, was sentenced to seven years imprisonment in the case.

Overstayed

Alexander Bulbov, a lieutenant general in the Russian Federal Service for Drug Control (FSKN – Russian acronym), who had been under arrest for over 25 months, was released in November from Lefortovo remand prison on his own recognizance not to leave the country.

Despite the fact that his post in the FSKN has been abolished, Bulbov remains at the agency and intends to return to service right after he spends the vacation time he has earned over four years of service, i.e. on June 1, 2010.

The former Yukos lawyer Svetlana Bakhmina has been freed. She was arrested in 2004 and sentenced in 2006 to six and a half years imprisonment. In spring 2009, in accordance with the ruling by Moscow's Preobrazhensky Court, Bakhmina was paroled. This was Bakhmina's fourth attempt to get parole, her petitions to her local courts yielded no results and it was only the court in Moscow that ruled she has served enough of her sentence.

In addition, investigators released the former head of Arbat Prestizh Vladimir Nekrasov and the businessman Sergei Schneider (Semyon Mogilevich) from Matrosskaya Tishina remand prison. The two men were accused of tax evasion. The trial in the case is currently underway in Moscow's Tushinsky Court and the sentence is expected in the spring of 2010. Regardless of the verdict, Nekrasov intends to return to the cosmetics business, so even if Arbat Prestizh is not resurrected, another perfume giant could emerge.

They will answer for medicines

The former management of the Federal Compulsory Medical Insurance Fund (FFOMS) was sentenced to a total of 47 years for accepting bribes and performing illegal operations with regard to supply of crucial medicines. Seven of the 11 high-ranking officials in the case were found guilty by a jury.

The corrupt nature of the business, the high rank of those involved, and to a large extent, the area in which the illegal activity involving the provision of vital medicines was carried out sustained public interest in this case.

Maximum punishment for child killers

A married couple in Moscow region, Vladimir Grechushkin and Irene-Sofia Baskaya were found guilty of the cruel and unusual punishment and torture of their adopted children, as well as the murder of one of them. In mid-December, Grechushkin was sentenced to life in prison and Baskaya to 16 years in a minimum security prison. The criminal case, which aroused intense public interest, was opened in January 2009 after the body of a three-year boy, who was one of the Grechushkin's adopted children, was found under a bridge in the Lubertsy area of the Moscow Region.

Berezovsky's next sentence

In 2009, the fugitive oligarch Boris Berezovsky, who resides in the U.K., was tried for one more of over ten criminal cases against him. This past summer, the Krasnogorsky City Court of Moscow Region sentenced Berezovsky in absentia to 13 years in prison for the embezzlement of 58 million rubles from LogoVAZ.

Russian authorities have repeatedly tried to have Berezovsky extradited, but have so far been unsuccessful.

The Russian media has named Berezovsky the "Disgraced Oligarch" and along with Khodorkovsky, considers him one of the most irreconcilable opponents of the Russian authorities.

RAPSI as the forerunner of openness in the courts

Svetlana Mironyuk, editor-in-chief of the Russian News and Information Agency RIA Novosti, announced on December 2 that the Russian Agency for Legal and Judicial Information (RAPSI) had started work. Supreme Court Chairman Vyacheslav Lebedev, Higher Arbitration Court Chairman Anton Ivanov and Constitutional Court Chairman Valery Zorkin took part in media presentation and the press conference held at RIA Novosti news agency.

The Russian Agency of Legal and Court Information (RAPSI) is a project established by the Constitutional, Supreme and Higher Arbitration Courts of Russia and RIA Novosti in February 2009 to provide prompt and objective coverage of the Russian judiciary and the legal system in general.
MOSCOW, January 4 (RIA Novosti)

RIA Novosti Highlights: Top ten events in Russian economy in 2009
RIA Novosti presents the ten most significant events of 2009 in the Russian economy.

AvtoVAZ: suitcase without a handle

The Russian auto industry suffered more than car manufacturers in other countries, and reduced demand for cars dealt the harshest blow at AvtoVAZ, Russia's flagship of passenger cars. According to AvtoVAZ estimates, the company's liabilities could reach 75 billion rubles (\$2.5 bln) by the end of 2009.

Russian authorities have said again and again that they will not allow the auto giant to go bankrupt, backing these statements with unprecedented state support. In spring 2009, the government allocated 25 billion rubles to AvtoVAZ, but the company quickly went through it and asked for more. The authorities called on the auto giant's shareholders, including the Renault-Nissan alliance [Renault owns 25% of AvtoVAZ – Ed.], to share the burden of responsibility, threatening to dilute their stakes otherwise.

How much will it cost to save AvtoVAZ?

AvtoVAZ's partners agreed, and a contract was signed in November to restructure the company and allocate 50 billion rubles in state support, as well as 300 million euros in the form of technology from Renault-Nissan. Job cuts had to be made because of financial problems; AvtoVAZ management estimates that approximately one-fifth of the workforce was made redundant. Around five billion rubles were allocated to keep the people employed and special terms for their employment are being established.

2009 budget: the first deficit budget in some time

In 2009, the federal budget ran at a deficit for the first time in eight years. The deficit was planned at 8.3% of GDP, and by the end of the year, the Ministry of Finance announced that the results would be better than expected, amounting to 6.9% or 7.3% of GDP accounting for quasi-fiscal measures (subordinated loans disbursed from the sovereign wealth fund).

Kremlin pool, budget deficit: how long can we hold out?

The main reason for the deficit is a sustained high level of government spending amid falling oil prices and tax revenues. Total spending in 2009 was approximately 10 trillion rubles, which included 1.1 trillion rubles in government injections into the economy, such as subsidies and state guarantees for loans, as well as contributions to the charter capital of companies fully or partially owned by the state. Financial authorities also actively contributed to liquidity – during peak demand for financing, the maximum gross amount of new lending from the Central Bank to the banking sector reached four trillion rubles. The level of social spending was unprecedented.

