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TO: NCSJ Leadership and Interested Parties

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

In Brief: Ukraine President Struggles to Build Coalition; Russia/Iran; Purim in FSU

Dear Friend,

Ukrainian President Viktor Yanukovich made his first two international visits this week, to Brussels and Moscow. Interestingly, he went to Brussels first, to shore up Ukraine's relationship with the European Union. By all accounts, both visits went very well. The meetings with EU officials covered a range of issues, and dealt extensively with Ukraine's severe economic challenges.

In Moscow, President Medvedev warmly welcomed his new counterpart and made it very clear that Russia anticipates a much better relationship with Ukraine than it had under Viktor Yushchenko. There has been much speculation about what President Yanukovich would have to offer Russia to spur a renegotiation of last year's gas deal. It appears the visit helped to create better atmospherics, but nothing concrete was concluded.

In another development, President Yanukovich's supporters pushed for a no-confidence vote of the current government in the Rada, and won. As a result, Yulia Tymoshenko is no longer Prime Minister and Yanukovich is struggling to form a new government and a new ruling coalition in the Rada, which may be problematic if the opposition parties remain united. This week's update contains several interesting articles on both the Yanukovich visits and the formation of a new government.

The controversy surrounding the award to WWII-era leader Stepan Bandera of Ukraine's highest medal is not going away. Supporters and critics of then-President Yushchenko's decision continue to speak out. Voices of strong condemnation are being heard from Russia and eastern Ukraine, while in western Ukraine, proponents vigorously defend the decision and Bandera.

As the United States and other countries continue to press for stronger sanctions against Iran, Russia is sending mixed signals. Russian Foreign Minister Sergei Lavrov says, in an article included in the update, that room remains for ongoing diplomatic efforts. The United Nations is set to take up the issue of new sanctions shortly.

On a lighter note, while several countries are enjoying the afterglow of the recently concluded Olympic Games, Russia's political leaders and population have deemed their team's performance less than acceptable. With the next winter games set for Sochi in 2014, Russia is undertaking major changes to ensure better results on its home soil. The President of the Russian Olympic Committee has resigned and other officials are expected to follow.

Also, we have included several stories on Purim celebrations in the FSU. It was a joyous holiday throughout the region.

Sincerely,

Mark B. Levin
Executive Director



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

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Washington, D.C. March 5, 2010

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#1a

**Russian Jews hope Yanukovich to oppose aggressive nationalism and heroization of Nazi in Ukraine
Interfax, February 26, 2010**

Moscow – The Federation of Jewish Communities of Russia (FJCR) hopes that Viktor Yanukovich will oppose nationalism and strengthen interconfessional peace.

“As a representative of Russia’s traditional religions, I have paid special attention to Your consistent principal position on protection of tolerance, against aggressive nationalism and attempts to make heroes of people who cooperated with Nazi, in securing interethnic and interconfessional peace in Ukraine, free and dynamic development of religious communities,” FJCR President Alexander Boroda told Yanukovich in his message conveyed to Interfax-Religion on Friday.

According to Boroda, this position “gave Ukraine’s Jewish communities an opportunity to dynamically develop, preserve spirituality and convey it to growing generation.”

“I sincerely hope that today when You take up such an important state post, this course will become defining for the whole country,” the message reads.

#1b

Polls open in Tajikistan parliamentary elections

AFP, February 28, 2010

DUSHANBE — Polls opened Sunday in Tajikistan's parliamentary elections, expected to cement President Emomali Rakhmon's power and introduce his son as a possible successor.

Polling stations, which opened on schedule at midnight GMT, were due to close 12 hours later at 1200 GMT, with the first election results expected to begin trickling in from around the mountainous country at around 1500 GMT.

The election is expected to further empower Rakhmon's ruling Democratic People's Party, which already holds 57 of the lower house of parliament's 63 seats and has dominated the election campaign.

With the outcome considered a foregone conclusion by most, the poll has generated little excitement in the impoverished Central Asian state, which shares a border with war-ravaged Afghanistan.

Most attention has focused on Rakhmon's 23-year-old son Rustam Emomali -- a professional footballer with little experience -- who is running for a seat on Dushanbe's city council, considered a possible first step in a succession plan.

#1c

Ukraine Students Mark Anniversary of Region’s Liberation

Chabad.org, February 28, 2010

Jewish students at the Ohr Avner Chabad Day School in Krivoy Rog, Ukraine, dedicated a week of lessons to the tragedies of World War II and the sacrifices of soldiers who liberated the city in advance of the 66th anniversary of the defeat of the occupying Nazi forces.

Teachers focused on Nazi atrocities in the Dnepropetrovsk region, which included mass exterminations of the region’s Jews, and the efforts of Russian troops, who were able to free Krivoy Rog from Nazi domination on Feb. 22, 1944. The school, which is part of a Chabad-Lubavitch run network of institutions in Krivoy Rog, also hosted an exhibition of student projects in memory of the deceased soldiers and victims of the Holocaust.

“With every passing year, there are fewer and fewer witnesses of those terrible war years among us,” said Marina Basina, a seventh-grader at the Ohr Avner school “This is why our generation must learn about and not forget the terrible events that our nation experienced.”

#1d

Russia says still room for diplomacy with Iran

Reporting by Denis Dyomkin, writing Conor Sweeney; Editing by Jon Boyle

Reuters, March 2, 2010

PARIS - Russia's Foreign Minister Sergei Lavrov said on Tuesday there was still room for diplomacy rather than sanctions to produce a solution to the dispute with Iran over its nuclear program.

"We will concentrate all efforts on finding political and diplomatic solutions. These efforts have not yet been exhausted," Lavrov told journalists during a trip to Paris.

Lavrov said his comments were in line with a statement by Russian President Dmitry Medvedev, who on Monday said Moscow would back new sanctions against Iran as long as they did not create a humanitarian crisis.

Lavrov is accompanying Medvedev on an official visit to France for talks that touched on Iran sanctions.

After meeting French President Nicolas Sarkozy, Medvedev said he still hoped to avoid new punitive measures, but added Russia could not wait forever for cooperation by Tehran, suspected by the West of developing nuclear weapons.

Both Russia and China have been reluctant in the past to endorse any broader sanctions against Iran, which denies seeking nuclear weapons.

A draft fourth Security Council resolution is expected as soon as this week. Some Western diplomats have predicted it would contain a "symbolic" tightening of sanctions against Iranian government assets.

#1e

Kaliningrad Protest Held Despite Warnings, Disinformation RFE/RL, March 2, 2010

CHERNYAKHOVSK, Russia -- Some 5,000 protesters gathered on February 28 in the Russian city of Chernyakhovsk, in Kaliningrad Oblast, to demand improvements in social services, RFE/RL's Russian Service reports.

Vera Safonova, one of the protest organizers, told RFE/RL that the demonstration took place despite authorities' attempts to prevent it.

Safonova, the acting chairwoman of the Spravedlivost (Justice) movement's regional council, said some people distributed leaflets with incorrect information about where the rally would be held.

She added that some leaflets said the gathering had been cancelled. In addition, Safonova said some local employers warned their employees that they could be fired if they attended the protest.

The demonstrators met in the city center and urged municipal and regional authorities to improve the housing situation, lower taxes, and remedy the "worsening kindergarten system."

Several opposition demonstrations have been held in Russia's western exclave of Kaliningrad since December.

Opposition groups in the oblast announced today that they are planning a mass protest on March 20 in the regional capital, Kaliningrad.

Safonova said activists from Chernyakhovsk and the region's other towns and districts will join the protest.

Chernyakhovsk, which was the German city of Insterburg until it was transferred to the Soviet Union after World War II, has a population of some 45,000 people.

#1f

Joy of Purim Comes to Moscow FJC, March 2, 2010

MOSCOW, Russia -- Thousands of Jews celebrated the holiday of Purim in Moscow, at 60 Purim celebrations throughout the capital city. On Saturday evening, a massive crowd filled the Marina Roscha Jewish Community Center.

The evening opened with Chief Rabbi of Russia Berel Lazar explaining that the joy of Purim stems from the fact that the miraculous rescue of the Jewish people from annihilation and the downfall of Haman seemed to have happened all on its own. But in truth, everything down to the most minute details, were under G-d's control. Rabbi Lazar also remarked that, in celebrating Purim, everyone recognizes that everything is indeed in G-d's hands. Rabbi Lazar encouraged great merriment on Purim and that the joy that evening be just the beginning and last throughout the year.

Rabbi Meir Kanelsky then read the Scroll of Esther, accompanied by a cacophony of noise when Haman's name was read. Joining in on the noise was the master of ceremonies, renowned cantor Abraham Pressman. The reading was followed by a sumptuous "Melave Malka" feast. At the meal, Rabbi Lazar further noted that Purim reveals the hidden potential of every Jew. Timely Purim jokes, stories and reminiscences of past Purims lasted late into the night. A special performance by the Menagnim Ensemble who came specially from Israel also entertained the participants.

#1g
Purim in Altay
FJC, March 3, 2010

BARNAUL, Russia – Jews who live in Barnaul, the capital of the Altai Region, celebrated Purim this year with much spirit and enthusiasm. The festivities got underway on Saturday night, with Chief Rabbi of Altai Yisroel Noach Kamenetsky reading the Megillah. On Sunday, children and adults gathered together again, this time dressed in lively costumes. Some of the youngsters had prepared a magic show to entertain the crowd, and young and old alike were impressed with the tricks and special effects. Afterwards, there was a mini-performance of songs and dances with audience participation.

By the afternoon, the children's program came to an end and the program for adults began. After another Megillah reading, participants enjoyed a Purimspiel (Purim play) put on by visiting members of the Jewish community of Biysk, also located in the Altai region.

The Purim event was also attended by representatives of both the regional and municipal administrations, who expressed their admiration for the local Jewish community. There was a traditional Purim meal with a wide array of delicious dishes.

The Jewish communities of Barnaul and Biysk are both members of the Federation of Jewish Communities of Russia.

#1h
Thousands Of Russians Seek Asylum In EU, Ukraine
RFE/RL, March 3, 2010

MOSCOW -- More than 5,000 Russian citizens sought political asylum in the European Union in the third quarter of 2009, more than from any other country, RFE/RL's Russian Service reports.

According to European Statistics Agency data, the largest single category of asylum-seekers are Chechens and residents of other North Caucasus republics.

But political and human rights activists and journalists are also seeking asylum in Europe.

While several high-profile Russian businessmen and politicians have been granted asylum in the EU -- most notably in the United Kingdom -- an increasing number of Russians are seeking asylum in Ukraine.

Olga Kudrina, who heads the Union of Political Emigrants, told RFE/RL that she joined the Russian National Bolshevik Party in 2003 and was sentenced to 3 1/2 years in prison for hanging a banner from a hotel near Red Square in 2005 calling for then-President Vladimir Putin to resign.

She fled Russia in 2006 and was granted refugee status in Ukraine two years later.

Kudrina says it's hard to predict whether Viktor Yanukovich's election as president of Ukraine will lead to a change in the country's immigration policies, possibly making it harder for Russians to receive asylum.

