

**WASHINGTON, D.C. January 16, 2009**

**TO: NCSJ Leadership and Interested Parties**

**FROM: Richard Stone, NCSJ Chairman;  
Alexander Smukler, NCSJ President;  
Mark B. Levin, NCSJ Executive Director**



In Brief: Change in America; Russia-Ukraine Gas Troubles

Dear Friend,

As our community and country prepare for next week's transition of power, we should take a moment and appreciate the seamless nature of our political system. Many people around the world hunger for the American experience of freedom. Violence, corruption and coups are frequent occurrences in the former Soviet region and elsewhere. Our system is not perfect, but, in spite of the worst economic crisis since the 1930s, our political foundation remains firm. On January 20th, Barack Obama will take the oath of office as the 44th President of the United States. His administration will then engage Congress, in a very difficult and extraordinary time, but in the same way his predecessors' have. Even as we endure great domestic and international challenges, this should give some comfort.

NCSJ has met with Obama transition officials about our agenda and concerns. We submitted a position paper entitled "Russia and the Independent States of the Former Soviet Union: A Set of Policy Guidelines." This document is available at [www.ncsj.org/documents/NCSJ-2009-position-paper.pdf](http://www.ncsj.org/documents/NCSJ-2009-position-paper.pdf).

In this week's update we continue to focus on the gas dispute between Russia and Ukraine, who continue to blame each other for preventing the resumption of natural gas shipments to Europe. It's a more sophisticated game of 'chicken', but with much more serious consequences.

Also, there are several interesting stories on the ongoing economic problems in Russia and possible political implications for Prime Minister Putin. Once again, rumors are spreading across Russia and beyond about a growing distance between President Medvedev and Putin; recent Medvedev comments have being seen as a rebuke of Putin's handling of the economy.

Finally, the Ukrainian Jewish community joined many others in the Diaspora by organizing a pro-Israel rally in Kyiv this week. This was especially important given several negative comments by Ukrainian officials about Israel's defense against Hamas rocket attacks.

Comments and/or suggestions about the Weekly Update are always appreciated. Please communicate your thoughts via [ncsj@ncsj.org](mailto:ncsj@ncsj.org).

Sincerely,

A handwritten signature in black ink that reads 'Mark B. Levin'. The signature is written in a cursive, flowing style.

Mark B. Levin  
Executive Director



Advocates on behalf of Jews in Russia,  
Ukraine, the Baltic States & Eurasia

NCSJ WEEKLY NEWS BRIEF  
Washington, D.C. January 16, 2009

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**#1a**

**Ukraine demands compensation for mother, child**

**By Vladimir Matveyev**

**JTA, January 10, 2009**

Ukraine asked Israel to pay compensation to the family of a Ukrainian mother and child killed in the Gaza Strip.

A Jan. 8 Foreign Affairs Ministry statement called on Israel to compensate the family of Olvera Al-Jarou who was killed in a strike Thursday eastern part of Gaza Strip with her 2-year-old son.

"Ukraine expects Israeli authorities to carry out a thorough inquiry concerning the circumstances of the tragedy, provide necessary aid to the affected children and also pay out compensation to the family of the slain," the statement said.

Olvera Al-Jarou was married to a Palestinian doctor, who trained in Ukraine; she and her son became the first foreign national to die in the Gaza war between Israel and Hamas terrorists. The ministry said that two of her other children sustained severe wounds and were hospitalized. The New York Times quoted her husband as saying that he had urged his wife to leave Gaza earlier, but she refused.

Ukraine's President Victor Yushchenko is concerned about nearly 300 Ukrainian citizens who remain in Gaza, Iryna Vannykova, his press secretary, told media on January 9. Early in the conflict, launched last month after Hamas ended a fragile cease-fire, Israel allowed out foreign nationals; so far 93 Ukrainians have left.

## **#1b**

### **Kiev demonstrators rally for Israel JTA, January 15, 2009**

Demonstrators rallied in Kiev in support of Israel's military operation in the Gaza Strip.

Some 300 people gathered Wednesday near the Israeli Embassy in an event organized by the Ukrainian Jewish Committee. Participants, of all ages and backgrounds, included non-Jewish supporters of Israel. It was one of three such events this week in Ukraine's largest Jewish population centers, Kiev and Dnepropetrovsk.

"We express our support for Israel's right to defend itself against terrorism in the Gaza Strip and to explain to the Ukrainian and international community that this fight against Hamas is a part of a global campaign against international terrorism," Jewish lawmaker Aleksandr Feldman, the president of the Ukrainian Jewish Committee, told JTA.

Feldman added that the committee would welcome a cease-fire only if Hamas puts an end to its repeated terrorist attacks.

The rally came five days after a large rally in support of Hamas near the offices of the United Nations in Kiev to protest Israel's operation in Gaza. Some 250 people gathered on Jan. 10 in Simferopol, Crimea, to protest the operation in Gaza.

Wednesday's pro-Israel demonstrators carried placards that read "We express our strong solidarity with the State of Israel," "Israel must defend itself" and "Ukraine and Israel together!"

Anti-Semitic acts do not appear to have risen in Ukraine as a result of the Gaza operation and pro-Israel rallies.

Meanwhile, another 191 Ukrainian citizens want to be evacuated from the Gaza Strip, according to a report by the Ukrainian Ministry of Foreign Affairs. According to the Ukrainian Embassy in Israel, approximately 300 Ukrainians are now in conflict zones in the Gaza Strip.

On Jan. 9, President Viktor Yushchenko ordered the ministry to ensure the evacuation of all Ukrainian citizens willing to be evacuated from the Gaza Strip; 47 were evacuated that day. On Jan. 3, Ukraine evacuated 46 of its citizens from Gaza.

## **#1c**

### **Clinton says will work closely with China, Russia Reuters, January 13, 2009**

U.S. Sen. Hillary Clinton said on Tuesday she planned to work very closely with Russia and China on key economic, security and nonproliferation issues.

'The world is now in the cross currents of the most severe global economic contraction since the Great Depression. The history of that crisis teaches us the consequences of diplomatic failures and uncoordinated reactions,' said Clinton at her confirmation hearing for top U.S. diplomat.

## **#2**

### **Israel Expresses its Concern about Antisemitic Wave Israel Ministry of Foreign Affairs, January 11, 2009**

Dear Friends,

The Ministry of Foreign Affairs is engaged in close monitoring of the recent wave of Antisemitic attacks against Jews and Israeli citizens in many parts of the world. These attacks have crystallized following our defensive

operations against the Hamas terror organization. Attacks like these are inadmissible as criticism of Israel should never be used as an excuse to perpetrate acts of violence, hate and blatant extremism against the Jewish People.

In consequence, Vice Prime Minister and Minister of Foreign Affairs, Tzipi Livni has decided to release, through the Ministry Spokesperson, the attached message to the press, international public opinion and the International Community in general. Minister Livni and Minister for Social Affairs and Services and for Diaspora Affairs, Isaac Herzog are also taking every opportunity at their disposal to convey this message in their public appearances and interviews.

In the hopes that you will help us disseminate this message throughout the world,

Sincerely,

*Aviva Raz-Shechter, Director  
Department for Combating Antisemitism  
Ministry of Foreign Affairs  
Jerusalem, Israel*

**#3**

**U.S. Offers Closer Ties to Georgia  
Moscow Times, January 12, 2009**

Georgian President Mikheil Saakashvili hopes a new cooperation agreement with the United States will help the former Soviet nation integrate more quickly with the West.

Speaking in Tbilisi on Saturday, Saakashvili said the "charter on strategic partnership" reflects strong U.S. support for Georgia, which waged an August war with Russia.

Saakashvili told a briefing that the agreement would help strengthen Georgia's ties with the West. The new U.S. blueprint for cooperation with Georgia was signed in Washington on Friday.

The document, which U.S. Secretary of State Condoleezza Rice signed Friday, is bound to antagonize Moscow but provides no guarantees that President-elect Barack Obama will continue to support Georgia with the same enthusiasm as the Bush administration when he takes office on Jan. 20.

The broad outline of U.S. cooperation is also unlikely to move the European countries that have blocked Georgia's path to NATO membership, in part over concerns of alienating Moscow.

Last year, Russia's military pushed within artillery range of Georgia's capital Tbilisi after Georgia sought to reclaim a Russian backed breakaway region. Peter Van Praagh, an analyst with the German Marshall Fund in Washington, said the war demonstrated that the West would not come to Georgia's aid militarily.

"That is as true today as before they signed this, and it is important for Georgian leadership to remember as they convey this," he said.

The document outlines broad areas of economic, security and cultural cooperation as well as political reforms that Georgia should undertake with U.S. help. It emphasizes long-held U.S. support for Georgian territorial integrity – which means opposition to Russia's recognition of two breakaway Georgian territories: Abkhazia and South Ossetia.

Obama has expressed support for Georgian territorial integrity and its NATO aspirations. But he is already facing calls from Europe and elsewhere to improve relations with Moscow.

In an interview, Georgian Foreign Minister Grigol Vashadze said he believed that the current administration consulted the incoming Obama administration on the document, but he was not certain.

"The previous administration is not going to do anything without consulting the new one," he said.

U.S. Deputy Assistant Secretary of State Matthew Bryza would not specify who had been consulted on Obama's team. "We are consulting with everybody," he said when asked about conversations with the incoming administration.

Ahead of the signing, U.S. and Georgian officials said the document points to a new path toward NATO membership through a NATO-Georgia commission. The document also outlines U.S. help in strengthening Georgia's military and bringing it up to NATO standards.

#### **#4**

##### **Strategic partners for what?**

**By Doug Bandow**

**Washington Times, January 9, 2009**

The United States once based alliances on national interest. No longer. Unable to convince its NATO partners to bring Georgia into the alliance, Washington plans to sign an agreement with Tbilisi establishing a "strategic partnership." For what, one wonders?

Georgian President Mikhail Saakashvili called the accord "historic" and observed that "the United States has never before said that Georgia is its strategic partner." Batu Kutelia, set to become Georgia's ambassador to the United States, opined: "Cooperation with our strategic partner is almost the only assurance of our security."

Whatever the meaning of "strategic partner," Tbilisi is not one. Most important, Georgia has no strategic value for America.

The United States fought the entire Cold War with Georgia part of the Soviet Union. No one argued that liberating Tbilisi was necessary for the West's survival. Indeed, long before the U.S.S.R., Georgia had been absorbed by the Russian Empire.

The fact that Georgia hosts energy pipelines matters little. The Caspian Basin's energy resources are useful, not critical, and Russia would block the West's access to oil and natural gas only in the sort of large-scale confrontation that is unlikely to occur - except in the case of Western meddling along Russia's border. One need only peer at a map to determine to which country, the United States or Russia, Georgia is more important strategically.

The presumption that a new agreement will deter Moscow from undertaking military action in the future is both naive and foolish. Russia already has demonstrated its readiness to go to war regarding border issues.

Moscow isn't likely to believe Washington is prepared for a military confrontation in a region of no serious strategic interests to the West. And with a large supply of tactical nuclear weapons as well as an adequate strategic nuclear deterrent, the Kremlin is well situated to tell the U.S. government to stay out.

