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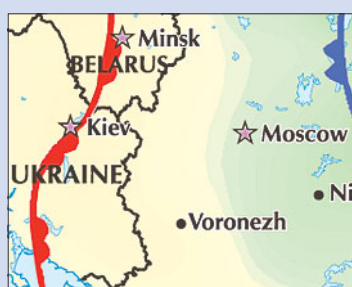
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Check out our new weather map with expected temperatures across all of Russia and five-day forecast for Moscow before you make plans for the weekend. **Page 14**

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EURO	USD	RTS INDEX
0.23 49.51	0.18 35.66	2.58% 1,172.91



Don't Drink the Tea and Other Myths

By Ivan Nechepurenko
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Residents of Slovyansk were likely shocked to hear from Ukraine's deputy Interior Minister in early April that an order had been given to pro-Russian separatists to seize kindergartens in the ongoing conflict in Ukraine.

They must have been equally baffled later in April to hear that the leaflets being dropped by helicopter by the Ukrainian military were a trick — and that anybody picking them up would be shot on sight.

But these reports, later denied and debunked, are part of what analysts say is common practice in any conflict — a propaganda tool meant to dehumanize

the enemy that has been used frequently during the conflict in Ukraine, on both sides of the political spectrum.

Mikhail Pogrebinsky, a political scientist at Kiev's Center for Political Research and Conflictology, said such a method of distorting reality could be used to justify violence.

"If you call people insects then it means you can step over them and kill them without any remorse," Pogrebinsky said.

"What happens is that white is called black and vice versa, and people are portrayed as not human, which then warrants violence against them," Pogrebinsky said.

From kindergartens under siege to poisoned water and tea and concen-

tration camps, The Moscow Times has compiled a list of some of the most bogus horror stories that have emerged during the Ukraine crisis.

By now, everyone and their mother has heard the tale of the unsuspecting visitor to Kiev accepting a cup of tea from a kind stranger on Independence Square during last fall's protests — only to find that the drink had been drugged in an elaborate ploy to recruit unruly protesters for the Maidan movement. Rumors of drugged tea made the rounds throughout social media, with many warning their friends against falling for such a trick. There has not been confirmation that such a thing was taking place, but — fortunately for those who enjoy such tall tales — the large

quantity of tea being handed out in those turbulent months makes it nearly impossible to refute the myth.

In early April, Ukrainian media and Ukraine's Deputy Interior Minister Nikolai Velikovich warned that the self-proclaimed people's mayor of Slovyansk, Vyacheslav Ponomaryov, had given an order to pro-Russian militants to capture all kindergartens in the city. The move was meant to protect the pro-Russian separatists from attack by the Ukrainian military, as the military would be reluctant to strike women and children. Ponomaryov later refuted this rumor.

Ponomaryov was the center of another rumor weeks later, which said he

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VLADIMIR FILONOV / MT

Russian servicemen take part in rehearsals on Tverskaya Ulitsa for the upcoming Victory Day parade. One of the most important holidays for Russia, this year marks the 69th anniversary of the country's defeat of Nazi Germany, and for many, events in neighboring Ukraine have given a boost to patriotism.

Violence Creates Financial Chaos in Ukraine

Ukrainian and Russian subsidiary banks are rapidly halting operations in eastern Ukraine as some are targeted by pro-Russian separatists.

By Alexander Panin
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Several banks have halted operations in turbulent eastern Ukraine since the beginning of the week, fearing for the safety of their clients amid flaring violence and reports of assaults on offices.

Meanwhile, Ukraine's banking system, weak before the crisis, is suffering increasing outflows of foreign capital, banking analysts said.

Most banks resumed operations on Tuesday as violence abated, but the continuing conflict between pro-Russian separatist groups and the Ukrainian military is putting banks, both local and foreign, at risk.

"Ukraine's banking system has been highly dependent on foreign capital, a large portion of which is Russian," said Yelena Fedotkova, an analyst at PSB Research, a Moscow-based financial consultancy.