#1i

Minsk Marks Anniversary Of Jewish Massacre By Nazis

RFE/RL, March 3, 2010

MINSK – Belarusian officials, foreign diplomats, and former inmates of Nazi concentration camps gathered in Minsk to mark the 68th anniversary of a massacre of Jews, RFE/RL's Belarus Service reports.

The ceremony was held March 2 near Minsk's Yama (the Ditch) memorial to commemorate the more than 5,000 people from the city's Jewish ghetto who were killed by Nazis on March 2, 1942.

Leanid Levin, the chairman of the Jewish Organizations' Association in Belarus, told RFE/RL that during Soviet times officials were reluctant to reveal what Jews in Minsk had experienced during World War II. But he said the mood in the country has changed, and in 2000 it became possible to erect a memorial at the massacre site.

Historian Emannuil Yoffe told RFE/RL that about 100 former residents of the Jewish ghetto in Minsk are still alive.

Yoffe said there were several uprisings against Nazis in Jewish ghettos in Belarus in the 1940s in towns such as Kletsk, Nyasvisk, and Kapylsk.

He said the Nazis established a total of some 150 Jewish ghettos during their occupation, and that almost 100,000 Jews were killed in Minsk alone.

Levin said there are still no memorials at many other sites in Belarus where massacres of Jews took place. He said more than 500 such places are known.

#1j

Purim in Russia's Most Western Port

FJC, March 4, 2010

KALININGRAD, Russia – The Jewish Community Center in Kaliningrad hosted a number of Purim celebrations this year. There was a large turnout for the reading of the Scroll of Esther on Saturday evening. Chief Rabbi of Kaliningrad David Shvedik spoke about the meaning of the holiday, after which the Megillah was read and everyone enjoyed some holiday refreshments.

On Sunday morning, a large crowd attended the Megillah reading that took place in the synagogue. After the Megillah reading, Rabbi Shvedik personally distributed mishloach manot (Purim food gifts) to all those in attendance.

A special Purim celebration was held with the children in mind. The youngsters had a grand celebration, including listening to Rabbi Shvedik reading the Megillah. The students of the Sunday school put on a Purim show which included Jewish dances and a lively parade of costumes. The children were delighted by a clown show, and various contests and raffles. All of the children received their own tasty mishloach manot and also a book.

But the Purim celebrations were still not over! In the afternoon, community members enjoyed a Purim meal with many guests in attendance. A good time was had by all.

The Jewish community of Kaliningrad, a member of the Federation of Jewish Communities of Russia, thanked everyone who provided support in organizing and carrying out the Purim events.

#2

Obama in a bind over Armenian genocide vote

By Desmond Butler

AP, February 27, 2010

WASHINGTON -- President Barack Obama is in a bind as a House committee prepares to vote on a resolution that would recognize the World War I-era killings of Armenians by Ottoman Turks as genocide.

While a White House candidate, then-Sen. Obama said he believed the killings were genocide. A congressional resolution to that effect could alienate Turkey, a NATO ally and traditional friend of the United States that is crucial to America's foreign policy goals.

Past administrations have defeated similar resolutions through public cajoling about national security interests and with behind-the-scenes lobbying.

So far, however, the Obama administration has taken no public position on the measure, set for a vote Thursday by the House Foreign Affairs Committee. Aides to senior lawmakers on the committee say there has been no pressure against the resolution from the White House. The administration was informed ahead of time that the committee would be scheduling the vote, according to Lynn Weil, spokeswoman for the committee's chairman, Rep. Howard Berman, D-Calif.

Turkey long has made clear that the issue could affect relations with the U.S.

In 2007, when the House Armed Services Committee passed such a resolution, Turkey recalled its ambassador, and U.S. officials feared the Turks might cut off American access to a Turkish air base essential to operations in Iraq. After lobbying by Bush administration officials, the resolution was not considered by the full House.

A positive vote by Berman's committee would send the resolution to the full House.

The U.S. still wants Turkey's support for its operations in Iraq and Afghanistan. It also is pressing Turkey, which holds a rotating seat in the U.N. Security Council, to support penalties against Iran, Turkey's neighbor.

The committee is strongly pro-Israel, and prospects for passage could be affected by rising tensions between Turkey and Israel, as well as Turkey's relatively warm relationship with Iran. In the past, Turkey and Israel had friendlier relations, and Israel had quietly lobbied against the resolution.

For decades, Armenian-American groups have sought congressional affirmation of the killings as genocide. Historians estimate that up to 1.5 million Armenians were killed by Ottoman Turks around the time of World War I, an event widely viewed by scholars as the first genocide of the 20th century. Turkey denies that the deaths constituted genocide, saying the toll has been inflated and those killed were victims of civil war and unrest.

This year, some Armenian groups and lawmakers are expressing optimism on the resolution's prospects, noting that Obama, Vice President Joe Biden and Secretary of State Hillary Rodham Clinton all supported recognition when they served in the Senate.

Democratic Rep. Adam Schiff, who introduced the resolution for consideration, said he sees more favorable conditions than in 2007.

"Last time we had President Bush calling lawmakers at their homes to oppose the resolution," he said.

In April, Obama broke a campaign promise to brand the killings genocide in an annual White House statement on the day marking Armenian remembrance. Obama said that while he had not changed his personal views, he did not want to upset promising talks between Turkey and Armenia on improving relations and opening their border. Turkey sealed the border in 1993 to protest Armenia's war with neighboring Azerbaijan.

In October, Turkey and Armenia signed an agreement to normalize relations, but Turkey has yet to ratify it. As progress toward a breakthrough between the two countries appears stalled, it may be harder for the Obama administration to oppose the resolution or refrain from calling the killings genocide in this year's statement.

"Our interest remains the achievement of a full, frank and just acknowledgment of the facts," said White House spokesman Mike Hammer, when asked about the resolution. "We continue to believe that the best way to advance that goal is for the Armenian and Turkish people to address the facts of the past as a part of their ongoing efforts to normalize relations."

Hammer would not elaborate on the administration's position on the resolution.

Turkey's ambassador to Washington, Namik Tan, said the Turkish public may view the administration's silence on the resolution as pressure to ratify the agreement with Armenia.

"This could definitely complicate the process," he said. "The greatest lobbyist in Washington is the administration. We have not seen them around enough on this."

#3

'Hero of Ukraine' Splits Nation, Inside and Out

By Clifford J. Levy

New York Times, March 1, 2010

STARYI UHRYNIV, Ukraine — Half a century after his death at the hands of the K.G.B., Stepan Bandera, a World War II partisan, has not lost his ability to rally Ukrainians against Russia — and against each other.

Monuments to Mr. Bandera have sprung up across western Ukraine, his fight for the country's independence glowingly recounted to schoolchildren on field trips, as if he were the George Washington of Ukrainian nationalism. But in eastern Ukraine and as far away as Moscow and Brussels, Mr. Bandera is reviled as a Nazi puppet.

This disputed legacy has ensured him a prominent role in today's Ukraine. In a parting shot as his presidency was ending, Viktor A. Yushchenko named Mr. Bandera a "Hero of Ukraine," one of the country's highest honors.

That touched off a political battle that may make it more difficult for Viktor F. Yanukovich, who succeeded Mr. Yushchenko as president last week, to address the ethnic, regional and historical passions that divide the country.

Already, eastern Ukrainians have held protests, burning Mr. Bandera in effigy. Mr. Yanukovich, who campaigned on a platform of improving relations with Russia, has come under pressure to revoke the award, not only from Russia but also from the European Parliament. Such a move, though, would stir a backlash in western Ukraine.

Mr. Yanukovich, who is from eastern Ukraine, has criticized the award, but has so far not said what he will do about it. "I think that the president of Ukraine should be the president of all Ukraine and not just one part," he said.

The reactions to the Bandera honor highlight a schism that has caused so much instability in Ukraine in recent years. Nationalists in the west speak Ukrainian and loathe Russian influence. In the east are Russian speakers who feel a kinship toward Moscow. With Mr. Yanukovich's inauguration, Ukraine has gone from one pole to the other, and the question is whether a Yanukovich presidency can change this dynamic.

Mr. Yanukovich's narrow victory at the polls, while deemed free and fair by most monitors, did not give him much of a mandate. The loser in the presidential race, Yulia V. Tymoshenko, is clinging to her job as prime minister, and Mr. Yanukovich must oust her if he wants to carry out his agenda.

He can do so either by building a new coalition in Parliament or calling new elections. It may be harder for him to succeed at either if emotions are rubbed raw in the west of the country, where pro-Bandera sentiment is strongest.

Mr. Bandera is famed in western Ukraine for leading the drive for independence against the Soviet Union and Poland in the 1930s and 1940s. In 1941, at the height of the upheaval of World War II, he issued a proclamation declaring Ukraine an independent state. It did not realize that goal until the collapse of the Soviet Union in 1991, but he is regarded by some as a founding father.

“Every people, every nationality, has a right to their own government and their own history,” said Stepan Lesiv, director of a Bandera museum here in Staryi Uhryniv, a village in southwestern Ukraine where Mr. Bandera was born. “Bandera, and many in Ukraine, have struggled for and died for this goal.”

Russia, Poland and Jewish groups see Mr. Bandera very differently. To them, he was a fascist who joined forces with the Nazis around the time that they attacked the Soviet Union, and whose independence movement was a front for Hitler. They said he ordered or condoned massacres of Jews and Poles by Ukrainian partisans.

Mr. Bandera’s champions respond that his association with the Nazis was brief and in the service of attaining Ukrainian independence. They pointed out that he was later detained by the Nazis and sent to a concentration camp. He was assassinated by the K.G.B. in 1959 in Munich, where he lived in exile.

Still, even his supporters regard him as an incendiary figure, which accounts for the timing of the award. Mr. Yushchenko issued it only after he had failed in his bid for another term in the first round of Ukraine’s presidential elections in January.

After the announcement, he visited the Bandera museum here. “Glory to Stepan Bandera! Glory to Ukraine!” he wrote in the museum guestbook.

Mr. Yushchenko’s decision seemed intended to secure his reputation as a president who reinvigorated the Ukrainian nationalist movement. It certainly did not escape his notice that the move would enrage Russia, his nemesis.

Prime Minister Vladimir V. Putin predictably lashed out, saying that in giving the award, Mr. Yushchenko had not only offended Russia, but had also “spit in the face” of countries that supported the 2004 Orange Revolution, which Mr. Yushchenko helped lead.

Mr. Putin himself has become a regular partisan in the conflicts in the former Soviet Union over who controls the narrative of history and whose memorials will stand. Since the Soviet collapse, former republics have tried to create identities distinct from Moscow by doing away with Soviet symbols and disseminating their own perspectives on pivotal events.

Nikolai Svanidze, a Russian historian who serves on a Kremlin panel intended to combat “attempts to falsify history,” said the world often failed to understand the trauma suffered by the Soviet Union in World War II, when 25 million Soviet citizens died. Mr. Svanidze said that to honor someone with links to the Nazis was to sully the sacrifice of those people.