Before the U.S. government decides to risk that kind of confrontation, it should consider the stakes. Georgia matters to Russia, not the U.S. Washington should not climb up a hill when retreat would be its only logical option if challenged.

Equally problematic is the irresponsible government in Tbilisi. During the August war, Georgia became a political cause celebre. At least U.S. officials could be excused for not knowing all of the facts then. But it has become increasingly apparent that Tbilisi was the aggressor.

As is typical for this region, the histories of Georgia, Abkhazia and South Ossetia are complicated and there is no obvious right or wrong outcome. Moreover, though Mr. Saakashvili is American-educated, he is no friend of liberty.

Human Rights Watch reported his policies seemed "to fuel rather than reduce abuses." Investigative journalist Nino Zuriashvili contended "there was more media freedom before the Rose Revolution" that brought Mr. Saakashvili to power.

Even worse was Mr. Saakashvili's decision to go to war. Stipulate that Moscow's position was dictated by cynicism rather than idealism. Nevertheless, Georgia lit "a match in a roomful of gas fumes," as former Secretary of State Colin Powell put it.

Spiegel online reported that "One thing was already clear to the officers at NATO headquarters in Brussels: They thought that the Georgians had started the conflict and that their actions were more calculated than pure self-defense or a response to Russian provocation."

Mr. Saakashvili said his military invaded after South Ossetians shelled Georgian villages, yet the evidence contradicts his claim. Explained one monitor for the Organization for Security and Cooperation in Europe: "It was clear to me that the attack was completely indiscriminate and disproportionate to any, if indeed there had been any, provocation." Erosi Kitsmarishvili, Georgia's former ambassador to Moscow, explained to the Georgian parliament that "Saakashvili wanted that war; he has been bracing for that during the last four years."

Alas, Mr. Saakashvili had convinced himself that he had Washington's support, according to Mr. Kitsmarishvili. In perhaps the most striking, and strikingly stupid, admission to date, Batu Kutelia, then-deputy defense minister, acknowledged that Tbilisi didn't expect the Russians to respond: "We did not prepare for this kind of eventuality." Oops.

If Georgia's leader irresponsibly starts a war in the belief that he can drag the United States into it based on Washington's more general blandishments before August, imagine how is he likely to act after being rewarded with a new agreement creating a "strategic partnership."

Americans should be sympathetic to the Georgian people, not the Georgian government. But such sympathy is no justification for an alliance, whether de facto or de jure. U.S. security is best served by staying out of any conflict in the Caucasus.

*Doug Bandow is the Robert A. Taft Fellow at the American Conservative Defense Alliance. A former special assistant to President Ronald Reagan, he is the author of "Foreign Follies: America's New Global Empire" (Xulon Press).*

## **#5**

### **In Russia, Power Has No Heirs**

**By Simon Sebag Montefiore**

**New York Times, January 12, 2009**

Succession — the handover of power from one leader to another — is the moment of truth for a political system. The American presidential election, for all its magnificent hucksterism, was once again a confirmation of the messy but noble dynamism of democracy — America does its handover of power with dignity (barring a few dubious presidential pardons).

Yet in the 21st century there are three Great Powers, and two — Russia and China — boast authoritarian systems ruled by tiny cabals that decide the succession of political power through mysterious, invisible and almost magical rites. The succession in China is shamelessly undemocratic and secretive — but firm and orderly. Moscow is different, if only because the absence of working mechanisms for succession are a real threat to the international order.

Late last month, just days before President Bush hosted the surviving former presidents and President-elect Barack Obama in the White House, Russia's rubber-stamp Parliament was passing a law, backed by President Dmitri Medvedev, that would allow the next Russian president to serve two six-year terms, up from two four-year terms. The law's implications are as obscure as all developments in Russia. But it seems a maneuver to allow Vladimir Putin — Russia's previous president, current prime minister and still paramount leader — to return to an ever-stronger presidency.

Having reached the old term limit last year, Mr. Putin chose and installed a trusted protege, Mr. Medvedev, as successor. Now many expect the president to return the favor by resigning and permitting Mr. Putin's return to office. In contortion worthy of medieval Byzantium, Mr. Putin, having handed over power but actually not handed it over at all, may imminently be officially restored to it.

Vladimir Putin personifies the successes and flaws of today's Russia. However superficial the nation's "sovereign democracy" may be, his popularity is enormous and real. Any politician would envy his association with stability, prosperity, security, restored imperial power and vigorous state authority.

It was always presumptuous to expect Russia, an ancient nation-state and proud empire of distinct culture with a tradition of autocracy, to become an Anglo-American democracy overnight — just as it is naive to expect it in other parts of the world. The unspoken contract between ruler and subject is that in return for safety, prosperity and prestige, the Russians entrust power and cede democratic freedoms to their leaders.

Even under a regime dominated by former K.G.B. officials, Moscow is freer than at any time in its history, other than the mid-1990s. So it is astonishing that, while Russia has its own Vogue magazine and Internet cafes, its political process is now more arcane, more eccentric and yet more public than it was during the 18th-century "age of palace revolutions." The existence of Russia's democratic Constitution has led to far more smoke and mirrors than in China, where successions to a bureaucratic collective leadership are managed by a tiny camarilla in a self-declared one-party state.

The view of de Custine about Russia in the mid-19th century could easily apply to the 21st: "I came here to see a country, but what I find is a theater ... In appearances, everything happens as it does everywhere else. There is no difference except in the very foundation of things."

Russia has had a functioning system for handing over power for only 121 years in its entire history: during the later years of the Romanov autocracy. Before Emperor Paul I established a legal structure in 1797, there was no law of succession: Czars simply chose their heirs. Both Peter the Great and Ivan the Terrible undermined their own achievements by killing their sons and chosen heirs. After Peter's death in 1725, the succession was decided through 70 years of palace coups and regicide, a system oft described by the witty phrase "autocracy tempered by assassination." Strong, intelligent empresses like Elizabeth and Catherine the Great seized power, creating an age of omnipotent petticoats.

Catherine, a German with no claim to the throne, in 1762 overthrew her own husband, Peter III, who was subsequently strangled by two courtiers, Aleksei Orlov and his brother Grigory (who was also Catherine's lover) in a drunken frenzy. The official announcement was that he had died of piles — prompting the French philosopher d'Alembert to joke, when invited by Catherine to visit, that he couldn't go since he suffered from hemorrhoids, potentially fatal in Russia.

Catherine's heir, Paul I, so hated his mother that he created his law of strict male succession. He was a despotic, half-mad emperor with a fixation on military parades, and in 1801 was strangled and brained with an inkwell by his own courtiers. Yet his decision to codify the turnover of power ushered in an era of stable successions that lasted until 1917.

There was no succession rule in the Soviet state, an empire ruled by a murderous clique, men who met in paranoid secrecy as if they were still scruffy conspirators plotting in a room above some provincial tavern. Sovereignty in this institutionalized conspiracy was meant to rest in the Central Committee, but actually five or six magnates decided everything.

Regarding themselves as irreplaceable, both Lenin and Stalin tried in different ways to destroy their successors — Lenin through a testament that attacked Stalin and Trotsky, Stalin through purges culminating in the Doctors' Plot of 1953. The aftermaths in both cases were grim: all Lenin's potential heirs were killed by Stalin, and the struggle after Stalin's death in 1953 was described by Winston Churchill as "bulldogs fighting under a rug." At first the sadistic secret-police chief Lavrenti Beria emerged as strongman, until he was overthrown and shot in a plot hatched by Nikita Khrushchev.

Khrushchev, in turn, was overthrown in a palace coup in 1964 and pensioned off — though his successor, Leonid Brezhnev, considered having him killed. Brezhnev reigned into senility if not embalment, followed by successions as sclerotically secretive as they were physically redundant. And so it continued through Mikhail Gorbachev, the fall of the Soviet Union in 1991, the tumultuous reign of Boris Yeltsin and the steely paramountcy of Mr. Putin.

Vladimir Putin wants his successes in Russia to be respected by the West; hence he did not simply ignore the Constitution and stay in the presidency. He and his grandees believe in the idiosyncratic style of authoritarian democracy that has restored Russian prestige (although his courtiers are also keen to preserve their power and wealth).

Things could be worse: the neighboring former Soviet republics demonstrate the crasser solutions Russia rightly wishes to avoid. In Kazakhstan, the Constitution has been altered so President Nursultan Nazarbayev may reign endlessly. In Turkmenistan, the gruesomely dotty Sapamurat Niyazov appointed himself president for life and took the name Turkmenbashi, "father of All Turkmen." Azerbaijan has effectively become a monarchy: on his death in 2003, President Heydar Aliyev (who had served in Brezhnev's Politburo) was succeeded by his son, Ilham — a surprising return of the hereditary principle also seen in other "socialist republics" including Syria (ruled by the Assad dynasty) and North Korea (the Kims).

If the Russians are happy with it, should their peculiar semi-modern, semi-medieval system concern us? A superb book called "Flawed Succession," edited by Uri Ra'an in 2006, examines four 20th-century Russian successions and suggests it does: "The absence of a transparent, consistently implemented, non-arbitrary transfer of power mechanism," writes Professor Ra'an, means that power is "transferred inevitably by coups, whether through covert opaque manipulations ... or physical elimination." Without such a mechanism, "a democracy cannot be established," nor can rule of law or a civic society.

Clearly, this lack of civic society affects the way rulers rule. Russia is so feudal in its system of patronage and reward that it is virtually impossible for a leader to hand over power without controlling his successor or at least receiving an exemption from prosecution — something Mr. Putin granted his predecessor, Boris Yeltsin, in 1999. Leaders, writes Professor Ra'an, "are condemned to lead a Hobbesian existence, fearing the penalties that come with loss of power."

It matters because the whims of the system are reflected in Russia's lurchingly inconsistent foreign and military policies, which are unreadable to outsiders, from its war in Georgia last year to the current gas crisis with Ukraine. Are these accidents, adventures, opportunities, policies? And who is deciding them?

Yet a drop in its oil revenues could lead to domestic unrest — there is no other way to overthrow the oligarchy. Meanwhile, Mr. Putin's succession and (likely) restoration is a leisurely dance of the seven veils in which one veil is dropped only for another to be donned — more fascinating even than the danse macabre of Soviet Kremlinology. But no one, probably not even the grandees of the Kremlin themselves, knows how it will end.

*Simon Sebag Montefiore is the author of the novel "Sashenka" and the biography "Young Stalin."*

## **#6**

### **Medvedev takes apparent swipe at Putin**

**By Isabel Gorst**

**Financial Times, January 12, 2009**

Dmitry Medvedev, the Russian president, on Sunday took another apparent swipe at Vladimir Putin, rebuking the prime minister's government for moving too slowly to alleviate the country's economic crisis.

Mr Medvedev said only 30 per cent of the government's anti-crisis programme drafted last October had been fulfilled.

"We have to acknowledge that at the present moment planned measures are being fulfilled more slowly than expected and, most important, more slowly than the current situation demands," Mr Medvedev said at a meeting at the Salyut engine plant outside Moscow.

Most Russians had believed Mr Medvedev would play second fiddle to Mr Putin, who named him as his chosen successor ahead of presidential elections last year.