2009 budget: how much will be spend on national projects?

The Ministry of Finance was forced to “loosen the purse strings” on the “rainy day fund,” from which around 2.7 trillion rubles were allocated to cover the budget deficit. The fund shrank to 2.2 trillion rubles by December 1. In 2010,

the money will run out, said Deputy Prime Minister and Deputy Finance Minister Alexei Kudrin.

Ruble: volatility after devaluation

The controlled devaluation of the ruble, which started in November 2008, finished in January. In order to maintain financial stability, the Russian Central Bank avoided landslide devaluation by gradually lowering the exchange rate. This still entailed massive losses. Russia's international reserves fell by more than 200 billion rubles (\$6.7 bln) from August 2008 to March 2009, but the time lag allowed Russians to convert their savings into hard currency. During the controlled devaluation period, the ruble fell 35% in relation to the dollar-euro basket (0.55 of the dollar and 0.45 of the euro). As of February, amid rising oil prices and the gradual recovery of the global economy, the ruble grew again, but in the summer it fell again for a short time based on rumors of a second wave of devaluation.

Changes in exchange rates during 2008-2009

At the end of the year, real prerequisites for a new devaluation appeared – a steep rise in budgetary spending, Russian companies' increased foreign debt payments, etc. Given these conditions, the ruble fell slightly, but in the absence of serious disturbances on foreign markets, experts did not expect any sharp drops on the Russian foreign exchange market.

Opel: the deal of the year falls through

The deal to sell ailing automaker Opel, the European subsidiary of U.S. auto giant General Motors, to a consortium of the Austrian-Canadian firm Magna and Russia's Sberbank would have been one of the main events of the year – if it had actually happened. However, the event of the year was that GM unexpectedly backed out.

Negotiations on the deal started in May. There were two main contenders – the Austrian-Canadian-Russian consortium and the Belgian investment fund RHJ. The German authorities favored the consortium, which promised to minimize job cuts and proposed what was in their view an optimum development strategy for the company. GM, on its part, was afraid that its intellectual property would “fall into the hands of the Russians.”

Mass protests by Opel employees in Germany>>

The negotiations proceeded normally, as the contenders sweetened their offers and GM vacillated. By mid-September, GM had “agreed” to a deal with the consortium, but suddenly reversed the decision in November, having decided to restructure the company with GM's own resources.

The Russian side stated that it did not suffer because of this; however, it had learned an important lesson. The Russian government was subsequently forced to reconsider its development strategy for the Russian auto industry – the authorities will now court other foreign partners.

Inflation: a hair's breadth from a record

The inflation figure for the past year could beat a three-year old record (in 2006, inflation peaked at 9%), confirming the adage that the darkest hour is before dawn: prices froze because of a sharp fall in purchasing power during the crisis. The government expects a slowdown in price growth of 8.8%-9.0% in 2009.

Russia's economy to reach pre-crisis level by late 2012>>

Record low inflation has enabled the Bank of Russia to lower the refinancing rate nine times by a total of four percentage points to the historical minimum

of 9%. The regulator does not rule out a tenth lowering of the rate in the last week of the year. Monetary authorities are not fazed that the refinancing rate could turn out to be lower than the year's inflation. They have explained that it is actually an indicator of inflationary expectations.

The Central Bank, having implemented a rather intrepid interest rate policy, is counting on an easing of lending that will stimulate economic activity and consumer demand.

ESPO: oil flows to the east

In late December, the first stage of the Eastern Siberia–Pacific Ocean oil pipeline (ESPO) will be commissioned. Transneft is already actually using this pipeline, which was built to transport Russian oil to the markets of the Asia-Pacific region.

The project will be implemented in two stages. The first stage runs from Taishet (Irkutsk Region) to Skovorodino (Amur Region). The second stage will then connect Skovorodino with the oil terminal Kozmino in Primorye. After both stages are on stream, the pipeline's capacity will be 80 million metric tons per year. Rosneft and TNK-BP will provide the pipeline's first oil consignments.

Putin launches Pacific oil pipeline>>

In order to stimulate development of oil fields along the pipeline route, authorities have nullified the export duty on oil from 13 Eastern Siberian fields and the nullification of the duty on five more fields is under discussion.

Superjet is ever closer to clients

Another significant event in 2009 was the public demonstration of the capabilities of the Russian short-haul airplane Sukhoi Superjet 100, developed by Sukhoi Civil Aircraft Company and Boeing. Parts are supplied by well-known Russian and foreign companies. For example, the French firm Snecma was involved in developing the plane's engines.

The Superjet 100 was unveiled in June at the Paris Le Bourget Airshow in France and in August at the MAKS 2009 Airshow in Zhukovsky. The public could not only see the plane in action but also sit in its cockpit.

The Superjet 100 is not only an impressive new product that the Russian aviation industry needs, but a commercially viable product. There are already 122 confirmed orders for this plane, including orders from the largest Russian airline Aeroflot and the Armenian company Armavia. Nevertheless, due to delays in deliveries of engines for the Superjet, companies will receive the plane no earlier than the start of the second half of 2010, experts say.

FAS puts pressure on oil companies

The Federal Antimonopoly Service (FAS) has been fining oil companies for years, but it set a record in fall 2009 for the number of claims. FAS demanded a total of 21 billion rubles (\$706.5 mln) in fines for fuel price gouging from Gazprom Neft, Lukoil, Rosneft and TNK-BP.

Experts say that such fines are significant even for the oil companies with their sizable earnings. Furthermore, companies are forced to rectify prices in line with FAS directives. Consequently, Lukoil estimated its losses at \$100 million to \$120 million due to FAS actions. Oil companies have contested FAS decisions in court, but with varied success: Lukoil lost, but Gazprom Neft and TNK-BP were able to have some of their fines rescinded.