He compared some other former Soviet republics to teenagers who were asserting their individuality.

“They reject everything that seems unpleasant to them, that seems alien to them, or unnatural to them, everything that gets in the way of their own sense of identity,” he said.

Some Ukrainians described that view as condescending and self-serving.

“In the Russian mentality, there must always be an enemy,” said Mykola Posivnych, a Ukrainian historian and expert on Ukrainian partisans. “This enemy, Bandera, is very useful to them.”

Mr. Lesiv, the museum director, said the issue was even simpler: Russia has never come to terms with Ukrainian sovereignty. He said people in western Ukraine would rise up if Mr. Yanukovich tried to withdraw the Bandera award.

“For Ukrainian nationalists,” he said, “there is no such word as capitulation.”

#4

Ukraine Makes Pitch for Stronger Ties With E.U.

By Stephen Castle

New York Times, March 1, 2010

BRUSSELS — Visiting Brussels before Moscow on his first foreign trip, the new president of Ukraine, Viktor F. Yanukovich, on Monday promised closer relations with the European Union and reform of his country’s strategically important gas sector.

During a day of high-level meetings, Mr. Yanukovich sought to reassure the Union that Ukraine would press for strong ties with the 27-country bloc, rather than turning its focus away from the west and toward integration with Russia.

Mr. Yanukovich is seen in European capitals as being closer to Russia than his predecessor, Viktor A. Yushchenko, and his choice of Brussels for his first foreign visit was seen as an important symbol.

“For Ukraine, European integration is a key priority of our foreign policy,” said Mr. Yanukovich, who added that his aim was “friendly and constructive relations with the Russian Federation and developing friendly relations with strategic partners such as the United States.” He is to visit Moscow for talks on Friday.

Mr. Yanukovich won from the European Union a target date in 12 months for completing negotiations on a free-trade deal but no promise that Ukraine — a country of around 46 million people which borders the E.U. — would be able to join the bloc.

Mr. Yanukovich, who campaigned against Ukraine’s membership in NATO, said Kiev would continue partnership programs with the alliance. “As to the future, it’s an issue to negotiate, to discuss,” he added, “but the status of Ukraine is not going to change.”

While the E.U. has been cautious about offering Ukraine any path to membership in the bloc, it is eager to foster political stability on its borders, and anxious that the Ukraine should become a reliable energy partner. Faith in Ukraine as a dependable transit country has been shaken by several disruptions to energy supplies brought about by price disputes between Kiev and Moscow.

“We need urgent progress on modernization and restructuring of the gas sector,” said Jose Manuel Barroso, president of the European Commission, who wants more transparency and market mechanisms in the Ukrainian gas sector.

Changes sought by the European Union include tariff increases for gas supplies for domestic consumers and businesses and the restructuring of Naftogaz, the country’s leading energy company, to ensure its sustainability.

If Ukraine adopts a new gas law in line with E.U. regulations, Kiev could sign the Energy Community Treaty and therefore encourage foreign direct investment.

Mr. Yanukovich said he was “ready to adopt a law on the internal gas market.”

“Yanukovich is somebody we can work with,” said one E.U. official not authorized to speak publicly about Monday’s meetings. “It was a very strong political signal to come to Brussels before going to Moscow, and it was a very positive first meeting.”

The E.U. is pressing Ukraine to restart discussions with the International Monetary Fund, which last year suspended a loan program to Kiev. Officials see this as a precursor to an improved climate for investment.

Mr. Yanukovich said the two sides had also discussed visa-free travel for Ukrainians to the European Union. In other meetings, he pressed for cooperation on transport links for the Euro 2012 soccer championship that will be held in Ukraine and Poland, officials said.

The Ukrainian Parliament will hold a vote of no confidence in the government of Prime Minister Yulia V. Tymoshenko on Wednesday as Mr. Yanukovich seeks to consolidate power, Reuters reported from Kiev.

#5

Medvedev Visits France in Bid for Closer Ties

By Steven Erlanger

New York Times, March 1, 2010

PARIS — The president of Russia, Dmitri A. Medvedev, arrived here on Monday with warships, natural gas and a special relationship with Europe on his mind. The French president, Nicolas Sarkozy, greeted him warmly on the start of what will be a three-day visit, intended to enhance the prestige of both men, profit their companies and remind French voters that Mr. Sarkozy's foreign policy is not beholden to Washington.

Despite open American criticism from the Obama administration and from Congress, as well as from European Union allies in the Baltics, Mr. Sarkozy announced that France had entered "exclusive negotiations" to sell four Mistral-class amphibious assault ships to Russia.

The Russian naval commander has said that with the Mistral, which can carry helicopters or tanks, Russia's 2008 invasion of Georgia would have been much faster. The arms sale would be the largest by a NATO country to Russia; Mr. Sarkozy said the ships would be sold without sophisticated technology.

But in a joint news conference with Mr. Medvedev on Monday evening, Mr. Sarkozy said that Russia was "a partner," no longer an enemy, and that it was "time to turn the page" on the cold war. "How are we to say to Russian leaders — 'We need you for peace, like on Iran,' but then say: 'We don't trust you?' That would be totally inconsistent," Mr. Sarkozy said.

Mr. Medvedev called the deal "a symbol of trust between our two countries" and pressed for "Russia and France to be partners on European security."

The two men also praised an important deal signed on Monday between the main French natural gas company, GDF Suez, and the Russian gas monopoly Gazprom. GDF Suez agreed to acquire a 9 percent stake in the Nord Stream natural gas pipeline, intended to send Russian gas directly to Western Europe while avoiding Poland and Ukraine. In return, Gazprom will supply GDF Suez with up to an additional 1.5 billion cubic meters of gas annually starting in 2015.

#6

US steps up diplomatic pressure on Russia over Iran sanctions

The US and its western allies have stepped up a behind-the-scenes campaign to persuade Russia to back tough United Nations sanctions against Iran.

By Adrian Blomfield and Andrew Osborn

Telegraph.co.uk, February 28, 2010

Moscow - Amid fears that Moscow remains intent on weakening a planned Security Council resolution punishing Tehran for its nuclear programme, western diplomats are seeking to convince Russia to support much more robust measures.

They hope the West's case for robust action will be strengthened on Monday when the International Atomic Energy Agency (IAEA), the UN's nuclear watchdog, meets in Vienna to discuss a damning new report on Iran's atomic intentions.

According to the report, written by Yukiya Amano, the IAEA's tough-talking new chairman, Iran may be hiding "undisclosed activities related to the development of a nuclear payload for a missile".

The agency's findings are likely to pave the way for a Security Council resolution proposing a fourth round of sanctions on Iran.

Russia, along with China, ensured that the three previous rounds were considerably watered down. But in recent weeks, Moscow's patience with its long-standing ally appears to have evaporated and Russian officials have grudgingly talked of their support for some kind of sanctions.

Vladimir Chizhov, Russia's envoy to the European Union, conceded that dialogue with Iran was no longer working. "This prompts Moscow to think about options for sanctions."

Even so, diplomats privately say they expect Russia's cooperation to be, at best, limited.

In order to ratchet up the pressure on Iran's leadership, the United States, Britain, France and Israel are understood to back sanctions that would target Iran's central bank and financial sector, its main shipping and transportation companies and assets controlled by the country's powerful Revolutionary Guard.

But Russia favours a much more limited scope to sanctions, insisting that they should be narrowly targeted on individuals and companies directly involved in Iran's nuclear programme.

Diplomats concede that persuading Russia to change its position will be tough.

"Anything to do with proliferation we estimate the Russians will be cooperative," one said. "But when it comes to energy or arms, a whole different set of considerations comes into play."

Russia and China, both veto-wielding members of the Security Council, benefitted commercially from the previous rounds of sanctions. Russia sold Iran arms, China signed valuable energy deals and neither will surrender lucrative contracts easily.

Yet Western officials are still confident that they can win Russia over. Diplomats have made a number of discreet missions to Moscow to make power-point demonstrations, a source said.

Seeking to undermine those efforts, Iran on Sunday presented Russia with two rare Persian leopards -- a gift personally solicited by Vladimir Putin, the Russian prime minister.

Persuading China, however, could well be a mission to far, according to one diplomatic source: "It's not very encouraging," he said. "We don't have much leverage."

Worryingly for the West, the number of sanctions naysayers seems to be growing.

This week, Hillary Clinton, the US secretary of state, will visit Brazil in an attempt to persuade its president, Luiz Inacio Lula da Silva, to end his increasingly cosy relationship with Iran.

Brazil is also pursuing commercial deals that the West says could allow Iranian banks that fund Tehran's nuclear programme to avoid sanctions.

#7

Well-Known Russian Rights Activist Turns 80 RFE/RL, March 2, 2010

MOSCOW -- Prominent Russian human rights defender and Soviet dissident Sergei Kovalyov is marking his 80th birthday today, RFE/RL's Russian Service reports.

Kovalyov told RFE/RL today that one of the happiest moments of his life was when his team of negotiators managed to persuade Chechen militant leader Shamil Basayev to release the civilians his men were holding hostage in 1995 in a hospital in the southern town of Budyonnovsk.

He added that one of the most disappointing moments in his life was when he realized how naive he and his fellow rights activists were to assume that universal human rights were a large enough force to impel Russia to evolve into a Western-style democracy.

Kovalyov was born in Ukraine's Sumy Oblast in 1930. In the 1960s, he was a founder of the underground human rights movement in the Soviet Union.

In 1975 Kovalyov was found guilty of anti-Soviet propaganda and sentenced to seven years in prison and three years in internal exile.

In the early 1990s, Kovalyov was elected as a deputy to the Russian Duma, a position he held until 2003.

He was also a major contributor to Article 2 of the Russian Constitution, titled "Rights and Liberties of Man and Citizen."

Kovalyov was a major opponent of Russian military involvement in Chechnya, and worked as a journalist in the Chechen capital, Grozny, during the First Chechen War.

In the mid-1990s he headed the Presidential Commission for Human Rights but resigned in 1996 after accusing President Boris Yeltsin of not living up to democratic principles.

In October, Kovalyov was among the winners of the European Union's top human rights award, the Sakharov Prize.

#8

Interview: Former Lithuanian President Says 'Communism Was Never Defeated'

RFE/RL, March 2, 2010

In 1990, Lithuania became the first Soviet republic to proclaim independence, paving the way for the Soviet Union's collapse. Twenty years later, however, the Baltic state is still grappling with its communist legacy.

Its first postcommunist head of state, Vytautas Landsbergis, says there is little consensus in Central and Eastern European countries on dealing with Soviet-era crimes. Landsbergis, who is now a member of the European Parliament, speaks to RFE/RL's Claire Bigg on the sidelines of a Prague conference on the crimes of communism.

RFE/RL: Like most former communist countries, Lithuania adopted lustration policies in the early 1990s, barring influential former communists from public office. As Lithuanian president, what role did you play in drafting and implementing lustration in your country?

Vytautas Landsbergis: When I was president, reforms were only just beginning. We tried to adopt a law on lustration similar to that of Czechoslovakia. We took it as a model and went ahead with the draft.