Although several attempts by Mr Medvedev to pursue independent policies have been thwarted, Kremlin watchers have noted a new assertiveness in the president of late.

In comments last month that were seen as a signal to Mr Putin, the president said: "The final responsibility for what happens in the country and for the important decisions taken would rest on my shoulders alone and I would not be able to share this responsibility with anyone."

Mr Medvedev used Sunday's meeting to cite a series of dismal economic indicators, including a 6 per cent drop in Russian industrial output in the final quarter of last year and a sharp drop in global commodities prices, which has hit the resource-based economy hard.

He was speaking after Russia's central bank allowed the rouble to depreciate against the dollar/euro basket and published data revealing that it had almost doubled currency market interventions in December to stem a slide in the rouble.

The rouble fell 1.1 per cent to 30.5 to the dollar at the start of trading on Sunday, in the 13th mini-depreciation since November 11. However, the rouble rose slightly against the euro, to 41.2 from its close at 41.4 on December 30.

The central bank sold \$57.4bn and €12.6bn to buoy the rouble in December, compared with \$30.1bn and €2.9bn in November.

In all the rouble has lost more than 20 per cent of its value since reaching a peak last August, before the war with Georgia and the onset of the financial crisis, which triggered capital flight from Russia.

Aleksey Ulyukaev, the deputy head of the Russian central bank, admitted he was under pressure from Russian bankers to sanction a one-off sharp devaluation to restore the balance of payments and halt the drain on reserves.

But he defended the central bank's slow depreciation policy on Sunday, saying a one-off devaluation would destroy confidence.

"If we allowed ourselves to do such a thing we would have to start rebuilding our credit history all over again," he told the Russian business daily Vedomosti.

## **#7**

### **Putin Heeds Medvedev's Criticism Moscow Times, January 13, 2009**

Prime Minister Vladimir Putin told the Presidium on Monday that he was changing the rules under which ministries prepare documents and cooperate on joint projects in an apparent nod to criticism a day earlier from President Dmitry Medvedev.

"Naturally, under the current conditions, we must pay the closest possible attention to the development of anti-crisis measures and monitoring the effectiveness of decisions that have already been made. Above all, we will closely follow the situation on the job market," Putin said, according to comments on the government web site.

The Presidium, a quorum of key Cabinet members, was created by Putin in May to inject efficiency into government meetings, which he called at the time "a rather unwieldy mechanism and pretty bureaucratized."

Among the changes introduced on Monday was a rule, effective Jan. 1, 2009, that all measures connected to budget income and spending be sent to the Finance Ministry, which in turn must provide an analysis of the financial implications of the decision within 30 days, Interfax reported.

Addressing government members at an aircraft engine-building plant in Moscow on Sunday, Medvedev said only 30 percent of a rescue package worth more than \$200 billion had been implemented.

## **#8**

### **Report Says Decline In Freedom Accelerates Across Former Soviet Union By Nikola Krastev RFE/RL, January 12, 2009**

The latest "Freedom in The World" report by the U.S.-based rights watchdog Freedom House indicates that authoritarian regimes across a broad geographical range are stepping up their suppression of freedom.

Arch Puddington and Christopher Walker, the principal authors of this year's report, tell RFE/RL that since 2001, the only region in the world where political rights and civil liberties have witnessed a steady decline are the countries of the former Soviet Union, minus the Baltic states.

The authors say there is no general explanation for the region's downward trend.

But Puddington, Freedom House's director of research, points to three possible factors. One is the economic power attained by undemocratic regimes in petroleum-rich countries like Russia, Kazakhstan, Turkmenistan, and Azerbaijan. The other is the legacy of the Soviet Union, and the third is Russia's influence.

"Russia is the big power in the region. It is huge, it has a lot of influence. And it is an aggressively antidemocratic country right now under [Prime Minister Vladimir] Putin," Puddington says.

"It's not simply that Russia is moving away from democratic standards – it's moving away from democratic standards, and it's being very assertive about its system as superior to democracy," he continues.

#### Oil, Gas No Friend To Freedom

Puddington says that the United States has been making some efforts to consider the question of freedom as it adopts its policies toward the former Soviet states.

At the same time, however, countries with significant oil and gas resources have demonstrated repeatedly that they are willing to ignore the democratic concerns of the United States or the European Union.

In addition, Puddington notes, the West has even taken steps to legitimize freedom-suppressing regimes – such as Kazakhstan, which in 2010 assumes the chairmanship of the Organization for Security and Cooperation in Europe.

"Russia is the big power in the region. It is huge, it has a lot of influence. And it is an aggressively antidemocratic country right now under Putin."

"That is a significant step to approve what really amounts to a dictatorship as the chairman of an organization whose responsibilities, among other things, is to see that elections meet democratic standards," Puddington says. "And the elections in Kazakhstan certainly haven't done that."

Walker, Freedom House's director of studies, says the 2009 findings reflect in part the cumulative effect of several years of gradually increased repression, as well as severe anti-freedom measures implemented in 2008 – placing most of the former Soviet republics among the worst performers in the 2009 survey.

"The political-rights scores in recent years for the non-Baltic former Soviet Union have deteriorated sharply, suggesting that power holders in these countries are circumscribing the opportunity for any sort of meaningful participation in a way that suggests very severe problems going forward," Walker says.

"Right now what we see is what can be described as a monopolization of power that's being intensified across the lion's share of countries in the non-Baltic [former Soviet Union]," he adds.

Past Freedom House surveys have shown that former Soviet countries that are rich in energy resources have accelerated their authoritarian tactics as oil and gas prices soared.

#### What Will Falling Prices Do?

As oil prices tumble, Walker says, a new concern is what impact the losses will have on the political stance of these regimes, who often depend on energy windfalls to deliver the social benefits needed to secure their popularity with the public.

While oil prices were high, Walker says, many regimes were able to use their wealth to successfully deflect growing public unrest, and to postpone social and political reforms.

"If you look carefully at Kazakhstan, and in particular Azerbaijan and Russia, in most of the fundamental areas where the markets and outside observers are looking for reforms – it's been very slow-moving," Walker notes. "And one school of thought is that the enormous windfalls at the disposal of these regimes have allowed them to postpone meaningful reform in the social sector, and the education sector, and so forth."

Walker emphasizes that most of the freedom ratings of the countries of the former Soviet Union have declined in recent years, even though their starting point was very low. What we see now, he says, are repressive systems that are intent on ratcheting up their control over societies even higher.

"The challenges for the democratic community given the pressures that are likely to grow in these systems, where there aren't safety valves, the margin for error by the authorities is shrinking – it all really suggests potential looming crises in any number of countries in the region," Walker says.

Published since 1972, "Freedom in the World" has been widely recognized as an authoritative source on the state of political rights and civil liberties in every country in the world.

The annual survey notes a decline in freedoms in 2008 in Russia, Armenia, Azerbaijan, Moldova, Georgia, Iran, Kyrgyzstan, and Macedonia. The ratings for Belarus and Turkmenistan are unchanged, although Freedom House indicated there are small indications of future improvement.

Afghanistan is among the big losers, according to the report. The country was downgraded from "partly free" to "not free" in its civil liberties ratings. The main reasons for such a downgrade are rising insecurity, increasing corruption, and inefficiency in government institutions.

Pakistan, on the other hand, was upgraded from "not free" to "partly free" in its political rights ratings, due to the end of military-dominated rule and the election of a civilian parliament and president.

This year's survey also examines the impact of authoritarian reprisals in the "colored revolution" countries of Georgia, Ukraine, and Kyrgyzstan.

It also attempts to assess the effectiveness of the "freedom agenda" of the outgoing two-term administration of U.S. President George W. Bush, as well as the challenges facing the incoming administration of Barack Obama.

## **#9**

### **The Jewish hot spots for the inauguration**

**By Eric Fingerhut**

**JTA, January 12, 2009**

Revelers in Washington will have plenty of places to celebrate Barack Obama's swearing-in, including an event organized by some leading Jewish organizations and a trio of unofficial Jewish inaugural balls.

The biggest bash of inaugural weekend will be the Jewish Community Inaugural Reception on Jan. 19 at a downtown hotel. Along with the kosher hors d'oeuvres and drinks, the event is slated to feature a visit from a top-ranking Obama administration official to be announced.

A portion of tickets to the 4:30-6:30 p.m. event will be distributed to those affiliated with the nine sponsoring organizations – the National Jewish Democratic Council, United Jewish Communities, AIPAC, the American Jewish Committee, the Conference of Presidents of Major American Jewish Organization, NCSJ: Advocates on Behalf of Jews in Russia, Ukraine, the Baltic States & Eurasia, and the Chicago, New York and Washington federations – as well as some Jewish activists who volunteered on the Obama campaign.

The rest of the tickets to the 750-person capacity reception will be made available to the public for free on a first-come, first-served basis via registration at the Web site <http://inauguralreception.eventbrite.com>.

William Daroff, the director of the UJC's Washington office, said the sponsors wanted to make sure that the event was not just a gathering of Jewish leaders but was open also to those who are not connected to any organization.

"It's a celebration of the Jewish-American role" in the United States as well as "the role that Jewish organizations play in civic life," Daroff said.

Ira Forman, the executive director of the National Jewish Democratic Council, stressed that the event is a nonpartisan celebration and open to all.

The reception is not an official inaugural event, but prominent Obama supporters encouraged Jewish communal leaders – as it did with leaders of other ethnic groups – to privately sponsor such a gathering.

Those unable to snag a ticket to the official Jewish event have a number of other Jewish-themed options.

Rabbi Shmuel Herzfeld is expecting 300 to 400 people Sunday night for what he is calling the National Jewish Inaugural Ball, which will feature klezmer music, dessert and a cash bar at his Washington synagogue, Ohev Sholom-The National Synagogue. Herzfeld has assembled an eclectic list of confirmed guests, including filmmaker Aviva Kempner, Special Olympics chairman Tim Shriver and Oscar-winning actor Louis Gossett Jr.

Also on the list are high-powered area defense attorneys Abbe Lowell, who represented convicted GOP lobbyist Jack Abramoff, and Bill Martin, who represented former Atlanta Falcons quarterback Michael Vick, along with Martin's wife, NPR host Michel Martin. Former New York Knicks player John Starks is slated to come with his friend Rabbi Joseph Potasnik of New York.

Herzfeld said the ball is an opportunity for people to get together on a historic occasion in a "Jewish way."

"There's a lot of energy in the air and it's great to have the synagogue be a part of that energy," said Herzfeld, who noted that any proceeds of the ball will go to Ohev Sholom.

"It's a great opportunity to connect and gather together in unity," he said, adding that whether one is Republican or Democrat, "we have one president" and "we need it to work."

The next night, across the street from Ohev Sholom, the new pro-Obama Jewish Grassroots Action Network will hold its ball at Tifereth Israel Congregation.

The ball, which will feature klezmer music and a kosher dinner, is the culmination of a weekend of events put together by the network, which developed out of a national Jews for Obama group that formed during the campaign. The group's Shabbaton on Friday evening and Saturday will include a discussion on the roots of Jewish activism in Judaism, and on Sunday and Monday the organization is sponsoring a workshop titled "Jewish Grassroots Lessons Learned from the Obama Campaign and Charting the Road Ahead."