While the staggering economy — Ukraine was deep in recession even before Kiev erupted in protest last December — means the country has long been a risky investment for banks, mounting instability is triggering more capital outflows, she said.

Ukraine's largest lender, Privatbank, on Monday suspended opera-

tions in Donetsk and Luhansk, citing the threat to the lives of its employees from heightened criminality. Privatbank said in a statement on its website that it had shuttered its doors after separatists who say they want independence from Kiev raided 14 of its branches and stole 11 of the bank's armored transport cars, though it added that no money was stolen.

The raids against Privatbank followed the appointment of its co-owner, billionaire Igor Kolomoisky, as the head of Dnipropetrovsk region, Donetsk's neighbor. Kolomoisky has remained staunchly pro-Ukrainian, and Dnipropetrovsk has so far avoided the chaos that has engulfed other regions.

Privatbank reopened most of its branches on Tuesday, as Ukrainian military forces pulled back from their at-

tempts to storm towns held by separatists. About 60 offices, or over half of the bank's branches in Luhansk region were operating on Tuesday evening. Several branches in safe areas in the Donetsk region have also opened, the bank said.

Privatbank is not the only bank caught up in the violence. Ukraine's state-owned Oschadbank briefly suspended some services in the Donetsk region on Monday, while the subsidiary of Russia's Alfa-Bank in Ukraine on Tuesday suspended services in two towns in the region.

Russia's biggest bank, state-owned Sberbank, also said its Ukrainian subsidiary had temporarily shut its doors in Slovyansk in the Donetsk region but that operations resumed on Tuesday.

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RUMORS

Continued from Page 1

had threatened to shoot anyone cooperating with Ukrainian soldiers and anyone who picked up and read the leaflets that the Ukrainian Army had been dropping from helicopters. Ponomaryov later refuted this rumor as well.

Crimean Tatars were terrified in mid-April by a document purporting to show that they were soon going to be deported from the peninsula to the Kostroma, Rostov and Nizhny Novgorod regions of Russia. A counterfeit document detailing the procedure allegedly issued by the Federal Migration Service was published on Russia's parliamentary newspaper's website on April 13. The paper later published a statement saying that the document had appeared on its website as the result of an attack by hackers.

The Ukrainian Security Service, or SBU, said late last week that separatists in Donetsk planned to blow up a water reservoir that feeds the region to deprive the population of water. Ukraine's top law enforcement agency said the militants intended to use explosives stolen from Donetsk's mines. The facility's security was tightened as a result of the report, and the rumors forced Donetsk Mayor Alexander Lukianchenko to issue a statement reassuring that the city would not be cut off from water, and that the water would not be poisoned.

"My official claim is that water in Donetsk is in line with all requirements, and is checked every hour," Lukianchenko said in a statement posted on his website on Monday.

While many were afraid that pro-Russian militants had been behind plans



GLEB GARANICH / REUTERS

Vyacheslav Ponomaryov

to contaminate the water, others said that it was actually members of the radical Right Sector group — a clear sign that both sides of the conflict are resorting to such propaganda tactics.

Despite Lukianchenko's reassurances on Monday, the rumor had its desired effect and prompted residents to panic. People were so concerned that they formed massive lines to stock up on bottled water and food products in case of the rumored catastrophe.

Last Monday, Ukraine's counterintelligence unit published an alarming report: the agency said it had seized 1.5 kilograms of a substance that it said might be the uranium-235 isotope, which can be used to make a dirty nuclear bomb. According to the agency's report, nine people were also detained in connection with the substance, one of them a Russian citizen. Those detained were allegedly transporting the substance from the

neighboring self-proclaimed Transdnestr republic. On Tuesday, Transdnestr's authorities denied the claim, however, saying that there are no facilities on its territory capable of producing the fissile material.