Both sides have had enough and sat down at the negotiating table in fall 2009 in order to come up with a formula to calculate competitive fuel prices. The

sides had planned to reach an agreement on the main points by the New Year, but have so far been unable.

Trade to be cleaned up

In December, the State Duma finally passed a draft law on state regulation of commerce in the Russian Federation. The law had been languishing in development hell for several years due to disagreements among various government agencies. The law is expected to be passed before the end of the year and it will come into force on February 1, 2010.

Not only manufacturers and retailers clashed over the bill, but also various branches of federal agencies. Proponents of the bill say that strengthened state regulation will eliminate the imbalances that bring retail chains more than half of their profits. The law stipulates stiff antimonopoly measures; for example, infrastructure limitations will be imposed on companies already holding a 25% share of a local market. In a number of cases, authorities can hold down prices on food products for up to 90 days.

In turn, retail companies are criticizing a number of regulations and say the law needs to be amended. They do not rule out the risk of higher prices on food products and shrinkage of assortment of goods in Russia after the law comes into force.

Vodka mixer

The Russian alcohol market has finally made the transition from the jurisdiction of the Ministry of Agriculture to the Federal Alcohol Market Regulation Service (Rosalkogolregulirovaniye), which was established at the end of 2008.

In 2008, the authorities also stripped the Ministry of Agriculture of “fishing rights,” putting the Federal Fishery Agency (Rosrybolovstvo) under the direct control of the government.

The Federal Alcohol Market Regulation Service’s first coup was the introduction of a minimum retail price for vodka – 89 rubles (\$3) for a half-liter bottle – as of January 1, 2010. This measure is meant to decrease the circulation of illegally-produced alcohol and decrease alcohol consumption. The service has also developed a draft concept to bring alcohol consumption down by the year 2020 and has introduced a draft law on licensing the transportation of alcohol. The service is discussing the timeframe for introducing a single excise rate on alcohol to be paid on delivery from the distiller.

MOSCOW, January 3 (RIA Novosti)

RIA Novosti’s choice: the ten major political events of 2009

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01/01/2010

Multimedia

RIA Novosti presents 2009’s ten most important domestic political events, as chosen by its correspondents.

High-profile resignations

Several recent events that caused public outrage eventually led to resignations of high-ranking officials who had been in their positions for years: something not at all that common in Russia.

The massacre in a supermarket in southern Moscow in late April, where police Major Denis Yevsyukov killed three and wounded six late-night shoppers, led to resignation of several top-ranking officers in the Moscow police.

As a result of Yevsyukov's killing spree, Moscow's top police officer lost his post: Colonel-General Vladimir Pronin had been Moscow's police chief since 2001. President Dmitry Medvedev also signed a decree firing Viktor Ageyev, head of Moscow's Southern Administrative District Police Department and Yevsyukov's immediate superior. Interior Minister Rashid Nurgaliyev fired three of the police chief's deputies.

The most deadly fire in modern Russian history, the Lane-Horse tragedy in Perm, also prompted the removal of several officials from office. The blaze began in the early hours of December 5, on the club's 8th anniversary, killing 150 and injuring many more: 80 people who were in the Lane Horse that night are still in hospital.

On the fifth day after the tragedy, the Perm Territory government resigned; Arkady Kats who headed Perm city hall stepped down as well, while the regional governor, Oleg Chirkunov, asked the Russian president to decide whether or not he had confidence in his administration. Most of the region's ministers are still working as acting ministers, while three were removed from office to ensure an objective investigation into the fire accident. The governor said a new government will be formed after the investigation and in-house inquiries are completed and the reasons for the fire exposed.

There were reshuffles in the territorial agencies, and committees. The chiefs of the local departments of the federal consumer rights, state property management and technical inventory regulators had to step down, while several officials in the Perm government were suspended pending the conclusion of the investigation.

A few days after high-profile resignations in Perm, the president fired about 20 officials in the federal office and regional departments of the Federal Penitentiary Service, including its departmental heads for Moscow, Moscow Region, St Petersburg, Leningrad Region and the Baikal Territory.

As usual, the presidential decree did not spell out the reasons for such major personnel decisions, but the service's press office said the changes were part of a major reform plan.

However, these resignations followed in the wake of several scandals in the penitentiary service. In November, the lawyer for the investment fund Hermitage Capital, Sergei Magnitsky, 37, managing partner with Firestone Duncan auditing firm, died in a Moscow jail after waiting 11 months for his tax evasion trial. Preliminary reports said the lawyer died of a vascular disorder. Magnitsky's death caused public outrage and sparked discussion of the need to improve prison healthcare and to reduce the number of inmates awaiting trial in detention prisons.

One of the service's chiefs who were sacked after Magnitsky's death was the head of the medical department Vladimir Troitsky. The service admitted there had been "serious violations" with regard to healthcare in prisons. The press office said that this was the reason the Moscow department chief, Vladimir Davydov, was removed from office, but not appointed to a different post. Another scandal broke out in Baikal Territory, where former Yukos owner Mikhail Khodorkovsky and his associate Platon Lebedev were serving their

sentences at a prison in Chita. Both disgraced businessmen repeatedly complained of multiple violations of law and unsatisfactory conditions in prison.

The Russian government also said that it would punish the officials who are to blame for the Sayano-Shushenskaya hydroelectric power plant accident, the biggest technological disaster in modern Russian history. The necessary personnel decisions will be taken after a thorough investigation is completed.

Uprising in parliament

The three parliamentary parties which regard themselves as the opposition to the ruling party, United Russia, which has a constitutional majority in the State Duma, walked out of parliament protesting results of regional elections held on October 11 after they learned they lost to the party in power in them.

The Liberal Democratic Party (LDPR) and the Communist Party (KPRF) said they were leaving because the voting was unfair and falsified, while Just Russia members left because they were not given the floor to argue.