But then we met resistance from the left wing, very strong resistance that drew increasing numbers of parliamentarians from the center. Finally, they got a majority and this [lustration] process was stopped. The fact that I was then in charge did not change anything. A parliamentary republic can be manipulated by bribing parliamentarians and making new majorities.

RFE/RL: Who was handing out the bribes?

Landsbergis: Forces of the past, the former regime.

RFE/RL: So you are saying that even today, there is no consensus in Lithuania on how to deal with crimes committed by the communist regime?

Landsbergis: No, [there isn't]. A country with a communist legacy cannot have a consensus. Even now it is split, deeply split."

RFE/RL: Where are communist-era politicians, prosecutors, and secret-services members today? Do they still play a role in Lithuania's public life or have they been sidelined?

Landsbergis: We introduced some limitations for them, but there are gaps that enable them to avoid these limitations.

No Justice

RFE/RL: In your opinion, why haven't there been any high-profile trials of communist leaders similar to the Nuremberg trials of Nazi leaders after World War II?

Landsbergis: Because communism in communist countries was never defeated. They had no wish to clean themselves from this stain of the past.

RFE/RL: Do you think such trials could have helped Lithuania and other countries in the region come to terms with their communist legacy?

Landsbergis: It's not about us, it's about justice. If there is no justice, people don't believe in justice in general. They are dissatisfied with democracy, with state policies, because they see the same personalities in power or wielding great influence.

RFE/RL: If you could go back to the early days of postcommunist Lithuania, is there anything you would do differently as president?

Landsbergis: I would be more careful about sophisticated forms of political corruption. I believed, maybe too much, in the goodwill of people in general. And not all of them deserved it.

#9

Ukrainian PM's Orange coalition dissolves By Anna Melnichuk and Simon Shuster AP, March 2, 2010

KIEV, Ukraine — Prime Minister Yulia Tymoshenko's pro-Western Orange coalition dissolved Tuesday as her former allies turned against her, setting her up to be ousted in a no-confidence vote.

The development spells the final repudiation of the Orange Revolution Tymoshenko helped lead in 2004, and paves the way for Ukraine's new Kremlin-friendly president to consolidate his power.

President Viktor Yanukovich defeated Tymoshenko in last month's election, but she has been a thorn in his side, refusing to resign and challenging the vote results.

In a sign that she will be removed, speaker Volodymyr Lytvyn told parliament Tuesday the Orange coalition had been unable to prove it still had majority support in the 450-seat chamber.

"This coalition did not come up with enough votes ... I therefore announce the termination of this coalition's activity," Lytvyn said.

Russia's new ambassador arrived in Kiev to congratulate Yanukovich on now appears to be total victory.

Ukraine's political parties must now form a new majority coalition, and are most likely to group around Yanukovych's Party of Regions. Yanukovych says that if no majority can be reached he will disband parliament and call elections.

Tymoshenko lashed out at Lytvyn, who is also a leader of the Orange forces in parliament, for "illegally ruining the democratic coalition" and paving the way for Yanukovych's "anti-Ukrainian dictatorship."

"This was the last barricade worth defending if we wanted to protect our independence, sovereignty, strength and the European development of our country," Tymoshenko said in a televised speech.

"History will hold him responsible," she said.

Tymoshenko laid out no plan of action. She said only that she would seek to unite Ukraine's "truly democratic and patriotic forces."

Parliament is set to hold a confidence vote Wednesday on Tymoshenko's government.

"As of today, we have a majority capable of creating a coalition in parliament, and we definitely have a majority capable of holding a no-confidence vote against the government," said Oleksandr Yefremov, a lawmaker with Yanukovych's party.

"The dissolution of the coalition makes Tymoshenko's ouster inevitable," said Viktor Nebozhenko, a political analyst in Kiev. "The Orange forces have been defeated on every front."

The Orange coalition, formed in December 2008, was loosely centered on the political ideals of the Orange Revolution, a series of massive street protests in 2004 led by former President Viktor Yushchenko and Tymoshenko.

Those protests against vote fraud resulted in the Supreme Court overturning Yanukovych's election victory in 2004. Yushchenko, a reformer who wanted closer integration with the West, won a revote. Tymoshenko became his prime minister.

But their constant bickering and inability to deliver on promises of European integration and economic growth fueled Yanukovych's comeback. He defeated Tymoshenko in a Feb. 7 runoff by 3.5 percentage points.

Yushchenko, whose mysterious poisoning in 2004 made him a martyr for the Orange cause, appears now to have tacked with Ukraine's shifting political winds. Members of his party, Our Ukraine, are expected to join the coalition forming around Yanukovych.

"The new coalition will combine the Party of Regions, Our Ukraine, and Lytvyn's bloc," said Yury Yakimenko, a political analyst at the Razumkov Center, a Kiev think tank.

This would not be the first time Tymoshenko, known for her sharp wit and political cunning, is removed as prime minister.

In 2005, soon after the Orange Revolution brought them to power, Yushchenko dismissed Tymoshenko for mismanagement. She regained the post two years later.

This time, the failure of her coalition will likely force her back into an opposition role, but she will retain significant clout as the leader of the second-biggest faction in parliament.

Russian Ambassador Mikhail Zurabov presented his credentials Wednesday to Yanukovych, renewing diplomatic relations between the two countries for the first time since August 2009, when the Kremlin declined to send an ambassador to Kiev until Yushchenko left office.

Yushchenko's efforts to take Ukraine out of Russia's orbit and join NATO and the European Union infuriated the Kremlin.

Yanukovych, whose base of support is in Ukraine's Russian-speaking east, has said he would not seek membership in either organization. He is expected to invigorate ties with Russia through energy interdependence and military cooperation, and plans to visit Moscow on Friday.

"Allow me to express my respect for the Ukrainian people and wish you success in your role as president," Zurabov told Yanukovych during a televised ceremony.

Shuster reported from Moscow. Associated Press Writer Yuras Karmanau in Minsk, Belarus, contributed to this report.

#10
Georgian Opposition Leader In Moscow For Talks
RFE/RL, March 3, 2010

TBILISI -- The leader of Georgia's opposition Democratic Movement-United Georgia party, Nino Burjanadze, has arrived in Moscow for talks with Russian officials, RFE/RL's Georgian Service reports.

Burjanadze, a former speaker of the Georgian parliament, did not say with whom she plans to meet.

She told journalists at Tbilisi airport that she will engage in "big-time politics," adding that by this she means revolution.

Ahead of her departure, she told RFE/RL's Georgian Service: "It's an invitation from the government of the Russian Federation, from the leading organs of Russia. I think I took a very correct step by deciding to go to Moscow, because I consider it important, in principle, to search for an outlet to get out of the dead-end situation in which Russian-Georgian relations are now."

She said earlier that it was impossible to change Georgia's leadership by means of elections, and therefore "President [Mikheil] Saakashvili has to be forced to step down first, and only after that should elections be held."

Any visit to Moscow by a Georgian opposition leader is a sensitive issue in the wake of the military conflict between Russia and Georgia in August 2008.

Saakashvili has implicitly branded former Prime Minister Zurab Noghaideli, who has made several trips to Moscow in recent months for consultations with senior Russian politicians, a "collaborator."

#11
Tymoshenko Coalition Collapses in Ukraine
By Michael Schwartz
New York Times, March 3, 2010

MOSCOW — The Orange coalition of Western-leaning political factions in Ukraine's Parliament disintegrated Tuesday, in what could be the first stage in an effort to unseat Prime Minister Yulia V. Tymoshenko.

Ms. Tymoshenko, who led the coalition, immediately labeled the dissolution illegal, and vowed to continue to lead the "democratic team."

She has so far rebuffed calls for her resignation from Viktor F. Yanukovich, who defeated her in a bitterly contested presidential election last month. But the collapse of the majority coalition in Parliament, which Ms. Tymoshenko led, could seriously undermine her ability to hang on, analysts said.

"I declare that the coalition no longer exists," the Parliament's speaker, Volodymyr M. Lytvyn, said in remarks broadcast on Russian television. Mr. Lytvyn said that the Our Ukraine faction and his own bloc had pulled out of the coalition, leaving it without the 226 seats needed to hold a majority.

The coalition's collapse signals that a vote of no confidence in the government scheduled for Wednesday will most likely pass, allowing supporters of Mr. Yanukovich to begin forming a new majority coalition built around his party, the Party of Regions, said Mikhail B. Pogrebinsky, director of the Kiev Center for Political and Conflict Studies.

"Tomorrow there will be a vote of no confidence, they will vote for it and Tymoshenko will become acting prime minister until a new coalition votes on a new prime minister," he said. "In any case, she will go."

Ms. Tymoshenko has fought off major challenges to her authority before, and it was unclear Tuesday how many of her former allies were prepared to abandon her.

The Orange coalition, formed in December 2008 after months of political infighting, was rickety from the start. Constant bickering and a failure to make good on promises of European integration and economic improvement made way for Mr. Yanukovich's victory in last month's election.

On Tuesday, Ms. Tymoshenko lashed out at the "betrayal" of former allies, whom she accused of negotiating with Mr. Yanukovich, and vowed to rally those she called true democrats.

"Starting today, I am setting the task of beginning to unite the genuine democratic and national-patriotic forces of Ukraine, because Ukraine is in need of this protection like never before," Ms. Tymoshenko said in remarks on her Web site.

Though she said she would continue to fight, she suggested that she might step down if the vote of no confidence passed on Wednesday.

"Certainly, if there is a vote of no confidence, all responsibility would immediately lie with Yanukovich," she said.

In any case, weeks of political wrangling could be in store as Mr. Yanukovich's supporters attempt to court their former opponents. Parliament will have 30 days to form a new coalition and 60 days to form a new government. If this fails, Mr. Yanukovich could call for new parliamentary elections.

In a twist characteristic of Ukraine's convoluted politics, it is members from the Our Ukraine bloc of the former president, Viktor A. Yushchenko, who could be most important for Mr. Yanukovich's supporters in forming a new coalition.

Mr. Yushchenko defeated Mr. Yanukovich after the 2004 Orange Revolution, and their supporters have often fought bitterly. But recently, members of Our Ukraine have signaled a willingness to work with Mr. Yanukovich's Party of Regions.

The head of the Our Ukraine faction in Parliament, Mykola Martynenko, said Tuesday that his party would be willing to negotiate with factions other than Ms. Tymoshenko's, in a bid to secure the post of prime minister for one of its members.

#12
Russians Seeing U.S. In A Sunnier Light
By Kevin O'Flynn
RFE/RL, March 3, 2010

MOSCOW – The Cold War may be over, but for the past several decades Russians have taken an extremely dim view of their former superpower rival, the United States.

Much of that appeared to mirror relations between then-presidents Vladimir Putin and George W. Bush, which were frosty at best.

But the election of U.S. President Barack Obama, who early on pledged to "reset" relations with Moscow, appears to have lightened the mood.