The network's president, Yocheved Seidman, said the new organization is a Jewish version of the grass-roots structure that the Obama campaign has been creating since the election to help support the president-elect's agenda. She said that members, who range from the unaffiliated to Orthodox Jews, "don't all agree on controversial issues but agreed on supporting Obama as the best choice for president."

"We thought staying together and working across these divisions would be a living example of what" Obama accomplished, she said.

Seidman said the workshop will be an opportunity to formulate an action plan and discuss issues on which the group will focus.

Those looking for an early start Monday can hit the \$100-per-ticket breakfast being co-hosted by the National Jewish Democratic Council and the pro-Israel lobby J Street. The event is expected to feature appearances by Kansas Gov. Kathleen Sebelius and Obama-Biden transition team co-chairman John Podesta.

Forman said his organization disagrees with J Street over its recent criticism of Israel's operation in Gaza, but that he's "not in the business of making pariahs out of fellow Jewish organizations."

"We sponsor events with a broad range of groups," he said, noting that his organization is co-sponsoring the major Jewish community inaugural event with AIPAC.

Finally, for young adults who don't have tickets to any of the official inaugural balls on Jan. 20, the Washington DCJCC is holding "The Inaugural Ball for the Rest of Us." The event, geared toward 21- to 35-year-olds, will include a performance by actor/comedian Iris Bahr – she played the Orthodox Jewish woman from "Curb Your Enthusiasm" with whom Larry David got stuck on a ski lift – as well as a DJ, dancing, hors d'oeuvres and an open bar.

"We wanted to give the young Jewish community a place to celebrate," said Jenna Ebert, the director of EntryPointDC GesherCity, who added that the event is hoping to attract out-of-town visitors as well.

Other Jewish events over the weekend include a Havdalah service and panel discussion with some "Jewish Justice All-Stars" sponsored by Jews United for Justice and the American Jewish World Service-Avodah Patnership. The panel includes Ronit Avni, the founder of Just Vision, which supports Israeli and Palestinian nonviolent civic peace builders through media and education; Ben Brandzel, formerly of MoveOn.org and now an online organizing consultant for liberal organizations; and Saul Garlick, the founder of Student Movement for Real Change, which works on international development.

For those who wish they were in Washington but will be in New York, the AJWS-Avodah Patnership, along with the New Israel Fund and Hebrew Immigrant Aid Society, is sponsoring an inauguration celebration at SOB's in Manhattan on Jan. 20. Guests that night will watch footage from Obama's speech and swearing-in from earlier in the day and celebrate.

## **#10**

### **Short End of the Pipeline**

**By Anne Applebaum**

**Washington Post, January 13, 2009**

Like every continent, Europe has its rituals. In the spring, the storks return to the Low Countries from their winter nests in Africa. In the autumn, the French return to Paris from their beaches in the south. And in the winter, the Russians threaten to cut off the natural gas supplies to Ukraine.

Okay, they don't do it every winter. But they did it in the winter of 2005-06, they did it in 2006-07, and when they once again switched off the taps, on New Year's Day, it was impossible not to feel a wearisome sense of *deja vu*. This year, as in previous years, the negotiations are almost too complicated to explain, involving not only Gazprom, the Russian gas behemoth, but also various shady intermediaries, dubious deals and differing price mechanisms. This year, as in previous years, the Russians are claiming that the conflict is purely commercial, not political; that Ukraine is stealing Europe's gas; that Ukraine is not paying a fair price. But this year, unlike in some previous years, those claims are sounding exceptionally hollow.

For one thing, it was the Russian prime minister, Vladimir Putin, not the Gazprom CEO, who openly made the decision to switch off the gas. More important, the Ukrainians, who have engaged in plenty of pipeline hanky-panky in the past, have this time around readily agreed to let Europeans and Russians monitor their transit pipelines. They have also paid their (very large) Gazprom debt and have asked – at last – for a more transparent system of price-setting, one similar to those used in Western Europe (an algorithm that relates the price of gas to the price of oil). Over the weekend they even negotiated a deal with the Russians, belatedly brokered by European Union negotiators. The Russians then refused to sign it for two days before agreeing – at least in principle – to turn on the taps late last night (as of this writing, they aren't on yet).

But why the delay? And why cut off the gas supply for so long in the first place? This being Putin's Russia, theories abound. Perhaps the Russians thought the Ukrainians, in the throes of an economic and financial meltdown, weren't going to be able to pay that very large Gazprom debt. Perhaps they hoped to discredit the Ukrainian leadership in the eyes of the European Union. Perhaps they wanted the lights to start going out in Bratislava or Brindisi, just to give everyone a scare. Or perhaps, as some believe, Putin was trying to distract Russians from their own pending economic and financial meltdown.

For once, it doesn't really matter. In fact, the most important story is not about Russia and Ukraine but about Europe, and the European Union in particular. Europe, a Hungarian friend said to me last week, "occupies itself with unnecessary things and ignores everything that is important." And there is something to this. There are E.U. sausage-making regulations, E.U. Intercultural Dialogues, even E.U. attempts to broker peace in

Gaza. But while most of Europe – from Italy and France to Bulgaria and Slovakia – gets at least some of its gas from Russia, there still isn't a true, unified E.U. energy policy, and there isn't a true, unified E.U.-Russia policy, either.

Instead, Gazprom – no longer pretending to be anything but a tool of Russian foreign policy – still does deals with European gas concerns one country at a time, picking them off one by one. Putin still deploys "divide and rule" tactics to deal with Europe, making special arrangements for Italy, buying politicians in Germany and cutting off the gas to Ukraine. And the tactics work: In 2006, when Western Europeans suddenly felt the pressure drop in their pipelines, they protested, loudly. This year, as kindergartens in Bulgaria briefly went dark, no one in Brussels seemed especially bothered. Knowing that the Russians are unreliable, Russia's European customers now build up their reserves, turn to other sources (the Norwegians have been pumping gas like mad) and keep their fingers crossed, hoping that the Russians and Ukrainians will come to their senses in time.

Instead of sending their best and brightest to create a genuinely secure system – through expanded use of liquid natural gas, more nuclear plants, clean coal – most European countries have settled for makeshift arrangements. Instead of using their collective bargaining power, they behave as though they are dependent on Gazprom, when the reverse is equally true: The Russians need the money they get from European sales, after all, almost as much as the Europeans need their gas. Instead of sending in crisis negotiators every Jan. 1, Europe's leaders could focus on this problem and solve it. I would love to describe this past week's events as a "wake-up call," but there have been so many "wake-up calls" already. When will Europe heed them?

**#11**

### **Tough Times Are Getting Worse for NGOs**

**By Nikolaus von Twickel**

**Moscow Times, January 13, 2009**

Vladimir Sliviyak, a leading environmentalist, has a lot more to worry about these days than mounting campaigns to prevent nuclear theft and to protect forests from loggers in Kaliningrad.

With the country caught in the grip of the global financial crisis, he has been unable to raise even half of the funding that he had planned for his environmental group, Ecodefense.

"The situation is very bad," Sliviyak said in a recent interview. "All Russian money that went to NGOs here is being frozen."

Sliviyak is intensifying his fundraising efforts with Western donors, but he fears that financing from abroad will also dry up.

Ecodefense and other nongovernmental organizations operating in this country are used to tough times. Amid fears that Western money might be funneled to Russian NGOs to incite unrest, the government enacted a stringent law in 2006 that led to the closure of many NGOs and greatly increased the bureaucratic burden on those that remained.

The future is looking even bleaker now. The scarcity of funding combined with continued uncertainty about the authorities' actions is shaping into a perfect storm for NGOs.

A top concern for many activists in recent weeks has been the government's failure to publish a vital list of which organizations can issue grants without having to pay taxes on them. Many donor organizations make tax-exemption an essential requirement for releasing the money.

"I am very worried about that list," said Sergei Lukashovsky, director of the Demos Center, an independent civil liberties watchdog.

In June, Prime Minister Vladimir Putin signed a decree that listed just 12 organizations that were allowed tax-free grants, down from 101. The government said at the time that the list only contained intergovernmental organizations and that a list including all the other organizations would be issued by the end of the year. It remained unclear Monday when Putin would sign the second decree.

Daria Miloslavskaya, a Moscow-based program director at the International Center for Not-for-Profit Law, an NGO promoting a legal environment for civil society and public participation, said the decree was still being discussed among various government ministries but should come out this month.

Uncertainty about the future will hang over NGOs as long as there is no new list, said Sergei Tsyplonkov, director of Greenpeace Russia, the environmental group. "What happens with grants that extend [from 2008 into 2009]?" he said in late December. "What happens with money not used last year?"

This year will not be easy, but 2010 might actually be worse, said Lukashovsky, of the Demos Center. Most grants for 2009 were paid out before the crisis escalated in the last part of 2008, he said.

Other NGOs argued that finances did not matter as much as a crisis -affecting domestic politics.

"Yes, there is less money now, and that means that some of our projects will not be realized," said Arseny Roginsky, director of Memorial, a leading human rights group. But "money is not the main thing," he said.

The issue now is that the authorities feel threatened by possible public unrest linked to the crisis, he said. "We can expect that they will tighten the screws," he said.

Incidentally, the police raided Memorial's offices on Dec. 4, combing through the room for six hours in what the group believes was an attempt to intimidate it. Memorial has linked the raid to its work to expose and publicize terror during Josef Stalin's rule – a period in Russia's history that the government has tried to whitewash and justify.

Tsyplonkov, director of Greenpeace Russia, said he has experienced a tightening of the screws. Last fall, he said in an interview, his organization was forced to change its status from a national organization to an office of Greenpeace International. The reason given by authorities, he said, was that the legal statutes of Greenpeace Russia, founded in 1992, were out of date.

"We received letters from the Federal Registration Service and the Justice Ministry that effectively gave us a deadline to reregister as a division of our international organization. Otherwise, we could have been dissolved," he said.

Tsyplonkov said this was an effective way to increase state control over NGOs because the law sets more stringent restrictions on subsidiaries of foreign NGOs than on national NGOs.

He said he was also worried about changes to the Criminal Code announced late last year that would widen the definition of treason and spying. "Now speaking to members of foreign organizations could be an act of treason," he said.

Greenpeace is also finding it increasingly difficult to conduct fundraising in the country. The reason is that red tape at banks makes it cumbersome for people to give money to an organization, Tsyplonko said. "Direct debit is impossible and standing orders are tedious, forcing donors to stand in line at Sberbank," he said.

## **#12**

### **An Answer to the Russian Challenge**

**By Joschka Fischer**

**Moscow Times, January 14, 2009**

For 19 years, the West has been putting off answering a critical strategic question: What role should post-Soviet Russia actually play globally and in the European order? Should it be treated as a difficult partner or a strategic adversary?

Even when this choice became critically acute during the crisis of Russia's short war against Georgia in August, the West didn't provide a conclusive answer to this question. If you follow most East Europeans, Britain and the administration of President George W. Bush, the answer is "strategic adversary." But most West Europeans prefer "difficult partner." These seemingly mutually exclusive alternatives have one thing in common: Neither of them has been thought through to the end.