The opposition leaders demanded a meeting with President Dmitry Medvedev who is the guarantor of the constitution, to discuss violations of the electoral process. But two days after their walkout, members of LDPR and Just Russia reappeared in the lower house conference room as usual, although they exchanged some barbed remarks with United Russia representatives during a morning session.

Modernization of Russia

President Dmitry Medvedev has introduced a new popular term: modernization. In his second state-of-the-nation address in parliament he said that the modernization of the country was crucial for its survival and that it should not be delayed.

He explained that the economy should be modernized as a whole, including industrial production, the armed forces, healthcare, technology, space exploration, education, and society more broadly.

A few hours after Medvedev's speech, in which he asked that the term not be overused, certain regions hastily announced they already had modernization plans of their own, while political analysts dubbed modernization "a new national idea."

Yet, neither the president, nor any other officials cited any specific plans with quantity or quality measurements or timeframes.

Bad roads or poor traffic management

A series of major traffic accidents in summer which killed 30 and injured 60 Russians in less than a week in July, has exposed serious problems in traffic regulation, road condition and insufficient driver responsibility.

After the accidents, the president convened an extraordinary meeting where he slammed traffic management on municipal and inter-municipal roads, which accounted for nearly two-thirds of the accidents. He also cited the unsatisfactory quality of road repairs, including minor maintenance and overhaul, which is not properly financed in half of the regions.

In a few days' time, the prime minister signed an order to draw up technical requirements for road safety with regard to road design, construction and use, as well as repairs.

Government officials required to disclose incomes

State officials' income declarations made the most popular online reading last summer.

In May, presidential anticorruption decrees came into force, stipulating the procedure for government officials and their family members to declare their incomes and property. The policy was aimed at reducing corruption which President Dmitry Medvedev declared one of his presidential missions.

The documents state which officials are required to submit income declarations, as well as stipulate the format and procedure for this disclosure. In addition to government officials, heads of state corporations and funds are also required to disclose their incomes.

Sergei Naryshkin, head of the Presidential Executive Office, said that the income and property declarations submitted by officials, their family members, and nominees for important posts, will be verified. Anyone who fails to declare their income or who presents false information, will face punishment that could include being sacked or forced to resign, and any nominees found guilty will not be appointed.

The president and government members have until April 1 to present their declarations, and other officials until April 30. The information should be posted on the relevant agency's website a few days after its official declaration.

However, a survey conducted by the VTsIOM Public Opinion Research Center has revealed that only 13% of Russians were interested in reading high-ranking officials' income declarations, while 70% of those who did read them said they did not believe the information was true.

Famous dissident, Nashi movement clash over Soviet past

Alexander Podrabinek, journalist, human rights activist and famous Soviet dissident, in September 2009 published an editorial on www.ej.ru about a Moscow restaurant, Anti-Soviet, changing its name under pressure from "Soviet veterans" who said it was "offensive."

His article, in which he accused the veterans for their attitude, provoked a harsh response from a number of public associations. Nashi, a nationalist youth movement that began under former President Vladimir Putin, started picketing the journalist's house. There were also rumors of the impending resignation of Ella Pamfilova, head of the presidential human rights council, following her support for Podrabinek.

When the two-week standoff between Podrabinek and Nashi reached its peak, Pamfilova said she would ask the Prosecutor General's Office to investigate the legitimacy of the actions by Nashi activists who had "launched a campaign of persecution" and who were intimidating the journalist.

Pamfilova's stand caused outrage among public activists, veterans, the party in power and a number of lawmakers.

However, the Kremlin backed Pamfilova. Presidential spokesperson Natalia Timakova said Pamfilova was acting within her jurisdiction.

Timakova said the human rights council included people with various views, some of them critical of the government and its policies.

"The president's position of principle was to have different points of view represented on the council, so that the head of state would keep in touch with

civil society trends,” she said.

Medvedev, Putin do not plan to get in each other’s way in 2012
With over two years still to go before the next presidential elections, incumbent President Dmitry Medvedev and former President Vladimir Putin, who previously held the post for eight years, announced their presidential ambitions: one of them will possibly run in the 2012 elections, but not both. When asked during his eighth televised Q&A session whether or not he would run, Putin said he was still undecided.

“I will think about it. I have enough time for this. In my view, everyone should do what he or she must, and work effectively. We will make decisions on the 2012 election based on the situation in the economy and in the social sphere. But this is 2009,” he said.

A Krasnodar resident asked the prime minister if he ever wanted to quit politics and live for himself and relax, and offered to be his “back-up man” if he did.

“Don’t hold your breath. But if you want to work, then we will examine your request separately and will offer applicants, you included, a worthy job for realizing your potential,” Putin said.

The president was in Rome at that time; he said at a news conference, answering the question from an Italian journalist: “Prime Minister Putin said that he does not rule out this possibility. For my part, I can say too that I do not rule out this possibility. We have said in the past that we are close, understand each other well and work together. I am sure that we will be able to agree on how to not get in each other’s way but make the best decisions for our country.”

Ten years earlier, Putin wrote in his book First Person that Medvedev, along with Sergei Ivanov and Nikolai Patrushev, is one of those people who inspire in him a sense of fellowship and team spirit.

Conservatism Russian-style

Russia’s biggest party, United Russia, which has a constitutional majority in the State Duma, the Russian parliament’s lower house, and controls all the regional legislatures, announced its long-term strategy and ideology at its 11th congress.

The party, which has a record breaking number of government officials as its members, and is led by Prime Minister Vladimir Putin, declared Russian Conservatism its governing ideology in a policy document adopted along with plans for economic development, at a recent St. Petersburg congress.

“This ideology implies stability and development, an ongoing creative renewal of society, without stagnation or revolutions,” chairman of the party’s Supreme Council, Boris Gryzlov, said at the congress, adding that the policy document was based on the priorities stated in Strategy-2020, the Putin Plan, and Medvedev’s article Forward, Russia.