In a poll conducted by Russia's Levada Center, 54 percent of Russians say they like the United States, a marked improvement over the 34 percent registered in November 2008, the month Obama was elected. Meanwhile, the number who dislike the United States fell from 54 percent to 31 percent.

On the streets of Moscow, many Russians appear to reflect the Levada poll.

Mikhail Leonov, a 37-year-old engineer, sees Russia as getting closer to the United States right from the start of Obama's term. Leonov isn't sure, however, whether the swings in U.S.-Russian relations are as interesting for Americans as they seem to be for Russians.

"Relations with the U.S. improved from the moment of the election of President Obama. There was a lot of hope. There were a lot of differences," Leonov says. "Even though Putin kept himself in hand in relations with Bush, Obama's policies have brought more optimism. It is something in our mentality to constantly look for something, to make comparisons, to have expectations. Americans pay less attention to relations with Russia."

'Optimism, Belief, Hope'

Obama's move to abandon a Bush-era missile defense system in the Czech Republic and Poland is welcomed by many Russians. Others were impressed by Obama's electoral campaign and the fact that he was awarded the Nobel Peace Prize after less than a year in office.

"He's a vivid character -- he's useless, its true -- but nevertheless, good in spirit."

Leonid Vasiliev, 79, a former professor of business management, sounds more like an American than a Russian in his unabashed admiration for the new U.S. leader.

"He got the Nobel Prize maybe for what he will do in the future -- in advance -- but he still deserved it," Vasiliev says. "It's one of his programs is to spread optimism, belief, and hope."

Twenty-seven-year-old Natalia Loginova, a deputy editor at a financial website, says that she had no bad feelings toward the United States before Obama was elected, but that his history-making victory to become the United States' first black president impressed her. Still, she says his economic performance to date leaves something to be desired.

"To be honest, he changed my mind. I never thought a black president would be elected. It improved my opinion about the American political system and about Americans," Loginova says. "He's a vivid character -- he's useless, its true -- but nevertheless, good in spirit."

Nonna Aksyonova, a 50-year-old chef, is also skeptical, but optimistically so.

"I don't think Obama has done anything to deserve getting the [Nobel] Prize or done anything to deserve an especially respectful attitude toward him," Aksyonova says. "But there is possibility in the future. I hope."

Russia's Favorite Hobby

Irina Neman, a 73-year-old former engineer, sees the relationship between the two countries as too complicated.

"Russia has never loved the U.S. and never will love it. Because of envy. It's Russia's favorite hobby, envy," Neman says. "Russia knows that it lags behind, and it doesn't want to. On a personal level, everything is fine, individual people are good, and there are no bad people if you can deal with them. But overall, that won't change anything. The two great powers can't get over their differences."

The younger generation is more divided. Eleven-year-old Tikhon Gadzhikasimov and 12-year-old Dmitry Malenko have different opinions about the United States -- although both are angry about what they perceive as intervention by the United States in the August 2008 war between Russia and Georgia.

"I simply like them. They're a good nation, even though they betrayed us, attacked us," Gadzhikasimov says. "Dima, what do you think?"

"I think I don't like Americans that much because they betrayed us when there was the war with Georgia -- well, you can't call it a war -- but Americans did everything to make it look as though Georgia was totally defenseless and that we were really cruel and attacked them," Malenko replies.

"Although we didn't attack them. They attacked us, dropped bombs on us," Gadzhikasimov says.

"Actually, it wasn't us that [Georgia] attacked. They attacked South Ossetia," Malenko concludes.

#13

U.S. official: START replacement agreement possible by April

By Jill Dougherty

CNN, March 2, 2010

Washington -- U.S. and Russian teams negotiating a new arms control agreement to replace the 1991 START treaty hope to wrap up a deal by early April, nearly a year after they began.

A U.S. official with knowledge of the negotiations but not authorized to speak on the record told CNN the talks on the treaty, which expired December 5, 2009, have been "very tough" but said, "I think we can do it."

The biggest issue to resolve is verification, including on-site inspection of missiles that carry nuclear warheads, this official said, adding, "There are still some niggling technical details."

Negotiators worked out "innovative" ways of verifying each side's arsenal, the official said. When negotiations began in April 2009, Russia wanted a "minimalist" approach to verification and the United States wanted a "solid, effective regime," the official said.

"We pushed them constantly for more," the official said. "We always knew we would need a bridge to the next phase of deep reductions."

Verification will be a top issue politically as both the U.S. Senate and the Russian parliament, will have to ratify the new agreement.

"We will see a strong verification process," the official said. "We're developing a lot of new ways to bump up the verification regime."

As the arms talks have continued, the U.S. team has grown from 10 to 12 people to a total of 35, which now includes lawyers and specialized linguists who must certify that the English and Russian language texts are precisely equal.

The Russian team includes representatives from the Ministry of Defense and the FSB, successor agency to the KGB. Many of them are new to negotiating but "know the innards of the Russian strategic rocket forces" and are very good, the official said.

Russian President Dimitry Medvedev "is very serious about this and about the caliber of the people," the official said.

Both sides are aware that times have changed and the Cold War is over. The U.S. official said one inspector on the Russian team pointed out that once-sensitive information, like the location of Russia's strategic forces, is available to anyone by doing a simple Web search.

A key point of the agreement already has been worked out: reducing the number of allowable deployed strategic warheads on each side. The United States currently has approximately 2,200 strategic deployed warheads; Russia has an estimated 2,500. Under the new agreement, each side would be allowed between 1,500 and 1,675 nuclear warheads.

The treaty also limits the number of "delivery vehicles" -- the strategic bombers and missiles that carry those warheads -- to between 500 and 1,100 for each side. The current limit is 1,600 but the United States actually has 900 delivery vehicles. Russia has an estimated 600. For the American side, President Obama will have the final word on the precise numbers within those parameters.

The Bush administration downplayed the need for a formal arms control agreement and the U.S. official said, "The amount of disconnectedness" between the two sides "at the end of the last administration was just incredible."

The talks, however, have been a "revelation" and a "surprise," the officials said, setting the stage for even further arms reductions. This will help, the official said, after the replacement agreement to START is finished, when negotiators will tackle more thorny issues like nondeployed warheads kept in storage, tactical nuclear weapons and further cuts in missiles and launch vehicles.

#14

FACTBOX-Key political risks to watch in Ukraine

By Peter Apps, Political Risk Correspondent

Reuters, March 3, 2010

LONDON - Post-election infighting, the difficult battle to get an International Monetary Fund rescue package back on track, worries over default and relations with Russia are the key investor worries in Ukraine.

Below is an overview of each risk:

POLITICAL INSTABILITY

The swearing in of President Viktor Yanukovich last week in a low-key ceremony reflecting a bitterly fought and disputed election and will not bring an end to political infighting that has dogged Ukraine and hurt its ability to respond to its deep financial crisis. [ID:nLDE61N1VK]

Pro-Yanukovich parties ousted Prime Minister Yulia Tymoshenko, a defeated presidential contender, in a no-confidence vote on Wednesday. Her coalition had already collapsed on Tuesday as her majority fell away.

Yanukovich now has the chance to form a new government and avoid calling a snap parliamentary election.

Investors had worried that the election might produce an even more confused outcome or a repeat of the mass protests of five years ago. The cost of insuring Ukraine's debt in the credit default swap market has fallen from \$1.2 million a year for \$10 million of five-year debt at the start of the year to under \$900,000 now.

What to watch:

-- Having ousted Tymoshenko, can Yanukovich put together a government quickly? That would be positive for Ukrainian assets, making it possible to pass the badly delayed 2010 budget and get the IMF deal back on track. Parliamentary factions have 30 days to create a new coalition; the coalition has another 60 days to form a new government.

– Who becomes prime minister? Yanukovich has already mooted three candidates: businessman and former central bank chief Sergey Tigipko, who has said he is ready to take on the premiership if the president agrees to "unpopular" reforms; 35-year-old former foreign minister and parliament speaker Arseniy Yatsenyuk, whose anti-oligarch rhetoric is seen weighing against his candidacy; and former finance minister Mykola Azarov, who favours closer ties with Russia.

– If pro-Yanukovich forces cannot muster a parliamentary majority, he should call a snap parliamentary election. Analysts say one could take place anywhere between May and October. For markets, the earlier, the better. But instability could persist for weeks or months afterwards, particularly if the results proved inconclusive or go against Yanukovich. – If Ukraine cannot pass the budget and get the IMF deal back on track by April or attract external financing, it is hard to see how it can meet a series of local currency treasury bill repayments that fall due then (see below).

RETURN OF IMF?

Analysts say restoring a \$16.4 billion International Monetary Fund (IMF) bailout programme is vital to stabilising the economy. A \$3.8 billion tranche was suspended in November because of failure to keep to spending targets.

The IMF has been particularly flexible with Ukraine and sensitive to its domestic political difficulties. But passing the budget, and scrapping wage increases that were initiated by Yanukovich's supporters in parliament, are non-negotiable requirements for giving further aid.

Few expect the IMF to return without political stability. Deputy Finance Minister Oleksander Savchenko said on Tuesday the fund would be unlikely to return until the second half of 2010.

The IMF also wants consumer gas prices increased, easing the load on the state budget, which still subsidises them.

What to watch:

– Talks with the IMF. Yanukovich has said he will stick to the wage increases that were passed by parliament last year – and were the last straw for the IMF – and wants to renegotiate Ukraine's agreement with the fund.

– The 2010 budget, which should not include the minimum wage rises, is key. Passing it would be positive for all Ukrainian assets, probably leading to resumption of the IMF deal. It might also allow Ukraine to issue a Eurobond.

– In the absence of additional money, will the IMF again allow a reduction in Ukrainian reserve requirements, as it did in December, freeing up \$2 billion for gas payments? Ukraine is now only some \$500 million above the IMF's new minimum reserve of \$25.5 billion.

– How long will it take? Every month, the government faces hefty bills for Russian gas, state wages and pensions, and must repay at sky-high yields domestic debt that it has been issuing to fund its spending. The hryvnia currency UAH, whose rate against the dollar is controlled by the central bank, may also depreciate.

DANGERS OF DEFAULT

Credit default swaps have long priced Ukraine's debt as the riskiest in the region. Policy makers have always pledged to continue to honour Ukraine's sovereign foreign currency debt, but the deputy finance minister has warned of difficulties with domestic debt.

Total external and domestic repayment and servicing requirements this year are just over \$3 billion. The most difficult period is likely to be April, when \$463 million worth of local currency treasury bill payments are spread across the month.

Ukraine says it wants to borrow externally to fund that payment, but it is unlikely to be able to issue a Eurobond without passing the budget and restructuring the state railway firm's debts. A bilateral loan, potentially from Russia, might be its only hope.

Deputy Finance Minister Savchenko warned on Tuesday Ukraine would need \$3-5 billion a quarter to cover budget spending until the IMF returned.

What to watch:

– Further policy-maker comments on debt payments. Yanukovich has said some of Ukraine's debt needs restructuring, but it is unclear which debt he was talking about.