If you see Moscow – with its restoration of power politics under Prime Minister Vladimir Putin to the detriment of the rule of law in domestic and foreign policy – as a strategic adversary, then the West should fundamentally change its agenda.

While Russia is no longer the superpower it was in the Soviet era, militarily it is still a great power – at least in Europe and Asia. To address the numerous regional conflicts (Iran, the Middle East, Afghanistan, Pakistan, Central Asia and North Korea) and global challenges (climate protection, disarmament, arms control, nuclear anti-proliferation, energy security) that have high priority on the Western agenda, cooperation with Moscow is necessary.

A strategic confrontation with Moscow would undermine this agenda – or at least complicate its implementation significantly. So the question is simply whether the threat emanating from Russia is so grave that this kind of strategic reorientation on the part of the West is required? I believe it is not.

Putin's claim to great-power status and his great-power policies are structurally very vulnerable. This is especially true at times when the price of oil has fallen below \$40 per barrel. And he knows that.

Because of its geopolitical position and its potential, however, Russia will remain a permanent strategic factor in Europe and Asia that cannot be ignored. To integrate the country into a strategic partnership is therefore in the West's interest. But this would require a Western policy based on long-term thinking and a self-confident and strong power position, because the Kremlin will perceive any sign of division and weakness as encouragement to return to power politics.

A few months ago, the Russian government came up with a proposal to negotiate a new European order within the framework of the Organization for Security and Cooperation in Europe. The Kremlin considers the agreements from the 1990s unjust, based as they were on its weakness at the time, and it wants to revise them. Moscow's main strategic objective is the weakening or even rollback of NATO on the grounds that it is essentially an anti-Russian military alliance and the re-establishment of its East European and Central Asian zones of influence.

But Putin is making a big mistake here, because all these aims are unacceptable for the West, and the Kremlin still doesn't seem to understand that the best and most effective guarantee of NATO's existence was, is and will continue to be an aggressive Russian foreign policy.

In the former mother country of Marxism-Leninism, the leaders still don't seem to understand dialectics. After all, if the Kremlin really wanted to achieve a change in the country's post-Soviet status quo, it should, first and foremost, pursue a policy vis-a-vis its neighbors that reduces rather than increases fears.

But this applies similarly, if in reverse, to the West. On the one hand, the principles of a new Europe as defined by the OSCE after 1989 and 1990 don't allow decisions about alliances to be subject to the veto of a large neighbor. The same is true for free and secret elections and the inviolability of borders.

On the other hand, installing elements of a missile-defense system in Poland and the Czech Republic and the prospect of NATO accession for Georgia and Ukraine assume confrontation where this was not at all necessary.

The West should not reject Moscow's wish for new negotiations on a European security system. Instead, it should be viewed as an opportunity finally to answer the key question of its place within Europe.

NATO must play the central role here, because it is indispensable for the vast majority of Europeans and for America. The possible trade-off could be that the existing principles and institutions of the post-Soviet European order, including NATO, remain unchanged and are accepted and implemented by Russia, which would get a significantly enhanced role within NATO, including the perspective of full membership. The peripheral nature of the NATO-Russia Council was clearly not enough and did not work.

But why not think about transforming NATO into a real European security system, including Russia? The rules of the game would be changed and a whole variety of strategic goals could be achieved – European security, neighborhood conflicts, energy security, arms reduction and anti-proliferation. Yes, such a bold step would transform NATO. But it would transform Russia even more.

If the West approaches these discussions with Russia without illusions, with a clear understanding of its own strategic interests and with new ideas for partnership and cooperation, the worst to be feared is failure.

Of course, this approach presupposes two things that don't exist at the moment: a common trans-Atlantic approach to dealing with Russia and a European Union that acts in much greater unison and is therefore stronger. Nonetheless, the challenge posed by Russia does not allow any further procrastination. There is simply too much at stake.

*Joschka Fischer, a leading member of Germany's Green Party for almost 20 years, was Germany's Foreign Minister and Vice Chancellor from 1998 until 2005.*

## **#13**

### **Gas Crisis in Europe Continues**

**By David Jolly**

**New York Times, January 15, 2009**

The natural gas crisis in Europe continued Wednesday as the standoff between Russia and Ukraine left millions of homes without heating fuel for another day.

The Russian gas monopoly Gazprom said in a news release that Naftogaz, its Ukrainian counterpart, had refused Wednesday for a second day to accept natural gas from Russia for transit to Europe, despite the presence of European monitors whose work was meant to have ensured exports were flowing.

"The systematic lame excuses of Naftogaz Ukrainy confirm that Ukraine is incapable of compensating for the Russian gas it unlawfully siphoned off and to resume the transit," the Gazprom statement said. "On the Russian side, taps have been opened at GIS Sudzha towards Ukrainian gas transportation system, the pressure is operational and Gazprom is ready to supply gas to European consumers any minute."

As was the case Tuesday, Gazprom was apparently providing gas through only the Sudzha station, supplying a pipeline that the Ukrainians are using to serve their Black Sea city of Odessa.

In Brussels, Pia Ahrenkilde Hansen, a spokeswoman for the European Commission, the executive arm of the European Union, confirmed that no gas was flowing through the pipelines to Europe and said the European Union had once again demanded the full restoration of service.

In Kiev, the Ukrainian prime minister, Yulia V. Tymoshenko, was quoted by the Ukrainian national news agency as saying Russian gas to Europe had not been restored because of Russian actions. "Ukraine has already informed Eurogas and other institutions of the European Union that actions taken by Russia prevent gas deliveries," the report said.

The collapse Tuesday of a monitoring agreement between the European Union, Ukraine and Russia dashed hopes that supplies via the Ukraine transit network could be restored without a resolution of the pricing dispute that lies behind the mess.

The monitoring agreement, which put inspectors on site at key points along the Russian export network, fell apart when Russia delivered a small fraction of the expected supply, and both Russian and Ukrainian officials claimed the other side had shown bad faith.

In Strasbourg, France, Jose Manuel Barroso, the president of the European Commission, told members of the European Parliament on Wednesday that officials were considering legal action against the Russian and Ukrainian companies involved in the cutoff.

"If the agreement sponsored by the E.U. is not honored, the commission will advise E.U. companies to take this matter to the courts," Mr. Barroso told the Parliament.

On Wednesday, Gazprom's deputy chief executive, Aleksandr I. Medvedev, said the company had informed European customers that it had declared force majeure on its European gas exports through Ukraine. Force

majeure is a contractual clause covering extraordinary circumstances under which a company seeks to avoid penalty for failing to meet its obligations.

The Ukrainian energy company Naftogaz could not immediately be reached for comment.

## **#14**

### **Obama And The Russians Need Each Other To Solve Key Problems**

**by Brian Whitmore**

**RL/RFE, January 15, 2009**

The day after Barack Obama's electoral victory last autumn, most world leaders were falling over themselves to congratulate the new U.S. leader. But Russian President Dmitry Medvedev decided to send a very different kind of message.

Just minutes into Medvedev's state-of-the-nation address before a joint session of parliament on November 5, the Kremlin leader announced that Russia planned to deploy short-range missiles in its western enclave of Kaliningrad. The Russian leader said the plan was meant to "neutralize" Washington's plans to build a missile-defense system in Central Europe.

Medvedev did not mention the U.S. president-elect by name in the speech or publicly congratulate him on his victory. The move was widely seen as both a snub and an attempt by Moscow to test Obama. It also appeared to portend that the chilly confrontational tone that had characterized Russian-American relations in recent years would continue and perhaps even intensify.

But with Obama preparing to take the oath of office on January 20 – and with his nominee for secretary of State, Hillary Clinton, facing senators in confirmation hearings this week – analysts say it is more likely that both sides will try to reverse recent talk of an emerging new Cold War.

The reason, analysts say, is the deepening economic crisis. Plummeting oil prices have already scaled back the Kremlin's bullish attitudes on the world stage, just as expensive wars in Iraq and Afghanistan have pushed other issues off the U.S. foreign policy agenda. The year ahead will see mounting economic uncertainty limiting even further what both Moscow and Washington will be able to accomplish abroad.

"I think is not realistic for Russia to pursue the wide-ranging goals it aspired to in 2007 and in the first half of 2008, when it seemed that there were enough resources for everything." says Fyodor Lukyanov, editor of the Moscow-based journal "Russia in Global Affairs." "Now it is necessary to economize and set priorities. This also applies to the administration of Barack Obama."

#### **Charges And Countercharges**

Russia has been bitterly critical of U.S. plans to deploy components of a missile-defense shield in Poland and the Czech Republic and of Washington's efforts to bring former Soviet states Georgia and Ukraine into the NATO alliance.

The United States, for its part, has assailed Russia over using its energy wealth as a political weapon against its neighbors and for backsliding on democracy and civil liberties at home. Russia has also irked Washington with its overtures to authoritarian Venezuelan President Hugo Chavez and other Latin American leaders.

Relations between Moscow and Washington hit a post-Cold War low following Russia's invasion of Georgia in August.

But despite their differences, Russia and the United States also need each other to solve key problems. Washington badly wants Moscow's cooperation in curbing Iran's nuclear ambitions and in providing supply routes to assist NATO's mission of stabilizing Afghanistan.

Russia, for its part, wants new arms-control agreements with the United States.

Lukyanov says many in the Russian elite remain a bit perplexed by Obama and don't know what to expect when the global phenomenon that has captured the imaginations of many in the world actually becomes the sitting U.S. president.

"I don't know what kind of tone we can expect from Obama. We still can't imagine what kind of president he will be. Obama is still more of a symbol than a president at this point. It is difficult to predict," Lukyanov says.

### A Return To Summitry

In fact, Obama offered numerous clues throughout the long presidential campaign about what his Russia policy might look like.

Obama said he sought "cooperative engagement with the Russian government and friendship with the Russian people" but also expressed support for Georgia and Ukraine's NATO bids and said that Moscow must respect the sovereignty of its neighbors. Obama also said he supported missile defense, but wanted to be sure the system was technically viable before deploying it.

Such positions are unlikely to please the Kremlin. But one issue Obama pushed during the campaign that has piqued Moscow's interest is an intention to "seek real, verifiable reductions in all U.S. and Russian nuclear weapons."

In a July foreign policy speech in Washington, Obama suggested that he would seek to revive the kind of superpower summits on arms reductions that were a mainstay during the Cold War, but which have fallen out of fashion during the Bush administration.

"Instead of threatening to kick them out of the [Group of Eight], we need to work with Russia to take U.S. and Russian ballistic missiles off hair-trigger alert, to dramatically reduce the stockpiles of our nuclear weapons and material, to seek a global ban on the production of fissile material for weapons, and to expand the U.S.-Russian ban on intermediate-range missiles so that the agreement is global," Obama said.

With its nuclear stockpiles aging, Russia has long been eager to revive arms control negotiations with the United States. Russian Foreign Minister Sergei Lavrov and other Kremlin officials have said that Moscow is eager to negotiate a successor deal to the 1991 Strategic Arms Reduction Treaty, which expires in December.

Steven Pifer, a former State Department official who is now a visiting fellow at the Brookings Institution, says that an "arms control dialogue" between Moscow and Washington tends to have "a more positive impact on the broader relationship" because it gives Russia a vested interest in keeping its relations with Washington on a positive footing.