Conservatism is viewed by the party as a reliance on Russia’s spiritual traditions, its glorious history, rich culture combined with support for family values, and strengthening the guarantees of Russia’s sovereignty and support of small businesses, Gryzlov explained. He added that conservatism was not at all in conflict with modernization, while emphasizing non-radical, non-revolutionary development.”

The sole commander

Over a year after the August 2008 Russian-Georgian conflict, the Federation Council approved a presidential proposal to allow the use of Russian armed forces outside Russia in emergencies.

The support of the upper house of parliament gave the president the authority to make prompt decisions to send Russian armed forces to act outside the country in order to protect the national interests of the Russian Federation and its citizens or to support international peace and security.

Any such action taken should be in line with universally accepted principles and international law as well as the country's international agreements.

Russia's armed forces can now be used to fight piracy and ensure maritime safety.

In accordance with these amendments, the Russian president can make decisions on the use of Russian forces outside Russia following a Federation Council resolution.

Earlier, the Russian law on defense only stipulated using armed forces outside the country to curb international terrorist activity and to perform missions arising from Russia's international agreements. The law stated no other valid reasons for using armed forces abroad.

Russia-Belarus-Kazakhstan Customs Union the highest level of post-Soviet integration

Russia, Belarus and Kazakhstan have signed a Customs Union Agreement, which so far is the deepest reach of integration among the post-Soviet republics. The European Union also started with a common customs zone project in the mid twentieth century.

Under these recent agreements, the three countries will begin to apply uniform customs tariffs from January 1, 2010. The Customs Union itself will become effective when its Customs Code takes force: on July 1, 2010.

Customs checkpoints on the Russian-Belarusian border will be removed on the same day, and they will be removed from the Russian-Kazakh border a year later.

The three presidents also decided to establish a common customs space by January 1, 2012.

The common customs space will be the highest level of integration between the three countries and will include a common energy market, and a common transport space. The arrangement will help resolve a host of important issues.

MOSCOW, January 2 (RIA Novosti)

Russia likely to join the WTO in 2010

Russia is likely to join the World Trade Organization (WTO) next year. The WTO was founded January 1, 1995 and is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the World War II in 1947. Its goal is to liberalize global trade and to streamline trade and political relations between its member countries. It uses both tariff methods toward this end, gradually decreasing import duties, and the elimination of non-tariff barriers.

At this point, the WTO has 153 members.

Russia first applied for WTO (GATT) membership in 1993. It usually takes between five and seven years to join the organization, but Russia has been negotiating its entry for 16 years, longer even than China, which joined the WTO after 15 years of talks.

To join the organization, Russia needs to get approval from all of its members, which is why the process is so complicated. Talks are often put off because the various parties cannot agree or they try to ensure preferences for their producers. In the case of Russia, the negotiating members criticized it for raising timber duty and supporting its automotive industry and the agrarian sector.

For example, Finland was dissatisfied that Russia raised its export duty on rough timber, which badly affected Finnish paper producers.

After Finland reconciled itself to the change, Lithuania accused Russia of redirecting commodity distribution from Baltic to Russian ports.

Moscow broadly hinted a year ago that it would not negotiate the WTO entry endlessly. In June 2009, the prime ministers of Russia, Kazakhstan and Belarus agreed to notify the WTO of their decision to join the organization as a single customs territory. They suspended bilateral talks and held consultations to coordinate a common entry stance for their Customs Union. However, this is easier said than done and has been hampered by problems, such as a recent dairy war between Russia and Belarus, when Russia banned the marketing of a number of Belarusian dairy products.

It became clear in October 2009 that the three countries would have to join the WTO individually but would coordinate their stances. This seems like the best approach for Russia. Maxim Medvedkov, Russia's chief negotiator in the WTO accession talks, estimated Russia was 95% of the way through the negotiations, Kazakhstan 70% and Belarus less than 50%.

A joint entry meant that Russia would have to wait several more years while its partners coordinated their positions with the WTO members. Acting separately, Russia could join the organization in 2010. Presidential aide Arkady Dvorkovich said the other day in an interview with the Vesti television channel that Russia was "optimistic about [an early] conclusion of the negotiating process."

Why does Russia want to join the WTO? As a WTO member, it will have easier access to foreign markets bypassing tariff and non-tariff barriers that currently deter trade. Now, Russia loses up to \$2.5 billion annually from

discrimination practices in foreign markets. Open access to these markets could also encourage the production of knowledge-based products in Russia, which its authorities have long been advocating.

Another positive aspect is participation in the development and reform of international trade rules. So far, Russia cannot take part in this process, which means that the rules the other countries adopt may contradict its interests in terms of competition, investment and energy policy.

On the other hand, the opponents of joining the WTO argue that as a member Russia will be unable to approve prohibitive duties allowing foreign goods to replace some of its commodities. They also say that the strictly outlined tariff policies of the WTO member countries will lower budget revenues from import duties.

The consequences of joining the WTO would differ from one economic sector to another. For example, the Russian chemical and steel sectors expect huge benefits because the other member countries will have to lift their antidumping customs duties currently protecting their markets from Russian goods.

The sectors competing with foreign producers, above all mechanical engineering, food and light industries, and agriculture, are fiercely opposing WTO entry because open competition with foreign producers may bankrupt them. The Russian financial structure also fears competition with foreign banks.

However, Russian consumers would certainly benefit from WTO membership because this would open the Russian market to foreign banks, construction and food companies, and would also lower duties on imported cars.

And lastly, open competition with foreign companies may force Russian producers to lower prices by cutting both outlays and profits, if they want to survive.

The opinions expressed in this article are the author's and do not necessarily represent those of RIA Novosti.

MOSCOW. (RIA Novosti economic commentator Maria Selivanova)

BBC NEWS

Wednesday, 13 January 2010

Turkey PM Erdogan in Russia for gas talks

Russia and Turkey have a big incentive to improve ties. Turkey's growing strategic importance as a gas transporter is the focus of talks in Russia between the countries' leaders.