Rumors about the ultranationalist Right Sector group have figured prominently in many myths in the conflict and served as one of the main catalysts for popular unrest in Ukraine's east, as well as for the swift organization of the referendum in Crimea in March.

A rumor about Right Sector being on its way to besiege the town of Rovenki in the Luhansk region nearly caused mass hysteria in April, when it prompted people of all sides of the political spectrum to take to the streets and nearly caused clashes between them.

Russia's Foreign Ministry has also issued statements that have led to panic. On April 28, the ministry published a statement in which it expressed "grave concern" over the alleged construction of "fascist concentration camps" in Ukraine under the guise of migrant detention centers. The rumor spread throughout multiple media publications and caused an uproar among Ukrainians in the east. Ukraine's Foreign Affairs ministry quickly issued a refutation.

Perhaps the most far-fetched report, however, came from a Ukrainian journalist, Roman Burko, who said in April that Russia was developing a mobile weapon capable of suppressing an individual's psychological free will — in short, a tool to turn someone into a zombie. The weapon would also allow people's thoughts to be read from a distance, according to Burko.

There has been no confirmation of such a phenomenon.

PUTIN'S RUSSIA

By Sergei Elkin

Could you put me through to the FSB?

Here one man ordered

Ukrainian borshch!



For more Putin's Russia cartoons, see themoscowtimes.com

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NEWS IN BRIEF

Britain Criticizes Russia

British Foreign Secretary William Hague is suggesting that unrest in eastern Ukraine is being fomented by Russia to disrupt the May 25 presidential elections and is urging a gathering of European foreign ministers to rally in support of the vote.

Hague spoke at a foreign ministers' meeting of the 47-nation Council of Europe in Vienna on Tuesday. He told reporters: "Russia is clearly intent on preventing or disrupting those elections," while asserting that foreign ministers at the meeting will express "strong support" for holding the vote without outside interference.

He also said nations supporting Ukraine remain ready to find a diplomatic solution to reduce tensions generated by the pro-Russian insurgency in eastern Ukraine but "that would require stronger Russian commitment."

The Ukrainian and Russian foreign ministers are also at the meeting. (AP)

Germany Warns Travelers

Ukraine is close to war, German Foreign Minister Frank-Walter Steinmeier warned in interviews published in four European newspapers on Tuesday.

Dozens of people died in the Ukrainian city of Odessa last week when pro-Russian militants clashed with their opponents, and Kiev forces are fighting separatists who have seized control of towns in the east of the country.

"The bloody pictures from Odessa have shown us that we are just a few steps away from a military confrontation," Steinmeier told reporters. He added that the conflict had taken on an intensity "that a short time ago we would not have considered possible."

Steinmeier's ministry also warned Germans against travelling to Crimea.

"It is urgently advised to avoid traveling to Crimea," the Foreign Ministry wrote on its website. "In the German government's view, Crimea belongs to Ukraine but in actuality it is controlled by Russia. Due to the current situation German citizens can no longer be guaranteed consular services." (Reuters)

Russia Expects Iran Progress

Iran and six world powers could agree parts of a text of an agreement on Tehran's nuclear program when they meet for a new round of negotiations in Vienna next week, Russia's chief negotiator said in comments published Tuesday.

Iran, the U.S., France, Germany, Britain, China and Russia are working to reach a long-term accord on ending the decade-old dispute over Tehran's atomic activities by a self-imposed July 20 deadline.

The West suspects Iran may be seeking a nuclear weapons capability. Iran says its program is peaceful.

After spelling out their positions in three meetings earlier this year, senior officials from the countries now plan to start drafting a text of a possible deal.

"As a result of this round, we should at least get some elements of the agreed text and elements of the common text," said Deputy Foreign Minister Sergei Ryabkov, in an interview with RIA Novosti.

He did not give details on what areas the partial agreement might cover. (Reuters)

Russia to Deploy New Ships

Russia will beef up its Black Sea Fleet this year with new submarines and warships, Defense Minister Sergei Shoigu said Tuesday, following the annexation of the Crimean peninsula.