"Having that bilateral negotiation going on is taken in Moscow as an acknowledgement that Russia is a superpower on par with the United States in terms of nuclear weapons," Pifer says. "That seems to be important in Russia. That's fine. We ought to use that as a tool. We can use that to generate progress on questions [that are important to the United States] and we ought to go for it."

Pifer and other analysts say Obama could use the cover of bilateral summits to talk about not just arms control, but about other issues that matter to Washington like human rights, democracy, Russia's relations with its neighbors, Iran's nuclear program, and Afghanistan.

It is a strategy former U.S. President Ronald Reagan and his secretary of State, George Shultz, used effectively in the 1980s in their negotiations with Soviet leader Mikhail Gorbachev.

### Device For Manipulation

Not all Russia-watchers, however, favor such a strategy.

"There's no point in humoring them," says David Satter, a senior fellow at the Hudson Institute and author of the book "Darkness at Dawn: The Rise of the Russian Criminal State."

"They should understand that we're dealing with them on the basis of reality, on the basis of the real political situation, our real interests, and our real values," Satter adds. "Wasting time on empty gestures in order to give

us the right to say things that we have the right to say anyway is only going to be interpreted by them as a potential device for manipulation."

In a recent article in "Forbes" magazine, Satter, a staunch critic of the Kremlin, warned Obama against treating any Russian leader "as a friend."

Russian and American leaders have long touted their personal relationships. Richard Nixon indulged Leonid Brezhnev's appetite for cars by giving him a Lincoln Continental. Bill Clinton and Boris Yeltsin demonstrably called each other by their first names in public.

And George W. Bush famously looked into Vladimir Putin's soul.

"The Russians like to give a Western leader the impression that he has a personal relationship," Satter says. "And then that Western leader becomes reluctant to jeopardize that personal relationship. As a result, the Russians have room for maneuver and manipulation. This doesn't work to our advantage, because it doesn't limit them in any way. But I'm not sure it will be as easy this time around."

In any event, it is unclear with whom Obama would seek to forge a personal relationship, Russia's nominal head of state, President Medvedev, or its de facto leader, Prime Minister Putin.

#### Unfinished Business

It will not be Obama alone who sets the tone for the new administration's Russia policy.

As secretary of State, Hillary Clinton will be the public face of U.S. foreign policy, and she is expected to bring veterans from her husband's administration into the State Department.

On January 13, the opening day of her Senate confirmation hearing, Clinton said the Obama administration would "seek a future of cooperative engagement with the Russian government on matters of strategic importance, while standing strongly for American values and international norms."

Lukyanov says, however, there are concerns in Moscow that veterans of the Clinton administration – which paid a great deal of attention to democratic reform in Russia in the 1990s, only to be frustrated by the rise of Putin's authoritarian rule – will, "consciously or even unconsciously, look at Russia as unfinished business."

He adds that "a focus on democracy, on the internal situation in Russia, at the expense of general geopolitical interests" would not be welcomed by the Kremlin.

The Brookings Institution's Pifer says that it would be highly unlikely for Obama "to abandon traditional American support for democracy." But he adds that "with regards to Russia, there may be need to confront a reality that there is not a lot we can do to change the situation."

Analysts say the two main irritants in Russian-American relations – NATO expansion and missile defense – are likely to be less contentious under Obama.

Although the president-elect has expressed support for Tbilisi and Kyiv in their NATO bids, firm resistance from European allies like Germany and France is likely to delay that issue at least for the short term. Many observers also say missile defense could easily become a bargaining chip to exact concessions from Russia on other issues.

One key concession Washington would like to win from Moscow is support on the UN Security Council to help curb Iran's nuclear program. Obama has said he would be willing to meet with Iran's leaders, but his bargaining position would be considerably strengthened if Russia supported tough sanctions in the event that Tehran refused to abandon its uranium-enrichment program.

"One of the reasons to improve Russian-American relations is because you would hope for a more helpful Russian position on Iran," Pifer says. "We want to give the Iranians a very stark choice that says:

Here are the good things that will happen if you make the right decision and give up enrichment, and here are all the bad things that will happen if you don't. One of the failures in American and Russian approaches to Iran over the last five to six years is that the Russians haven't put as many sticks on the table as they could and the Americans haven't put out as many carrots as possible."

Analysts say a key question that will shape Russian-American relations in the short run is how Moscow responds to the economic hardship that appears to be just around the corner. Will the Kremlin seek scapegoats abroad to distract attention from a mushrooming economic crisis? Or will they seek a peaceful international environment so they can turn inward and address economic problems at home?

"They have a choice. Does it drive them to say, '[The economic crisis] is all America, the Americans are doing this?' That would lead them to grab more tightly to this enemy image," Pifer says. "Or does it lead them to what I hope would be a better course? This would be realizing that they've got a lot of domestic problems and it would be easier to tackle these domestic problems if the international environment were easier. This would hopefully create a readiness on the part of the Russians to also look for a more positive relationship."

## **#15**

### **Russia, Ukraine Agree Talks to Resolve Gas Dispute**

**By Kateryna Choursina and Nicholas Comfort**

**Bloomberg, January 15, 2009**

Russian Prime Minister Vladimir Putin and his Ukrainian counterpart Yulia Timoshenko will meet in Moscow on Jan. 17 to resolve a natural-gas dispute that's disrupted shipments to the European Union for nine days.

The meeting was called after the EU threatened to urge companies in the 27-nation bloc to seek legal redress if supplies aren't resumed without further delay. The crisis has led to power shortages in the Balkans, with rationing introduced and factories shut down because of a lack of fuel.

Natural gas jumped and the ruble slid to a record as the continent endured a second week without transit gas supplies from Ukraine. Slovak Prime Minister Robert Fico said he sees no early resumption of flows, halted last week after Russia accused Ukraine of siphoning off gas intended for EU customers for its own use, a charge the country denies.

"Russia and Ukraine will be at loggerheads for the foreseeable future," Frank Schallenberger, a commodities analyst at Landesbank Baden-Wuerttemberg in Stuttgart, said today in a Bloomberg Television interview. "The only way to solve this problem is to find other routes and build pipelines to get the gas to Europe."

Russia stopped flows through Ukraine on Jan. 7 after negotiations over gas prices and transit fees broke down. OAO Gazprom, the Russian gas exporter that provides a quarter of the continent's gas needs, estimates it has lost \$1.1 billion in export revenue since the crisis unfolded.

#### **Ukraine's Guarantee**

Timoshenko sent a telegram to Putin guaranteeing Russian transit gas flows to EU nations "apart from 8 percent of gas used to fuel gas pumping," according to a statement on the government Web site today. An argument over "technical gas," needed to ensure Ukraine's pipeline system can operate, has been one of the sticking points.

German Chancellor Angela Merkel took aim at Russia a day before she's due to host talks with Putin in Berlin, saying Moscow could lose its "reliability" as an energy partner if gas deliveries are interrupted for much longer.

Russian President Dmitry Medvedev yesterday invited Ukraine and the EU to an emergency summit in Moscow this weekend to reach a settlement and also prevent a repeat of the crisis.

Russia is prepared to compensate Ukraine should it agree to ship gas to Europe from underground storage reservoirs near its western border, Medvedev said.

#### **Diversify Supplies**

He made the proposal after meeting the prime ministers of Slovakia, Moldova and Bulgaria, nations hit hardest by the supply cutoff. The cutoff has already led to renewed calls for region to diversify its sources of energy away from Russia.

Ukraine's President Viktor Yushchenko said he supported three-way talks, rejecting Russian's offer to host the summit in Moscow because it's a party in the dispute. He suggested Prague or Brussels as alternatives.

The EU said it's ready to send representatives to a meeting to "assist" Russia and Ukraine in reaching a settlement. EU officials "urge once again Russia and Ukraine to resume gas supplies to the EU immediately," spokesman Johannes Laitenberger told reporters in Brussels today.

Gas prices in the U.K., Europe's largest market, climbed as much as 8.1 percent to 67 pence a therm, according to broker Spectron Group Ltd. That's equal to \$9.79 a million British thermal units. A therm is 100,000 Btus. The ruble fell as low as 32.4112 per dollar.

'Technically Impossible'

Ukraine refused to pump Russian gas to European consumers for a third day, reneging on an EU-brokered deal, Gazprom said today. Its western neighbor declined shipments to the Balkans, Slovakia and Moldova, citing the lack of a technical agreement, the Moscow-based company said.

NAK Naftogaz Ukrainy, the state energy company, said the request had been "technically impossible" to meet without endangering domestic supplies.

"Gazprom requested the same route as yesterday," Naftogaz spokesman Valentyn Zemlyanskyi said in a phone interview from Kiev. "Gas should be sent through all stations in sufficient amounts and with sufficient pressure."

The transit route requested by Gazprom, via the Sudzha pumping station, would have cut off deliveries to four provinces, Yushchenko said yesterday.

"This is a lose-lose situation," said Eugen Weinberg, a senior commodity analyst at Commerzbank AG, in a television interview. "I don't see any solution yet as one side accused the other of theft, while Ukraine says Russian gas isn't being delivered at the agreed levels."

Present

Ukraine demanded 1.5 billion cubic meters of gas for free in the first three months of the year to resume transit to Europe, Gazprom Chief Executive Officer Alexei Miller said yesterday. That volume of gas would amount to giving Ukraine a \$700 million present, Miller said.

Timoshenko said in the telegram that all natural gas used for technical needs will be paid for once price is set for Russian gas deliveries.

Slovakia is using imports and backup generators to avoid a blackout following the supply cut. It's also asked Ukraine to ship 20 million cubic meters of gas from its reserves while Gazprom has agreed to supply that amount to storage in eastern Ukraine, Fico said. The Slovak side is awaiting a response from the Ukrainians.

Bulgaria has slashed daily consumption by more than half, using gas from reserves to meet demand, shut 72 factories and rationed gas for heating utilities and 150 other companies. Moldova has also imposed curbs on gas use.

"Within a week I think normality will return and gas flows will resume but the political scars will take longer to heal," said Rob Laughlin, senior broker at MF Global Ltd. in London.

Gazprom's overall deliveries to Europe fell by about 60 percent when it halted transit flows and supplies to Ukraine's domestic market were suspended Jan. 1.

In 2006, Russia turned off gas exports to Ukraine for three days, causing volumes to fall in the EU, and also cut shipments by 50 percent last March during a debt spat.

**#16**

## **Ukraine rejects Russia's latest gas request**

**By Yuras Karmanau**

**AP, January 15, 2009**

Ukraine rejected Russia's latest request to pipe natural gas westward to increasingly frustrated EU consumers on Thursday, deepening the bitter economic and political dispute that has paralyzed energy shipments to Europe.

Desperate to restore supplies, the European Union said it was ready to join a weekend meeting between Russia and Ukraine to seek a solution to the crisis that has left eastern Europe frantically scrambling for heat, light and power.

With the cutoff of Russian gas supplies via Ukraine in its ninth day, there was little sign of an end to the delivery drought despite the EU's vocal objections. After visiting Kiev and Moscow to press his case Wednesday, the prime minister of gas-starved Slovakia said he had little hope that deliveries would be restored any time soon.