Turkish PM Recep Tayip Erdogan met Russia's president and PM in Moscow, with energy high on the agenda.

The Turkish government recently agreed to support Russian plans for a major new gas pipeline - South Stream - across the Black Sea into Europe.

Meanwhile, the EU wants Turkey to join a rival pipeline project, Nabucco.

"The energy sphere has a very important significance," Mr Erdogan said on meeting President Dmitry Medvedev.

"Not only in the sphere of natural gas, but in crude products there exists a whole series of opportunities... I see this meeting as a huge opportunity," he added.

Mr Medvedev hailed the countries' "serious and major" co-operation.

"The Russian-Turkish relationship is improving. It is really a strategic partnership," he said.

Leverage

This visit by Mr Erdogan and senior members of his government to Moscow is a clear signal Turkey wants to build its relationship with Russia, says the BBC's Richard Galpin in the Russian capital.

Trade is already flourishing and is set to reach about \$40bn (£25bn) this coming year.

The energy relationship is also developing fast.

Turkey is highly dependent on Russian gas, but now also wants to become a major energy corridor - transporting Russian gas through its territory to the Middle East.

It has also allowed Moscow to carry out preliminary work off its Black Sea coast, along the route of the planned South Stream pipeline.

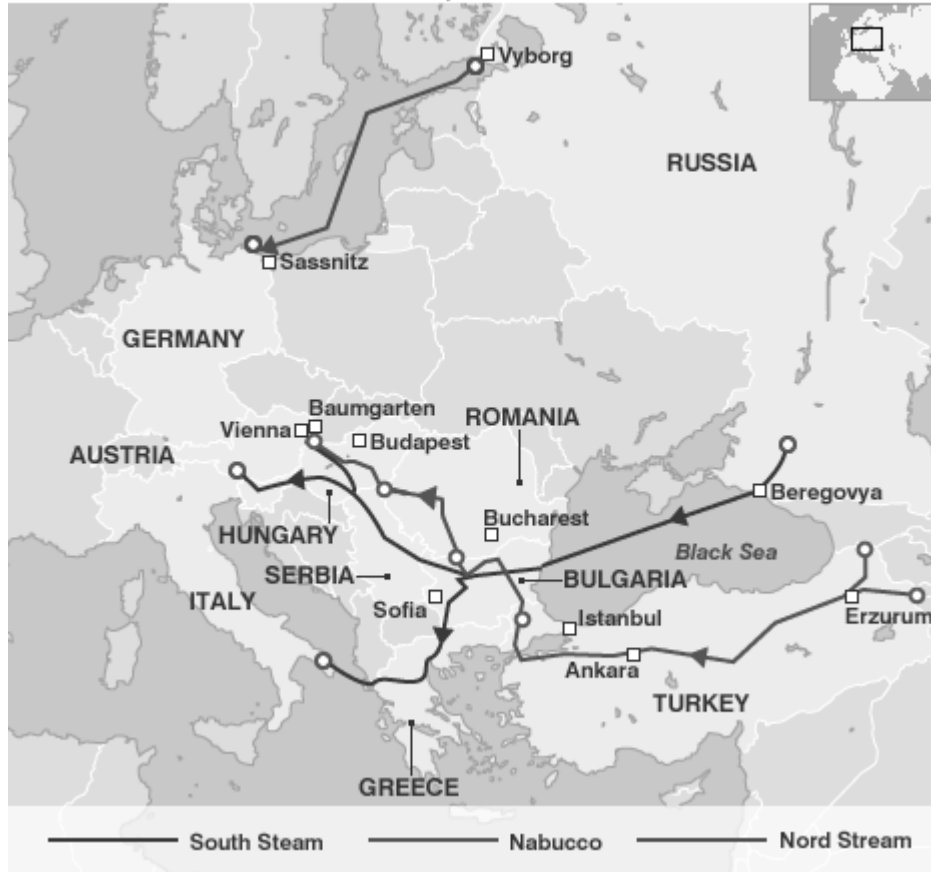
Russia says construction of this pipeline should begin this year.

But it is causing concern in the European Union, which wants to diversify its energy supplies and break free of its growing dependence on Russian gas, says our Moscow correspondent.

Brussels's backing for the Nabucco project, to transport gas from the Caspian Sea region through Turkey, gives Turkey a great deal of leverage, says the BBC's Jonathan Head in Istanbul.

Although it has few energy resources of its own, it wants to compensate for that vulnerability by exploiting its unique geopolitical position, to become an energy hub, he says.

PROJECTED ROUTES OF NORD STREAM, NABUCCO AND SOUTH STREAM PIPELINES



Russia MPs back human rights reform

The court in Strasbourg has a backlog of cases to deal with
Russia's lower house of parliament has backed a long-delayed reform to the European Court of Human Rights.

Before Friday's vote Russia was the only one of the Council of Europe's 47 member states that had not ratified Protocol 14. The court based in Strasbourg, eastern France, has a huge backlog of cases.

Protocol 14 is part of the European Convention for the Protection of Human Rights. It was ratified by 392 Duma deputies, with 56 against.

Ratification in the upper house, the Federation Council, is expected to be a formality.

Russia faces the largest number of cases pending before the court - 28% of the total.

The Duma had refused to ratify Protocol 14 in 2006, with deputies alleging that it was incompatible with Russian law. But after a Council of Europe meeting on 14 December, Duma Speaker Boris Gryzlov said the Council had agreed that a Russian judge would participate in any decisions concerning Russia.

Streamlining court's work

Protocol 14 would cut down the number of judges on panels

charged with deciding issues such as the admissibility of cases.

It also paves the way for new rules to ensure that states implement fundamental changes to national laws or practices, as ordered by the court, European affairs analyst William Horsley says.

Experts say the changes would speed up the handling of cases by up to 25%.