– The return of the IMF is key. Otherwise, Yanukovich is likely to have to dig around for a bilateral lender. Any external support would be positive for Ukrainian markets, otherwise credit default swap prices might rise in the run-up to April. The credit rating could also come under pressure.

– Will Yanukovich try to appoint a central bank chief willing to print money to pay for T-bill issues? The ratings agency Standard and Poor's warned last month that this could lead to hyperinflation.

– More restructuring of state company debts. Telecoms company Ukrtelekom has become the latest state-controlled firm to restructure its debt. Energy firm Naftogaz restructured a \$500 million Eurobond last year and the state railway operator is in talks over its syndicated loan.

None of those were covered by a sovereign guarantee, and so did not trigger a sovereign default, but investors are likely to demand cast-iron guarantees on future lending.

RELATIONS WITH MOSCOW AND THE WEST

Yanukovich's election and the defeat of his more Westward-leaning predecessor Viktor Yushchenko is likely to help relations with powerful neighbour Russia and push Ukraine away from significantly closer ties to NATO.

Ukraine itself remains deeply divided between Russian-speaking voters in the industrial east and south who backed Yanukovich and Ukrainian-speakers in the west and centre who voted primarily for Tymoshenko. However, the extremely poor first round showing by Yushchenko suggests little public appetite in either community for outright clashes with Moscow.

Previous tensions with Moscow have been bad for Ukrainian assets. Ukrainian credit default swap prices and bond yields increased during both the 2008 Georgia war and the 2008-9 gas dispute with Russia.

What to watch:

– Possible concessions to Moscow over the future of Russia's Black Sea fleet base at Sevastopol on Ukraine's Crimea peninsula, as well as the proposed creation of a consortium including Russia to run Ukraine's gas pipelines.

– Yanukovich says he wants to amend a 10-year-old agreement on supplies of Russian gas negotiated by Tymoshenko and Prime Minister Vladimir Putin, something that could theoretically cause problems with Moscow.

– Ukraine desperately needs a bilateral loan to help it make its April debt payments. Russia might seem the obvious choice but Yanukovich could turn elsewhere. News of any bilateral support would be positive for Ukrainian markets, further reducing CDS prices and bond yields and easing any pressure on the currency.

#15

Western Ukraine Deputies Dismiss Criticism Over Controversial War-Era Nationalist RFE/RL, March 3, 2010

LVIV -- Regional councils in Western Ukraine have dismissed European criticism of a decision to bestow hero status on a controversial World War II-era nationalist leader, RFE/RL's Ukrainian Service reports.

The European Parliament last week adopted a resolution in which it criticized former Ukrainian President Viktor Yushchenko's decision to grant Stepan Bandera the title Hero of Ukraine.

Bandera fought against both German troops and Soviet forces in World War II. While he is lauded as a hero in the western part of Ukraine, he is considered a traitor by many in the eastern, largely pro-Russian part of the country.

In a statement passed at an extraordinary session today, the Lviv, Ternopil, and Ivano-Frankivsk regional councils and Ivano-Frankivsk city council said the European Parliament had misjudged Bandera's role.

The deputies said the resolution on Bandera was based on false information and called on the European Parliament to review its position.

Lviv regional council deputy Oleh Krystyniak told RFE/RL that the European Parliament's position was "an insult to Ukrainians, because the OUN [the Organization of Ukrainian Nationalists] in March 1939 was the first to take up arms to oppose Hitler's plans for the division of Europe. He refused to collaborate with the Nazis."

The glorification of Bandera has also been criticized by Russian and Polish leaders and Jewish groups.

#16

Ukrainian Parliament Seals Leader's Ouster By Andrew E. Kramer New York Times, March 4, 2010

MOSCOW — The Parliament in Ukraine passed a vote of no confidence in Prime Minister Yulia V. Tymoshenko on Wednesday, ousting the last of the Orange Revolution leaders from power but almost certainly not from politics.

The no-confidence vote was expected after Ms. Tymoshenko lost the presidential election last month, and after the Parliament speaker said Tuesday that the coalition that appointed her prime minister had broken up.

Before the vote, she had unexpectedly told Parliament that she would resign if the no-confidence measure passed, and her backers said she intended to move rapidly to lead the opposition against President Viktor F. Yanukovich, who was inaugurated last week.

Sergiy Terokhin, a former economy minister and member of Ms. Tymoshenko's political party, said that after her ouster became inevitable she decided to quickly thrust the burden of governing onto Mr. Yanukovich.

He said the entire cabinet would step down and members would appoint their deputies as acting ministers. Because the deputies are not confirmed by Parliament, they have fewer powers than acting ministers who remain after a vote of no confidence. One result, he said, will be to freeze major decisions in government until a new coalition is formed.

Another result will be to leave Mr. Yanukovich off balance in his first weeks as president, as he is seeking to complete work on the already greatly delayed 2010 budget. A budget, in turn, is needed to unlock International Monetary Fund lending to prop up the badly shaken economy. The Ukrainian economy contracted 15 percent in 2009, and remains among Europe's weakest.

Mr. Yanukovich's Party of Regions joined with other factions to pass the no-confidence measure with 243 votes in the 450-seat chamber. But they failed to muster the votes to form a new coalition, leaving some cards in Ms. Tymoshenko's hands.

Members of political parties in the faction of Viktor A. Yushchenko, the former president and Ms. Tymoshenko's erstwhile ally in the Orange Revolution protests of 2004, voted for her dismissal. That faction's divided loyalties make it a crucial and unpredictable player in new coalition talks.

If the Parliament is unable to form a coalition within 30 days, it will be disbanded and a new election called.

Some observers here, and even supporters of the prime minister, said her threat to resign was meant to compel Parliament to determine quickly whether a new coalition could be formed, and if not, to prompt new elections.

However the latest maneuvering turns out, no one is counting her out. As Cliff Kupchan, research director at the Eurasia Group in Washington, said, "A wily and ambitious politician will find a way back."

#17

Russian Olympic Chief Quits

By Michael Schwartz

New York Times, March 3, 2010

MOSCOW — The president of Russia's Olympic Committee has become the first official to heed President Dmitri A. Medvedev's demand for resignations after the poor showing by Russian athletes at the Winter Games in Vancouver.

Leonid V. Tyagachev, the president of the Olympic Committee, tendered his resignation on Wednesday, the committee spokesman, Gennadi Shvets, said on Russian television. Mr. Tyagachev said he was "prepared to heed the call of conscience or that feeling of guilt peculiar to the Russian person, even though the Olympic Committee does not answer directly for athletic results," Mr. Shvets said.

Russians brought home only three gold medals out of a total of 15 medals from Vancouver, a far cry from the glory days of the Soviet Union when Russians dominated international athletics. This week, Mr. Medvedev denounced the state of Russian athletics and called on officials to "have the courage to submit their resignation."

Given the level of the Kremlin's anxiety just four years before Russia hosts the next Winter Games, in Sochi, Mr. Tyagachev's resignation was unsurprising.

A former head trainer of the Soviet ski team, Mr. Tyagachev was named president of the Olympic Committee in 2001. During his tenure, the Russian government began allocating money to revive the country's athletic infrastructure, which had been left to rot in the chaotic days after the Soviet Union's demise.

But coaches and athletes have complained that this money has often become tied up in the knotty bureaucracy that seems to pervade all aspects of life here. In his comments earlier this week, Mr. Medvedev suggested that Russia's athletic system was set up to favor the "fat cats" in charge of sports federations rather than the athletes.

Other politicians have weighed in with similar criticisms, calling for a sweeping overhaul of the country's athletic bureaucracy.

"At the Olympics our athletes were helpless in the sense that they had no support from the leadership in their preparation," said Vyacheslav A. Fetisov, a former hockey star who is now a senator in Russia's Parliament.

"We need to identify highly responsible and professional people who can answer for our sports," he said in Parliament on Wednesday, Interfax reported.

So far, no other officials have submitted their resignations, though calls have grown louder for the sports minister, Vitaly Mutko, to step down. Asked about his plans in an interview on Russian television on Tuesday, Mr. Mutko was ambiguous.

"I will leave absolutely calmly," he said, "but I don't know if athletics will benefit as a result."

#18

The Agency's New Agenda

Editorial

Forward, March 3, 2010

The Jewish Agency for Israel is embarking on a bold and necessary attempt to create a new mission for itself, downplaying its historic role in promoting immigration to Israel and emphasizing instead an intriguing but still amorphous notion of Jewish "peoplehood."

Applause is warranted anytime a sprawling, calcified bureaucracy seeks new direction and energy, and never more so than in this case. The agency that once effectively acted as a governing body in pre-state Israel, and since 1948 promoted aliyah worldwide, has lost its way. Immigration is no longer as much of a pressing task, and other groups handle it far more efficiently. The pipeline of funding from the American Jewish community has shrunk, both in real dollars and in the percentage of donations sent to Israel, a not-so-subtle message that the Jewish Agency had lost the confidence of its largest flock.

And so the Jewish Agency's new chairman, Natan Sharansky, and a leadership cadre made up mostly of Russian-speaking Jews, are embracing "peoplehood" as their rallying cry and organizational mission. As reported by our Gal Beckerman, this approach is informed by their experiences in the former Soviet Union, where they nurtured a defiant attachment to other Jews in a society that smothered religion and ethnic identity.

"Peoplehood" is an appealing notion. Most Jews want to belong, to see themselves as part of a historic narrative, a sturdy sub-group with a distinct culture and perspective that comes with certain obligations and a kind of built-in safety net. Jews take care of other Jews. That's what we're supposed to do.

That, indeed, was what Zionism was supposed to do, by positioning Israel as the bulwark against genocide and any other hurts against the Jewish people. And herein lies one of the great challenges in defining this alternative direction for the Jewish Agency. Where is Zionism in the new "peoplehood" mission? How does an organization representing the state of Israel promote Jewish identity in the Diaspora without diluting or perhaps even erasing the central message that Jewish historical aspirations lead to Zion?

The second challenge to this embryonic notion of "peoplehood" goes even deeper: Can the Jewish people be sustained without God, without religion? Can a lasting Jewish identity be stitched together without the binding of a traditional faith? It is difficult to imagine how a sense of community and belonging and responsibility alone will be compelling enough for young people for whom being Jewish is one option among many.

But the truth is, both of these deep challenges already face the Jewish people. The initial expectations of Zionism have been tempered by time, as the great ingathering has proven to be more hoped-for than real. And as for God, well, His role has been a source of Jewish debate since that first argument with Abraham.

Now it is up to the Jewish Agency to take this bold idea, translate it into a clear, understandable mission and reorganize a famously lackluster bureaucracy into a fighting force for Jewish identity.

#19

Embattled Jewish Agency To Promote Identity Over Aliyah New Emphasis on 'Peoplehood' Reflects Economic Reality and Russian Roots

By Gal Beckerman

Forward, March 3, 2010

Natan Sharansky knows he's disturbing the status quo. Days before the most recent meeting of the Board of Governors, the body that oversees the Jewish Agency for Israel, Sharansky, its relatively new chairman, declared that the agency's traditional mission had outlived its usefulness.