"That's practically impossible," Robert Fico told reporters in Bratislava.

Europe depends on Russia for about a quarter of its gas, with 80 percent of it delivered via Ukrainian pipelines. Russia stopped selling gas to Ukraine on Jan. 1 because of a price dispute, then accused Ukraine of stealing Europe-bound gas and tuned off the taps entirely on Jan. 7.

A hard-won deal to deploy EU monitors at key gas junctions raised hopes for a renewal of supplies on Tuesday, but they were quickly dashed amid mutual recriminations between Russia and Ukraine. Relations between the two former Soviet republics have been badly strained since the 2004 Orange Revolution propelled pro-Western leaders to power in Kiev.

Russia's state-controlled gas giant Gazprom opened a tap near the border Tuesday and asked Ukraine to send a limited amount of gas on to Europe. Ukraine's Naftogaz refused, saying the route Gazprom demanded would force Ukraine to shut off energy supplies to millions of Ukrainian consumers first. Ukraine also said Russia must supply "technical gas" to prime the pumps.

The same thing happened Wednesday and again Thursday, officials on both sides said.

"Technically we cannot deliver gas to that destination," Naftogaz spokesman Valentyn Zemlyansky said Thursday. He confirmed that Gazprom had requested Ukraine send just under 100 million cubic meters of gas across its territory to Europe.

Russia insists Ukraine can send the gas by the requested route.

EU officials have warned Ukraine's leaders – who want their country to join the EU and NATO – that the crisis is raising questions about its reliability as a partner. But they have also criticized Russia, asking why it wasn't sending the normal daily volume of gas to Europe, about 300 million cubic meters.

After a late-night telephone conversation, spokespeople for Russian Prime Minister Vladimir Putin and his Ukrainian counterpart Yulia Tymoshenko said the two agreed to meet in Moscow Saturday for talks on the crisis.

EU Energy Commissioner Andris Piebalgs and Czech Energy Minister Martin Riman – whose country currently holds the EU presidency – plan to join the talks, the EU said.

Russian President Dmitry Medvedev had called Wednesday for the leaders of European gas-consuming nations to come to Moscow on Saturday for a summit. But Putin's spokesman, Dmitry Peskov, said it was unclear whether Putin's talks with Tymoshenko would be part of that potential meeting.

EU spokesman Johannes Laitenberger said a high-level meeting between the two nations was long overdue, but the talks Saturday should not be an excuse to further delay restarting the gas flow.

"All of this has gone on too long," he said.

German Chancellor Angela Merkel said she would call Ukraine on Thursday and press Putin when she meets him Friday in Berlin for a quick solution.

"It is absolutely essential for us to see both Russia and Ukraine sit down at the negotiating table and resolve their issues," she said.

The crisis has left several European nations with little or no gas for heating and electricity.

Despite the planned talks, neither side showed signs of backing down – or any concern about leaving parts of Europe freezing. Tymoshenko said Ukraine has enough gas reserves to last a year – far more than previously reported.

"This gives us the opportunity to hold negotiations in a completely calm way," she said.

Putin said the transit of gas to Europe was Ukraine's problem and Ukraine must solve it.

## **#17**

### **Russia and Ukraine's Gas Dispute Letters to the Editor Washington Post, January 15, 2009**

The Post's assessment of the gas dispute between Russia and Ukraine ["Mr. Putin's Cold War," editorial, Jan. 8] failed to reflect that this is not a crisis of Prime Minister Vladimir Putin's making. It is the result of Ukraine's flagrant violation of its commercial and legal obligations as a transit country, set out in the agreement between Russia and Ukraine and as stipulated in Article 7 of the European Energy Charter.

Gazprom did everything possible to avoid the current situation, including making unprecedented concessions to Naftogaz of Ukraine. Gazprom even offered to set the gas price for Ukraine this year at \$250 per 1,000 cubic meters – almost half the prevailing price in Europe this month.

Unfortunately, Ukraine walked away from those negotiations.

Over the past 50 years, Russia has been a consistent and reliable supplier of energy to Europe. That record is now held hostage by Ukraine's illegal actions. We urge our European partners to tell Ukraine to allow Russian gas to be pumped through pipes in Ukraine so as to avoid a humanitarian catastrophe.

*Dmitry Peskov, Press Secretary  
Prime Minister's Office  
Moscow, Russian Federation*

## **#18**

### **Ukraine's pro-Western progress set back in gas crisis: analysts AFP, January 15, 2009**

Ukraine's chances of quickly building reinforced bonds with the West are dwindling with each day that an exasperated Europe must deal with the Russia-Ukraine gas crisis, analysts say.

With hundreds of thousands of Europeans freezing without gas supplies and no end to the crisis in sight, analysts say Ukraine's image in the West is taking a beating.

And unlike in previous spats between the two countries, this time Ukraine's pro-Western government is not being given the benefit of the doubt over Russia.

"Europe is unhappy not only with Russia's actions but also those of Ukraine," said Volodymyr Fesenko of the Kiev-based Penta think tank.

"The number of Ukraino-sceptics is growing in the EU. The atmosphere in Ukraine-EU relations will get worse," he said.

The last few days in particular – when Russia accused Ukraine of reneging on a European Union-brokered deal to get the gas flowing again – have been especially damaging, analysts said.

"Ukraine is getting more of the blame this time," said Andrew Wilson, an expert on Ukraine at the European Council on Foreign Relations. "There has been a certain amount of exasperation with Ukraine's tactics since the weekend."

A heated exchange Wednesday between Ukrainian Prime Minister Yulia Tymoshenko and her Slovakian counterpart Robert Fico, in which he said he was "not interested" in Russian-Ukrainian relations, highlighted the growing frustration, analysts said.

When a similar pricing dispute broke out in 2006, Europe was more willing to accept the argument that Russia was bullying its ex-Soviet neighbour by cutting off gas supplies, analysts said.

At the time, Ukraine was still basking in the aftermath of the pro-Western Orange Revolution of a year earlier and being lauded as a leading reformer in the former Soviet Union.

But much has changed since 2006.

Interminable infighting between President Viktor Yushchenko and his Orange Revolution allies – in particular Tymoshenko – has paralysed the country's political system. Free-market reforms have stalled and the economy is in freefall. And alleged connections between high-ranking Ukrainian officials and a Swiss-based firm that acts as an intermediary in Russian-Ukrainian gas deals, Rosukrenergo, have raised questions about continued corruption.

"The idea that the Orange Revolution would lead to a direct path towards democracy and free-market values has fallen apart," said Katinka Barysch, an analyst with the London-based Centre for European Reform.

"There is an impression that Ukraine is not a very well-run country and that certainly isn't to Ukraine's advantage when it comes to EU and NATO integration."

Ukrainian analyst Andry Yermolayev said the Orange Revolution had become "a page in Ukraine's history" and that the country's image today was one of a country "lost, hysterical and conflict-ridden."

Ukraine's efforts to join the NATO military alliance were already suffering before the crisis, with NATO last month backing away from placing Ukraine and another ex-Soviet republic, Georgia, on a fast track for membership.

Many in Ukraine argue that driving a wedge between Ukraine and Europe is exactly what Russia is hoping to do with the crisis.

Both sides have accused each other of provoking the crisis, which saw Russia cut off supplies to Ukraine's domestic market on New Year's Day in a dispute over gas payments and prices. Supplies to Europe were cut off after Russia accused Ukraine of illegally siphoning gas for its domestic market – a charge vehemently denied by Kiev.

"Russia is doing everything it can to make Europe accept the idea that Ukraine has failed politically and financially," Vira Nanivska of Kiev's International Centre for Political Studies said.

Whoever is behind the crisis, Russia appears to have learned from previous disputes with Ukraine and the early days of last year's war with Georgia and has had more success this time in winning over European opinion, Wilson said.

"Russia has put more effort into putting its case forward this time, with some success," Wilson said. "For now, it looks like Ukraine is losing on points because of its perceived lack of cooperation."

**#19**

**This Crisis Isn't So Bad After All**

**By Konstantin Sonin**

**Moscow Times, January 15, 2009**

The most common way of formulating an economic forecast is to compare current events to similar cases in the past, analyze how those historical events unfolded and then base the prediction on that model. All of today's economic forecasts are constructed in this way.

The question of how the U.S. recession will progress is important to answer because Russia, like all developing economies, will probably not experience economic growth until it picks up in developed economies. The answer to that question depends on which past U.S. event we base our comparisons. If we take as our model the economic panic of 1907, when the stock market and production fell at a pace that is similar to current declines, then the economy will recover in about one year. But if we conclude that a closer match with today's crisis, given its severe credit shortages, is the Great Depression, the recovery might take a few years.

We can also draw lessons from comparisons with other recessions. The 1970s recessions in developed nations taught us that aggressive monetary policies could lead to growth coupled with inflation or inflation without growth. Recessions of the 1980s demonstrated that running a fiscal deficit is not a problem as long as the economy is growing. And Japan's recession in the 1990s showed that an economy might stop growing when a government allows banks not to write off their bad assets.

Russia's history of capitalism is very short – a little less than 20 years. The catastrophic decline that began in the first six months of 1990, which ultimately brought down the Soviet Union, occurred under a centralized, planned economy. Privatization of state enterprises, despite all of the fanfare, was just one step leading to a market economy. Lessons can be learned from the attempt at macroeconomic stabilization from 1995 to 1998, the reaction by the economy and the government to the Asian crisis of 1997 and the collapse of the fixed exchange rate in August 1998.

In fact, if you compare the current economic crisis to the one in 1998, this could be a cause for optimism. True, the drop in industrial output was worse last November (and December as well, if the preliminary data is correct) than during fall 1998, but it is important to put this into perspective: The 2008 declines were from a far greater height after nine years of growth, while the 1998 crisis hit the country after eight preceding years of declining production (with a brief period of low growth in 1997).

Furthermore, production declines in late 2008 were worse than in the catastrophic year of 1990, but manufacturing constituted a far greater percentage of the gross domestic product during the Soviet era than it does now. Against these backdrops, the recent decrease in the industrial production and a dramatic drop in the GDP growth rate does not look quite so alarming.

But the main cause for optimism today lies in comparing contemporary businesses and employees with those of 10 and 20 years ago. Today's firms and workers are more energetic and better able to ride out rapidly changing market conditions. In fact, the widespread layoffs in certain industries and salary cuts instituted in the third and fourth quarters of 2008, which were of a much larger scale than a typical economics textbook would have predicted under similar circumstances, actually testify to the resilience of today's businesses. Even with all of the handwringing currently going on, Russia's companies and work force today are much healthier than they were in 1990 and 1998. Now isn't that a reason to be optimistic?

*Konstantin Sonin, a professor at the New Economic School/CEFIR, is a columnist for Vedomosti.*

**#20**

**Russian human rights activists divided on Freedom House latest report**

**RIA-Novosti, January 14, 2009**

Representatives of Russian public organizations have had mixed reaction to a report published on Tuesday (13 January) by the Freedom House NGO, which has yet again included Russia on the list of "non-free" states, however all of them agree that the report is not objective. The head of the Moscow human rights bureau,

Aleksandr Brod, is more optimistic than the authors of the report, whereas the leader of the For Human Rights movement, Lev Ponomarev, is convinced that Freedom House's view of the situation is better than the situation really is. [Passage omitted]

"It is not always clear which criteria the authors of reports are guided by, which sources of information they use. Freedom House does not have a representative office in Russia, that is why information is taken from random sources, which are not always objective. The information is not many-sided and objective enough," Brod told RIA Novosti. He went on to add that in its assessments of Russia Freedom House had at one point chosen "a tracing paper which is applied every year", while in fact the situation is changing for the better, the NGO sector is actively developing, also with the support from the state.