Russian Deputy Foreign Minister Andrei Denisov said that of the 112,000 cases currently before the European Court 27,000 were filed by Russian citizens.

He said ratification of the protocol would turn the court into a "really working and depoliticised agency", Itar-Tass news agency reported.

LEMONDE.FR avec AFP et Reuters | 15.01.10

Après des années de blocage, la Russie a approuvé vendredi 15 janvier la réforme de la Cour européenne des droits de l'homme (CEDH). Les députés de la Douma, chambre basse du Parlement, se sont prononcés par 392 voix contre 56 en faveur du protocole 14, déjà ratifié par les 46 autres Etats membres du Conseil de l'Europe.

Moscou avait donné son accord en 2004, mais la Douma s'était opposée deux ans plus tard à ce texte jugé contraire aux intérêts du pays. La réforme de la CEDH vise notamment à simplifier la procédure de recevabilité pour les affaires dites *"répétitives"* qui restent sans réponse devant les tribunaux nationaux. Cela fait craindre à la Russie une inflation des plaintes la visant. Or, elle est déjà l'un des pays les plus sanctionnés par la Cour, notamment pour des affaires concernant la Tchétchénie. Et les requêtes ont augmenté de 20 % en 2008, principalement en raison du conflit armé avec la Géorgie.

Le président de la Douma a expliqué que le pays avait obtenu satisfaction sur le fait qu'un de ses représentants serait présent au cours de l'examen de plaintes concernant la Russie. Mais le revirement apparaît surtout dû à la volonté du président Dmitri Medvedev d'imposer une vaste réforme du système judiciaire russe, et à des pressions européennes.

LEMONDE.FR avec AFP et Reuters | 19.01.10

Le leader ultranationaliste russe Vladimir Jirinovski a proposé, mardi 19 janvier, l'instauration d'une prime à la première naissance et de la polygamie pour doper la natalité en Russie, des idées auxquelles le président Dmitri Medvedev a demandé à ses ministres de réfléchir.

"Je propose d'allouer 100 000 roubles [environ 2 350 euros] pour une première naissance", a déclaré M. Jirinovski, leader du Parti libéral démocrate (LDPR), cité par les agences russes. Avec une telle prime, *"je vous assure que la moitié des femmes désireuses d'interrompre leur grossesse changeront d'avis et voudront accoucher"*, a-t-il ajouté lors d'une réunion de responsables russes au Kremlin consacrée à la démographie.

Actuellement, l'Etat russe alloue une prime de 300 000 roubles (environ 7 000 euros) à la naissance d'un deuxième enfant, a-t-il rappelé. M. Jirinovski a également suggéré d'autoriser les hommes à épouser une seconde femme, laissant entendre que cette mesure permettrait d'encourager la natalité. *"Si un homme obtient le droit d'épouser une seconde femme qui lui a donné un enfant, mais sans résilier son premier mariage et sans quitter sa première famille, il faut le laisser être responsable de sa deuxième famille"*, a affirmé le député.

Moscou reste à l'écart du scrutin présidentiel

Arrivé en tête du premier tour avec une dizaine de points d'avance, le chef du Parti des régions, Viktor Ianoukovitch, affrontera le Premier ministre Ioulia Timochenko au second tour, le 7 février. Une élection caractérisée par l'indifférence de la Russie face à la situation politique chez son voisin ukrainien.

La présidentielle pour laquelle les Ukrainiens étaient appelés aux urnes dimanche [17 janvier] est le premier scrutin dans lequel le fameux "facteur russe" n'aura joué aucun rôle. En dix-huit ans d'indépendance, les politiciens ukrainiens ne se sont pas privés d'évoquer ce thème, voire d'agiter le spectre de "l'ennemi extérieur". Mais, cette fois, la Russie ne leur a pas permis de le faire, en s'abstenant d'exercer la moindre influence visible et en ne manifestant guère d'intérêt pour la situation. Au total, ceux qui comptaient sur le soutien de Moscou comme ceux qui attendaient son intervention sont aujourd'hui dans le camp des perdants.

Le plus curieux a été que vers la fin de la campagne, le président "antirusse" Iouchtchenko a été obligé de se rapprocher du candidat "prorusse" Ianoukovitch afin de combattre ensemble le Premier ministre Ioulia Timochenko, que Iouchtchenko avait carrément accusée, l'année précédente, de nuire aux intérêts nationaux et même d'être coupable de haute trahison. Les bonnes relations avec les dirigeants russes n'ayant pas rapproché Timochenko de Ianoukovitch, on voit que le facteur russe est en fait de peu d'importance pour le personnel politique ukrainien et que Moscou n'exerce qu'une influence marginale sur la situation ukrainienne en général.

Si on en est là, ce n'est pas parce que la Russie n'intéresse pas l'Ukraine, mais parce qu'il était clair depuis longtemps que le second tour opposerait Victor Ianoukovitch à Ioulia Timochenko. Les deux conviennent suffisamment à la Russie pour mettre un terme à la guerre diplomatique entre les deux pays, nommer enfin un ambassadeur russe à Kiev [le poste est vacant depuis le milieu de l'année dernière], débloquer le processus de négociations et aboutir à des compromis sur les questions les plus pressantes.

"Moscou comprend parfaitement qu'aucun président ukrainien ne sera jamais tout à fait prorusse. Ianoukovitch avait cette réputation-là en 2004, mais, depuis, il s'est montré prêt à passer des accords avec Iouchtchenko, y compris sur des questions de principe pour son Parti des régions, comme le statut de la langue russe ou l'adhésion à l'OTAN. Timochenko aussi suit ses propres intérêts. Tout en signant des accords avec Poutine sur les livraisons de gaz, elle refuse de répondre en russe à une interview sur une chaîne de télé russe", note le politologue Konstantin Bondarenko.