"It's not enough to speak about aliyah," Sharansky said, talking in front of a delegation of American Jewish leaders. "It's almost prohibited for the head of the Jewish Agency to say so, but it can't be our goal [just] to bring more Jewish people [to Israel]."

With these words — and the recent appointment to key positions of people who share his views — Sharansky has signaled his intent to bring about radical change to the financially strapped Jewish Agency, shifting its focus away from Israel and toward strengthening the secular identity of Diaspora Jews.

At the center of Sharansky's plan is the notion of peoplehood. He and a tight group of ideological allies — mostly other Russian Jews — believe that the Jewish Agency must now become a global promoter of Jewish identity, particularly among the young. Peoplehood, according to its proponents, is defined as a sense of connectivity between Jews who share a common history and fate. It is still an amorphous concept for some critics. Others wonder if it is too weak a foundation on which to base educational programs — especially since this vision of peoplehood is not predicated on having any kind of religious or spiritual identity.

Nonetheless, this new role for the Jewish Agency is one that Sharansky, by all accounts, seems to be pursuing with great passion. It also comes out of necessity. Ever since the establishment of Israel in 1948, the agency has been financed through a combination of Israeli government funds and money from the Diaspora. In the Agency's heyday, North American Jewish federations regularly contributed between 50% and 70% of the money they raised every year to fund it. But as the large-scale immigration to Israel began to ebb, so, too, did this source of money. By 2004, the last year for which the Jewish Agency provided this statistic, only 23% of combined Jewish federation money was being sent overseas, to be split by the agency, which received 75%, and the American Jewish Joint Distribution Committee, which got the remaining 25%.

By now it is clear that this source of money has long since dried up. Whereas in 1989, the Jewish Agency received \$275 million from the North American federations, last year it received only \$130 million, and the projected intake for 2010 is \$110 million. Given that Diaspora money makes up one-third of the agency's budget, the drop has been catastrophic for the large bureaucracy.

"The Diaspora institutions, from the 1970s on, began to cut allocations and put pressure for cuts," said Irving "Yitz" Greenberg, a prominent Modern Orthodox rabbi who was the founding president of the Jewish Life Network, an organization focused on revitalizing American Jewish life through educational and cultural initiatives. "And the agency, instead of giving up some of its functions and making a real transformation, suffered a slow death by a thousand cuts. It's been cumulative, and by now they see that they can't just do less of all of the things they are doing currently."

Immigration to Israel is also not the giant task that it once was. In recent years, private organizations like Nefesh B'Nefesh, which helps North American Jews make aliyah, have been praised for providing better, more efficient services than the Jewish Agency. And though immigration is still a large budget category, this year it will account for barely more than the education department (\$100.59 million, as opposed to \$94.29 million for education, out of a budget of \$321.71 million).

Two recent appointments to high posts in the agency are further indication of a change in direction.

A new senior position has been created for Misha Galperin, the current executive vice president and CEO of the Jewish Federation of Greater Washington. He will be based in New York, and provisionally be in charge of, what the Agency is calling “Global Public Affairs and Financial Resource Development.”

Galperin, the most prominent Russian Jew filling a leadership position in the American Jewish organizational world, is one of the main conceptual architects of peoplehood and recently authored a book on the subject.

A few days before the official confirmation of his appointment, which came on March 3, the Jewish Agency’s announced that Alan Hoffmann, currently the director general of the agency’s education department, will become the director general of the entire agency, elevating someone whose orientation is promoting Jewish education. Of Hoffmann’s appointment, Galperin said that he knows “I have a partner in Israel who is exactly the kind of person that I was hoping would be my partner on that side.”

With these new positions filled, all that remains is to define exactly what peoplehood is and how a sprawling institution promotes it.

Steven M. Cohen, who is a sociologist of American Jewry director of New York University’s Berman Jewish Policy Archive, and has conducted research around the concept, said that rather than being a vague idea, peoplehood can actually be reduced to a very distinct set of values and corresponding commitments.

“There are obligations,” Cohen said. “When Jews are in trouble, you are expected to go help them. When you do tikkun olam [repairing the world], you have to balance tikkun olam for the larger world with tikkun olam for Jews in particular. You are supposed to follow the news about Jews. You are supposed to be involved in community affairs. There are a lot of peoplehood obligations that are real. Things you should do. You should be involved in your community, either religiously or socially. You should be engaged with other Jews doing things that are Jewish. That’s a peoplehood commitment.”

Galperin’s succinct definition of peoplehood is “an extended family with a mission,” and to promote it, one must engender a feeling of belonging, of community. Advocates say that young Jews must be given experiences — like Jewish summer camp or the Taglit-Birthright Israel program — that allow them to see their connection to other Jews and identify with the Jewish story.

Galperin says that contrary to what most people think about the Jewish Agency, it is already engaged in many projects that could fall under this rubric.

“Most donors have no idea that the Jewish Agency puts a significant amount of money into Birthright or that one of its subsidiaries provides an enormous amount of services for Israel experience, for all kinds of trips,” Galperin said. “Or that there are today 400 emissaries of the agency in the United States providing Jewish-identity education through a variety of ways. It’s just not something that is known. So some of what we have to do is positioning and marketing and communication, and some of it is substance.”

The substance, Galperin says, has yet to be clearly defined. There are certain successful programs that already exist. Others will have to be invented. The key for him, and Sharansky, is that the core mission no longer be immigration.

Galperin also contends that such a move will be good for the financial situation of the Jewish Agency, enabling it to find new sources of funding and to draw more from federations. John Ruskay, head of New York’s UJA-Federation, agrees. He, too, has been working on a peoplehood-related project for years and sees it as the critical element for increasing both commitment and funds.

“I see this as a reframing to respond to a new context,” Ruskay said, referring to the agency’s new stated mission. “Sharansky has said repeatedly, whenever there is a Jew that needs to be rescued, the Jewish Agency will be there. But he recognizes that identity is the critical driver. If you’re not identified positively as a Jew, who is going to consider making aliyah? Who will be committed to helping hungry Jews whether in the former Soviet Union or New York? Who will be concerned with securing the Jewish state? In my view, the Jewish Agency, born in 1919, finds itself in a new context.”

Another prominent Russian Jew, Leonid Nevzlin, a former oligarch who now lives in Israel and has become a major philanthropist, has also had a hand in promoting the concept of peoplehood. Through his foundation, Nadav, he has given funds to projects that contribute to this idea. At this year's General Assembly, for example, Nadav sponsored a series of sessions dealing with different aspects of Jewish-identity building. Nevzlin also sits on the Jewish Agency board and is a strong ally of Sharansky and Galperin.

In an op-ed that ran in Haaretz just before Sharansky became chairman, Nevzlin wrote that the "key to the future success" of the agency was "the realizing of Jewish Peoplehood." He posited that the organization needed "to change its structure and relinquish its current divisions (education, aliyah, partnerships) — a vestige of past assignments or political considerations." Instead, he wrote, "it must establish two main operational frameworks: the first for the Jewish communities around the world, the second for Israel." Although neither Galperin nor Sharansky will confirm that such a planned restructuring is in the works, Nevzlin is a close collaborator with the two, and his ideas have reflected theirs in the past.

It is fitting that Russian Jews should be the ones pushing this particular approach to identity building. Jews who lived in the Soviet Union — the parents of Sharansky, Galperin and Nevzlin — survived decades of communism with their sense of peoplehood intact, even as they lost their religious connection. As Cohen put it, it makes sense that Russian Jews, given their history, should be "predisposed to a secular, national definition of what it means to be Jewish."

There are those, however, who worry that peoplehood is too vacuous or superficial a concept to be the basis of Jewish identity. Absent the threat of antisemitism, the critics say, it is hard to see what will bind Jews as one "global family." Others argue that the Jewish faith has done a good job of inspiring a sense of peoplehood, but that the programming envisioned by the Jewish Agency makes no room for religion.

"I think that the agency in the end will not succeed in the educational, cultural, peoplehood mission unless it is able to make a contribution in the development of Jewish religion," Greenberg said. "That's going to be a real challenge."

But that's a minor worry compared to the larger concern if the agency doesn't change. "I think the logic is overwhelming and inescapable, and it's probably the last chance," Greenberg said. "If this doesn't work, then the agency will die."

#20

Energy tops agenda for new Ukraine leader in Moscow

By Conor Sweeney

Reuters, March 5, 2010

MOSCOW - Ukraine's President Viktor Yanukovich arrived in Moscow on Friday for his first visit since winning election on a pledge to improve ties with the Kremlin after years of acrimony under his pro-Western predecessor.

Economic issues, such as cash-strapped Ukraine's bills for Russian natural gas, are expected to dominate his meetings with Russian President Dmitry Medvedev and the country's most powerful politician, Prime Minister Vladimir Putin.

Political ties soured under Yanukovich's pro-Western predecessor, Viktor Yushchenko, who came to power after the Orange Revolution and sought to take his country towards membership of the European Union and NATO.

Yanukovich, inaugurated last week, comes to Russia days after his first foreign trip as head of state, to Brussels, where he promised the European Union to keep Ukraine on the reform path and ensure it remains a reliable gas transit route.

Europe, which gets a fifth of its gas needs from Russia via Ukraine, is hoping Yanukovich's more pro-Russian stance can guarantee he will avoid repeating the price disputes which led to supply cuts to Europe in recent years.

"I hope that the dark period in relations between Ukraine and Russia will end with your arrival as president, that we will move to a completely new level of cooperation," said Medvedev at the start of talks in the Kremlin.

Yanukovich responded that he wanted a u-turn in ties that would erase the tensions of the past five years.

'POISONED CHALICE'

Many analysts believe Kiev's desperate public finances mean Yanukovich must change a long-term gas deal signed in 2009 by his election rival, former Prime Minister Yulia Tymoshenko, specifically the part which eliminated Russian gas discounts, meaning Ukraine now pays the European market rate.

"He's inherited the proverbial poisoned chalice in the economy and will need to do deals with both Russia and the EU," said Uralsib chief strategist Chris Weafer.

"What they do with the gas contract is critical, which is where we'll see some bartering. I think the EU will be relieved to see a deal, as it would be an insurance against further shutdowns."

The Kremlin on Thursday said Ukraine should not seek to reopen the terms of gas contracts.

But Russian business daily Kommersant reported on Friday that Ukraine will offer to give Moscow a one-third stake in the future management of its gas pipeline network, in exchange for deep cuts in the price of imported Russian gas.

Yanukovich's domestic critics warned about creating a gas consortium that would hand over pipeline control.

"Any talks about the necessity of creating some sort of consortium, of leasing it, of some sort of common ownership or control by other countries of the gas transport system ... is a betrayal of national interests," Ukraine's acting prime minister, Oleksander Turchynov, said in televised remarks.

Yanukovich has pleased Russia by making clear he opposes Ukraine joining NATO, saying Kiev would continue only partnership programmes with the Western military alliance.

But analysts have said Yanukovich would have to offer Moscow bigger incentives -- such as a deal for the Russian Black Sea Fleet to stay in Ukraine's port of Sevastopol beyond the official withdrawal deadline of 2017 -- to win lower gas prices.