"Of course, one cannot say that the authorities are ideal and that the human rights situation is ideal. At the same time saying every year that everything is bad looks like a political game. It is not clear what these reports are compiled for: either to state the situation or to create a political instrument of pressure on Russia with the use of the human rights issue," Brod said.

For his part, the leader of the For Human Rights movement and a member of the Solidarity opposition movement, Lev Ponomarev, does not agree with the conclusions of the report either: in his opinion, the situation in Russia is far worse than the authors of the report think. "Since in terms of human rights and the freedom of speech nothing is changing in Russia, I personally am ready to say that the situation is getting only worse," Ponomarev told RIA Novosti.

He went on to say that the adoption of the law abolishing trial by jury for terrorism cases and the submission to the State Duma of a draft law clarifying the notions of treason and espionage were vivid examples of that. "These notions are being considerably expanded to include any opposition and human rights activity," Ponomarev said.

Moreover, if NGOs are developing in Russia, these are only those that depend on state structures, he added. "There are several independent organizations - our movement, the Moscow Helsinki Group, and Memorial - but they exist like a little democratic bow in order to be able to say that we have democracy," Ponomarev said, adding that in any event these organizations did not receive funding in Russia. "Although it is humiliating for me, we are funded only from foreign funds," he said.

## **#21**

### **Key U.S. lawmaker calls for new approach to Russia**

**By Susan Cornwell**

**Reuters, January 14, 2009**

The United States must fix its relationship with Russia partly because it needs a partner in Moscow to help deal with Iran, the chairman of the House of Representatives foreign policy committee said on Wednesday.

In an interview with Reuters, Rep. Howard Berman also embraced a priority of his Senate counterpart, Sen. John Kerry, to increase non-military U.S. aid to Pakistan as part of a strategy to help stabilize that country.

Berman discussed his agenda for the House Foreign Affairs Committee in the new Congress, where Democrats increased their majority in November's elections and are looking forward to fellow Democrat Barack Obama taking over in the White House next week.

A key goal of Berman's is to beef up U.S. diplomacy and foreign aid, which he said had been eroded and militarized in recent years.

The California congressman called for a fresh U.S. approach to Russia, where he said the Bush administration had "stovepiped" – or kept separate – different, sometimes conflicting issues without deciding what was most important.

For example, the Bush administration had sought Moscow's cooperation on pressing Iran not to develop nuclear weapons – but simultaneously angered Moscow by pushing to deploy a missile defense system near Russia's borders to shoot down any missiles fired by Iran.

"To what extent is one (U.S. policy) offsetting the other?" Berman asked. "What is our priority?"

"To have an effective strategy on Iran, we are going to need Russia as a partner," Berman told Reuters. "I do think we need some fundamental course corrections here, and I think the new administration shares that view."

## NUCLEAR TIES

Russia has a number of ties with Iran, having built Iran's first atomic power station and delivered nuclear fuel there. Tehran says Moscow has also delivered air defense systems to Iran, which could help repel any Israeli or U.S. air strikes on Iran's nuclear sites.

Berman said the U.S. relationship with Moscow was very important, mentioning as examples Russia's possession of nuclear weapons and its role as a major energy supplier.

Sen. Hillary Clinton, Obama's nominee for secretary of state, said on Tuesday that if confirmed she would work to engage the Russians – with whom she wanted to revive a key nuclear arms treaty – as well as Iran.

Washington has led a diplomatic drive to deny Iran access to nuclear technology with bomb-making potential; Iran says its nuclear work is a peaceful project designed to generate electricity.

Clinton also said the Obama administration would seek to create "better coalitions with countries that we believe also have a big stake in preventing Iran from becoming a nuclear weapon power." Russia, to Iran's north, would presumably be one of those countries.

Berman said in recent years the United States had defined its relationship with Pakistan in terms of security assistance and given "short shrift" to economic aid that "would have been much more appreciated by the Pakistani people."

He liked Kerry's plan to push for tripling non-military U.S. aid to Pakistan, to \$1.5 billion annually. "I don't know what the exact, right figure is, but I certainly share the focus," Berman said.

The Pentagon has taken over many tasks, such as reconstruction in war zones, that U.S. foreign aid workers and diplomats once handled, he said. Berman plans to introduce legislation in the spring to help restore resources to the State Department and the U.S. Agency for International Development.

## #22

### **Gas crisis an international problem: Medvedev AFP, January 16, 2009**

Russia pushed Friday for greater international involvement in resolving its dispute with Ukraine as Europe struggled through another cold day without crucial gas supply from the ex-Soviet giants.

Ukraine meanwhile sought to retake some of the diplomatic initiative in the crisis, hosting officials from three of its east European neighbors for talks on the crisis.

Speaking at a Kremlin ceremony shown on television, Medvedev said that the dispute between Russia and Ukraine on gas prices and debt payment had become far more than just a bilateral issue.

"Unfortunately, this issue has gone beyond the bounds of bilateral relations," Medvedev said.

"We are ready to look for any long-term solution. We hope Ukraine is ready to do the same and that our European partners will help bring about the necessary decisions."

A plan announced Wednesday by Medvedev to host an emergency international summit in the Russian capital this weekend seemed to be floundering, however, prompting another plug for the gathering from Moscow.

"We expect anyone interested in resolving the problem as soon as possible to come to the summit being held in Moscow tomorrow," Foreign Minister Sergei Lavrov said at a press conference.

The summit proposal is "one of the most realistic options for breaking this deadlock," Lavrov said.

Individual European governments have politely declined Russia's invitation to send their leaders to the Moscow "summit," with France saying notably that conditions would not be "ripe" until Russian gas flowed again through Ukraine.

It was unclear exactly what was to take place in Moscow on Saturday, although the Kremlin accredited reporters for unspecified media events and continued to call the gathering an international summit.

Prime Minister Vladimir Putin, the central political figure in the crisis, meanwhile was on his way to Berlin where he was scheduled to hold talks with German Chancellor Angela Merkel on the crisis later Friday.

Putin was scheduled to fly to Dresden late Friday and to return on Saturday to Moscow where he was expected to hold talks with Ukrainian Prime Minister Yulia Tymoshenko certain to be watched closely.

In Kiev, a planned summit of eastern European leaders on the crisis was replaced with a "meeting" bringing together the president of Slovakia, the Moldovan prime minister and the Polish foreign minister, officials said.

The downgrading of the Kiev gathering from a five-nation "summit," as it was billed late Thursday, to a smaller "meeting" was the latest twist in a chaotic, tedious story that nonetheless has major ramifications for European energy security.

The crisis began on January 1 when Russia halted supply of gas to Ukraine after the two ex-Soviet republics failed to settle a dispute over Kiev's debts to Moscow and the price Ukraine would pay for Russian gas in 2009.

That limited reduction affected the entire pipeline network that delivers gas from Russia to Europe through Ukraine, leading to dramatic shortfalls and later a total cutoff of Russian gas transits through Ukraine.

Russia has proposed the creation of an international consortium grouping Europe's biggest natural gas companies as a way to ensure payment for the Russian gas and a resumption of its flow to Europe.

British Prime Minister Gordon Brown on Thursday urged "an urgent resolution to this problem which is causing severe economic and social difficulties," Brown's office said.

Gas-fired central heating has been rationed or cut off for millions of people in central Europe and the Balkans and supplies slashed to industry in a crisis that has already cost EU states hundreds of millions of dollars (euros).

## **#23**

### **Ruble Collapse Brings Wages Back to Earth**

**By Courtney Weaver**

**Moscow Times, January 16, 2009**

The days of spectacular wage growth that made Moscow an international employment destination have come to an end, economists say, with layoffs throughout the economy letting employers bring salaries back in line with productivity growth.

The earnings cuts, alongside inflation and the weakening ruble, have dealt Russian wage earners a triple whammy, and the Central Bank's devaluation of the currency Thursday brought it past the 32 mark against the dollar for the first time since the 1998 redenomination.

Over the past few years, real wages have increased at roughly twice the rate of worker productivity. Now that the value of the ruble is falling – and the job market is shrinking – employers say they'll be able to start paying employees to match their output.

In just the past four months, investment bankers accustomed to annual salary jumps of 30 percent are now being offered new jobs at 40 percent of what they had been making. In advertising, sales and marketing, job candidates are facing salary decreases of more than 10 percent, according to recruitment agency Antal Russia.

Yevgeny Nadorshin, chief economist at Trust National Bank, said the devaluation would correct what were previously "overvalued" wages and give employers a leg up in contract negotiations.

"Eventually it will attract more companies to Russia and help us weather the crisis better," said Elina Ribakova, chief economist at Citibank.

Wages grew 12.4 percent year on year in the third quarter of 2008, according to the most recent figures from the State Statistics Service, while productivity – real output per employed person – during the same period increased 8.24 percent, based on figures from Haver Analytics.

The data already reflect a slowdown since the second quarter, when wages rose 12.6 percent year on year and productivity increased 5.93 percent. In the second quarter of 2007, wages increased 16.7 percent year on year while productivity rose 6.43 percent.

For workers, though, "devaluation means high inflation" in the short term because of Russia's strong dependence on imported goods, Nadorshin said. Though inflation growth fell to a four month-low in December of 0.7 percent, the rate will rise once discounts from cash-strapped foreign producers disappear, he said.

After the 1998 crisis, many Russia-based multinational companies paid their employees in foreign currencies or in rubles at the going Central Bank rate, but with increased stability over the past three to four years, many have switched to a fixed ruble salary.

Tremayne Elson, managing director at Antal, said salaries were typically calculated at an exchange rate of about 28 rubles to the dollar and were not renegotiated to reflect inflation.

Steve Castelete, president of Avalon Logistics Russia, said that most of his employees' salaries had been set to an exchange rate of about 27.5 rubles per dollar after the company switched to paying in rubles five or six years ago.

Employees benefited during the years the ruble appreciated, Castelete added.

According to Antal's figures, a "large number" of companies have already cut salaries, particularly in the banking and construction sectors. Castelete said Avalon had not yet been forced to reduce its workforce.

"We're not seeing a correction of salaries at the moment, but we would expect that they would become more realistic as more workers come into the marketplace," he said, referring to contracts for new hires.

The shift will be what Danilo Lange, general manager of communications agency Louder Russia, calls a "market cleansing."

"It was very difficult to find people for good value the last four years. The employee market was basically empty and everyone wanted super-high salaries," Lange said, clarifying that he believed his employees "deserved" their respective salaries.

Louder re-evaluates its ruble-denominated salaries every six months to account for inflation, he said. While the company has not made wage cuts, they did eliminate 2008 bonuses.

"There's going to be more balance this year," said Castelete, of Avalon. "And I think that's a good thing."