Mais une fois à la tête de l'Etat, Timochenko comme Ianoukovitch feront tout pour normaliser leurs relations avec la Russie. Non seulement parce que c'est ce que leurs

électeurs attendent et que les pays de l'UE le souhaitent, car ils dépendent de l'approvisionnement en gaz russe [qui transite par l'Ukraine], mais aussi parce que le monde des affaires ukrainien fait pression en ce sens.

Le règlement des contentieux avec la Russie les plus vifs, idéologiques, historiques, linguistiques ou touchant à l'intégration risquerait de faire éclater l'Ukraine. Le futur président tentera donc de les éluder en les remettant à plus tard. Le politologue Vitali Bala est certain que Timochenko et Ianoukovitch ont tous deux l'intention d'orienter le pays à la fois vers une coopération avec la Russie et un rapprochement avec l'UE. Dans la pratique, cela signifie que le nouveau président, contrairement à Iouchtchenko, cessera d'exiger que la Flotte de la mer Noire se retire de Crimée, oubliera l'OTAN, imposera discrètement le silence sur des sujets comme la famine organisée [en 1932-1933, qui fit environ 4 millions de morts en Ukraine]. Sans aller jusqu'à partager les positions russes, il évitera de mettre les questions qui fâchent sur la place publique.

Courrier International 8-12-2009

New Delhi et Moscou signent un accord nucléaire historique

La nouvelle fait la une de la presse indienne, aux côtés de l'inculpation de David Headley aux Etats-Unis. Le 7 décembre, en visite en Russie, le Premier ministre Manmohan Singh a signé avec le président russe, Dmitri Medvedev, un accord de coopération nucléaire dans le domaine civil. Il devrait permettre à la Russie de participer à la construction de centrales en Inde. Pour le quotidien, il est encore difficile de dire dans quelle mesure cet accord rivalisera avec celui, similaire, signé avec les Etats-Unis il y a un an.

Courrier International 24-12-2009

La Cour suprême déclare "illégale" l'arrestation d'un associé de Khodorkovski

Le visage souriant de Platon Lebedev s'étale en première page du *Moscow Times*. Le 23 décembre, la Cour suprême russe a jugée "illégale" l'arrestation de cet associé de Mikhaïl Khodorkovski, l'ancien patron de Ioukos. Les deux hommes avaient été condamnés en 2005 à huit ans de prison pour fraude fiscale et escroquerie.

La Cour suprême russe, suivant un précédent avis de la Cour européenne des droits de l'Homme, a estimé que les droits de Lebedev n'avaient pas été respectés lors de son arrestation en 2003. Elle a ordonné un nouvel examen du dossier. Toutefois, comme le précise le quotidien anglophone de Moscou, cette "rare victoire" n'aura que peu d'incidence dans l'immédiat : "Elle ne signifie pas que Lebedev va être libéré, ni sa

condamnation annulée." Mais, alors que de nouvelles poursuites sont engagées contre les deux hommes, "voir des tribunaux russes se conformer à des décisions de la Cour européenne des droits de l'Homme est de toute façon porteur d'espoir", ajoute *The Moscow Times*.

**From The Times
January 20, 2010**

An end to shrinking Russia: Baby boom at last

Tony Halpin in Moscow

The number of people living in Russia increased for the first time in 14 years, offering a glimmer of hope that it can avert a catastrophic slump in population.

Tayana Golikova, the Health Minister, said that the population rose by between 15,000 and 25,000 to more than 141.9 million, ending 14 years of successive declines since the social and economic upheavals that followed the collapse of the Soviet Union.

Ms Golikova told President Medvedev in a televised meeting that the population growth had been aided by a 4 per cent decline in mortality rates and a rise in immigration from neighbouring republics of the former Soviet Union.

She did not give statistics but, in a sign that Russia's demographic crisis remained unsolved, the minister indicated that the number of births was still below the total of deaths last year. She told Mr Medvedev: "The difference between birth rates and mortality rates will be covered by a rise in migration."

She added that officials would also concentrate on reducing Russia's abortion rate, which she said was "comparable to birth rates". Russia recorded 1.7million births in 2009 and 1.2 million abortions.

Russia has shrunk by 7million people since 1992 and is forecast to lose another 30 per cent of its population by the middle of this century unless demographic trends are reversed, with disastrous consequences for its economy as labor shortages take hold.

The population decline is a major factor in predictions of slower economic growth in Russia compared to other major emerging economies such as India and China. A study by Goldman Sachs bank concluded that Russia could grow annually by between 1.5 per cent and 4.4 per cent from 2011 to 2050, compared to as much as 7.9 per cent in China and 6.6 per cent in India.

Vladimir Putin, the Prime Minister, has called the population crisis “the gravest problem facing Russia” and has sought to encourage a baby boom by offering to pay mothers £5,000 to have a second child and for every child after that.

Some experts say that the policy is beginning to have an effect, although others suggest that Russia’s improved prosperity in recent years has encouraged more couples to have children anyway and that the current economic crisis may undermine that progress.

Alcoholism, particularly among men, and Russia’s notoriously high rate of traffic accidents are seen as key factors in the demographic crisis that threatens to depopulate entire areas of the country. Up to 50,000 people a year die from alcohol-related illnesses and another 30,000 are killed on the roads.

Mr Putin set out an ambitious programme last week to halve alcohol consumption by 2020 but Kremlin authorities have tried for decades to wean Russians away from their devotion to vodka with little success.

A recent World Health Organisation study found that a 15-year-old boy in Russia had only a one in two chance of living until the age of 60. Average male life expectancy has dropped to around 60 compared with 72 for women.

The Kremlin instituted a new national celebration of family life in 2008 under the patronage of the President’s wife Svetlana as part of its efforts to promote childbirth. The Day of Family Love and Fidelity coincided with the Orthodox Church’s celebration of saints Pyotr and Fevronia in July, whose 13th Century love story is revered as an ideal of marital devotion.