Yanukovich has said he could allow the fleet to stay, a move Moscow sees as a certain guarantee that Kiev will not join NATO.

He may also seek to convince Russia not to proceed with either Nord Stream or South Stream, pipelines that would bypass Ukraine in delivering gas to Europe via the Baltic and Black Seas, drastically cutting Kiev's transit revenues.

#21

Russia, Ukraine exchange praise but strike no deal

By Simon Shuster and Nataliya Vasilyeva

AP, March 5, 2010

MOSCOW -- Russian and Ukrainian presidents lavished praise on each other Friday for moving past the "degraded" relations that followed Ukraine's pro-Western Orange Revolution of 2004, but fell short of reaching any specific deals.

Ukrainian President Viktor Yanukovich, making his first trip to Moscow since being sworn in last week, met with his Russian counterpart Dmitry Medvedev in hopes of getting Russia to cut gas prices for his country.

Yanukovich's deputy chief of staff, Anna German, told The Associated Press ahead of the visit that Ukraine "expected concrete agreements" from the visit. "This is not just a cordial visit, but a very pragmatic visit," she said in an interview last week.

But Medvedev limited himself to pledging a revival in "brotherly" ties while lamenting the "dark streak" in relations of the past five years.

Ukraine had been governed since 2005 by the Orange leaders, who had sought to break Ukraine out of Russia's sphere of influence and join the European Union and NATO.

Moscow fumed over these efforts, and Medvedev refused last year to send an ambassador to Ukraine until President Viktor Yushchenko, a harsh critic of the Kremlin, was out of office.

"Even when our country's ambassador was not in Kiev, I would wake up thinking about Ukraine," Medvedev said. "Now we have fundamentally different possibilities... We will need to reanimate Russian-Ukrainian relations."

Yet Russia's Energy Minister Sergei Shmatko said on the sidelines of the meeting that specific issues would not be resolved until Ukraine appointed a new prime minister. Analysts have tipped Yushchenko as a possible but unlikely candidate for that powerful post.

The government of Yulia Tymoshenko, the heroine of the Orange movement, was ousted Tuesday in a no-confidence vote initiated by Yanukovich's party. Talks are under way to form a new majority coalition in Ukraine's parliament that can nominate a new prime minister.

"We agreed that all issues, including gas, will be discussed with the Ukrainian government when it is formed," said Shmatko, who took part in Friday's talks.

Tymoshenko signed a gas supply deal with Russia last January that obliged Ukraine to start paying European gas prices, which are much higher than it previously paid.

That deal ended one of several gas wars between Russia and Ukraine that took place under Yushchenko's presidency and involved Russia's cutoff of gas supplies to Europe via Ukraine.

Yanukovich now wants to renegotiate the gas deal that ended that dispute and bring Russian gas prices back below European levels. The Izvestia daily on Friday quoted Yanukovich's ally Anatoly Kinakh, who is tipped to become Ukraine's next fuel and energy minister, as saying that Ukraine wants to see gas prices cut by one-third.

Yanukovich signaled during his election campaign that he could repay the favor by offering Russia a role in managing Ukraine's pipeline system.

But Russia's gas export monopoly Gazprom said earlier this week that it had received no such offer yet. It said earlier that it saw no reason to review the deal signed last year, and Gazprom chief executive Alexei Miller was conspicuously absent from Friday's talks.

Yanukovich was due to meet later Friday with Russia's Prime Minister Vladimir Putin, who negotiated last year's gas deal with Tymoshenko and is widely believed to continue calling the shots in Russia following his eight-year presidency.

#22

Pricey real estate deals in Dubai raise questions about Azerbaijan's president

By Andrew Higgins

Washington Post, Friday, March 5, 2010

DUBAI, UNITED ARAB EMIRATES -- Even by the standards of a city that celebrates extravagance, it was a spectacular shopping spree: In just two weeks early last year, an 11-year-old boy from Azerbaijan became the owner of nine waterfront mansions.

The total price tag: about \$44 million -- or roughly 10,000 years' worth of salary for the average citizen of Azerbaijan. But the preteen who owns a big chunk of some of Dubai's priciest real estate seems to be anything but average.

His name, according to Dubai Land Department records, is Heydar Aliyev, which just happens to be the same name as that of the son of Azerbaijan's president, Ilham Aliyev. The owner's date of birth, listed in property records, is also the same as that of the president's son.

Officials in Baku, the capital of Azerbaijan, declined to comment on how the president's son -- or at least an Azerbaijani schoolboy with the same birth date and the same name as the son's -- came to own mansions on Palm Jumeirah, a luxury real estate development popular with multimillionaire British soccer stars and others with cash to burn. Ilham Aliyev's annual salary as president is the equivalent of \$228,000, far short of what is needed to buy even the smallest Palm property.

Azer Gasimov, the president's spokesman, declined to discuss the Dubai real estate purchases. "I have no comment on anything. I am stopping this talk. Goodbye," he said when contacted by telephone and told about the names on the property records. Gasimov did not respond to requests for further comment sent by fax, e-mail and cellphone text message.

Azerbaijan, a former Soviet republic blessed with plentiful oil and gas reserves yet blighted by widespread poverty outside its glitzy capital, has long had a reputation for corruption. But the Dubai purchases, which have not been reported before, could provide a rare concrete example of just how much money the country's governing elite has amassed and of the ways in which at least part of this wealth has been stashed overseas.

Problem for Washington

The transactions sharpen a dilemma that has shadowed Washington's relations with Azerbaijan for years: how to reconcile the United States' security and energy interests in the oil-rich Caspian Sea nation with what the State Department, in a report last year on human rights around the world, described as the "pervasive corruption" of its increasingly authoritarian regime.

Azerbaijan has sent troops to support U.S. democracy-building efforts in Afghanistan and Iraq but at home has retreated steadily from democratic practices, according to diplomats and experts on the region. Transparency International, in a 2009 survey of global corruption, ranked Azerbaijan among the worst at 143 out of 180 nations.

In addition to recording nine properties owned by Heydar Aliyev, the now-12-year-old schoolboy, Dubai's Land Department also has files in the names of Leyla and Arzu Aliyeva. President Aliyev has two daughters with the same names and roughly the same ages. Their exact dates of birth could not be established, but various reports indicate Leyla's birthday is the same as that of the Azerbaijani woman who figures in the Land Department records.

In all, Azerbaijanis with the same names as the president's three children own real estate in Dubai worth about \$75 million, property data indicate. Dubai real estate dealers with knowledge of some of the transactions said the purchases were made by a buyer representing Azerbaijan's ruling family. The dealers said the properties were paid for upfront.

Ali Kerimli, chairman of the Azerbaijani Popular Front, an opposition party, said in a telephone interview, "We all know that our country is one of the most corrupt." But when told about the Dubai purchases, he added that he was surprised at the apparent lack of effort to conceal them.

Azerbaijan's leaders, Kerimli said, "face no danger" because the judiciary, anti-corruption bodies and most of the country's media outlets are firmly under their control.

The rush to move assets overseas, often with scant regard for returns, is a common feature of many oil-producing nations, where corrupt elites seek to ensure that their wealth is safe just in case political winds at home change.

The phenomenon is part of the "resource curse," an ailment that has deformed the economies and politics of corruption-addled, oil-producing nations from Nigeria to Venezuela.

Kerimli said Washington paid too much attention to security and energy issues and thus "sent a signal to our country that democratic reform is not important." When Richard B. Cheney visited Baku as vice president in 2008, he not only held talks with President Aliyev focused on energy but also met with executives of BP and the U.S. oil company Chevron, both of which have operations in Azerbaijan, as do Exxon and other foreign oil companies. Azerbaijan and the United States, Cheney said, "have many interests in common."

The Obama administration has also focused on strategic issues in its relations with Azerbaijan. On a visit to Baku two weeks ago, William J. Burns, undersecretary of state for political affairs, praised Azerbaijan for supporting the United States in Afghanistan and trumpeted the role of a U.S.-backed oil pipeline from Baku to Turkey that broke Russia's stranglehold on energy exports from the Caspian Sea.

In a speech, Burns avoided direct criticism of Azerbaijan, noting only: "We also believe that the strengthening of democratic institutions, rule of law and respect for human rights will have a positive effect on the future of this country."

The Aliyev government and its supporters, meanwhile, have tried to burnish Azerbaijan's image, sponsoring trips to Baku by prominent foreigners and hiring lobbyists to trumpet the country's achievements. David Plouffe, President Obama's former election campaign manager, visited Baku last year to deliver a paid-for speech; a few months later came former British prime minister Tony Blair, who also received a fee to speak. Plouffe declined to comment about his trip.

All in the family

Azerbaijan, which became an independent nation with the collapse of the Soviet Union in 1991, has been ruled almost continuously by the same family. Aliyev took over from his father, Heydar Aliyev, who was president from 1993 until his death in 2003.

The Aliyev family's long grip on power has provided a measure of stability and robust, energy-fueled economic growth in a country that shares borders with Iran and Russia. But it has also left Azerbaijan riddled with graft and a culture of impunity.

The role played by the Aliyev family at the center of this system figured prominently in the New York trial last year of Frederic A. Bourke Jr., an American millionaire convicted of violating the Foreign Corrupt Practices Act as a result of bribes paid in Azerbaijan. Bourke has appealed his conviction.

The case related to an abortive attempt in the 1990s to buy Azerbaijan's state oil company, SOCAR, where Aliyev, now the country's president, was then a senior executive. In courtroom testimony and an affidavit filed with the court, Thomas Farrell, a Virginia businessman involved in the failed scheme, told of large illicit payments that he thought were destined for "the family."

Farrell, in his affidavit, related how Heydar Aliyev, the father, "had directed that we wire transfer sums of money into bank accounts held for the benefit of relatives of Heydar Aliyev." Farrell also told that he had been "instructed that money be sent to members of Heydar Aliyev's family for 'shopping sprees.' Typically the amount of money requested was \$1 million."

These alleged payments, however, are dwarfed by the amounts invested in a series of Dubai real estate deals that, according to property records, began in 2008 and reached their climax in January and February last year.

The Dubai properties registered in the names of three people with the same names as President Aliyev's children cost roughly 330 times his annual salary.

Some members of the family, however, do have money. The president's older daughter, Leyla, is married to Emin Agalarov, a wealthy Russian businessman, and relatives of the first lady, Mehriban, have lucrative business

interests in Azerbaijan. Agalarov declined to comment when asked whether he had helped buy Dubai properties for his wife or Aliyev's other children. He said he had "joined businesses and properties" with his wife but did not elaborate, saying in an e-mail: "We wish not to comment on that."

Sabit Bagirov, a former head of SOCAR, the oil company, said that he did not know whether the Aliyevs own property in Dubai but that it would be highly unusual for them to register any such property purchases under their real names. "They would not do this so openly. It could be a provocation," he said, suggesting that the regime's enemies may have staged the Dubai deals to embarrass Aliyev. Bagirov declined to elaborate.