New air defense and marine infantry units would also be deployed at the fleet's bases.

"New submarines will join the Black Sea Fleet, as well as new-generation surface ships, this year. All this requires much attention from us," said Shoigu, Interfax reported. Shoigu said the fleet would receive funding of 86.7 billion rubles (\$2.43 billion) by 2020.

The fleet, which analysts say comprises about 40 frontline warships, is seen as a guarantor of Russia's southern borders and a platform for projecting power into the Black Sea and the Mediterranean.

The West has imposed sanctions in response to the Crimea annexation. (Reuters)



VLADIMIR FILONOV / MT

Liberal Democratic Party leader Vladimir Zhirinovskiy showing reporters a vehicle featuring his party's logo and loaded with his brand of vodka Tuesday. Zhirinovskiy said he was donating the jeep to separatists in Luhansk.

BANKS

Continued from Page 1

There were no known assaults on the Sberbank's offices or ATMs, a spokesperson for the bank in Ukraine said.

The unrest is likely to add impetus to a rush to get banking capital out of Ukraine. A report published last month by the Ukrainian Credit Rating Agency, or UCRA, said a substantial amount of foreign capital left the country's banking system last year and warned the trend could continue if the current economic and political situation remains dire.

While at the start of 2013 the share of foreign capital in Ukraine's banking system was almost 40 percent, this figure decreased to 34 percent by the beginning of 2014.

"A number of Western and Russian financial institutions may exit [the Ukrainian] market," the report said, even if they have to sell at a heavy discount. According to the UCRA, potential losses of subsidiaries of foreign banks working in Ukraine would be small enough for their parent companies to absorb.

Russian banks have a strong presence in Ukraine — Alfa-Bank, Sberbank, VTB and state-owned VEB, which controls Ukrainian Prominvestbank, are among the 15 largest banks in Ukraine.

"Representatives of nonresident banks working in Ukraine that are also present in Russia have said they incurred losses in Ukraine, although the rates [of interest they charge on their loans] were high to compensate for this," Fedotkova said, adding that foreign capital will probably continue to exit the Ukrainian banking

system in the short-run to avoid risks.

"The funds may start to return as the situation stabilizes, but this is unlikely to happen soon," Fedotkova said.

Other analysts, however, disagreed, saying a recovery in Ukraine's banking system may not be so far away, facilitated by the presence of the International Monetary Fund.

"Bankers are temporarily frightened and will transfer their finances to a safe place until things cool off," said Vasily Solodkov, director of the Higher School of Economics' Banking Institute.

"But eventually the situation will get back to normal and Ukraine's banking system will only benefit from the association with Europe and the structural reforms the country will have to go through in return for the loan from the International Monetary Fund," the analyst said.

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HEINZ-PETER BADER / REUTERS

Germany's Foreign Minister Frank-Walter Steinmeier speaking with Foreign Minister Sergei Lavrov in Vienna.

Russia Questions Ukrainian Election

REUTERS

Foreign Minister Sergei Lavrov said Tuesday it would be "unusual" to hold a presidential election in Ukraine while the Army had been sent against Ukrainians. Lavrov's comments, after a meeting of the Council of Europe human rights organization in Vienna, suggested Moscow could be preparing a reason to question the legitimacy of the May 25 election if it is unhappy with the outcome. "Holding elections at a time when the Army is deployed against part of the population is quite unusual," he said in response to a question about whether Moscow would recognize the vote. "We

will see how this process ends." Lavrov said Ukraine should agree to a new constitution to define presidential powers before people cast their ballots. Russia annexed the Crimea region from Ukraine in March and does not recognize the government that took power in February after Ukraine's pro-Moscow president was ousted. The West accuses Moscow of trying to destabilize its fellow former Soviet republic by fomenting separatist unrest in the Russian-speaking east, which could also be used by Russia as possible grounds to withhold recognition of the election. Russia denies the accusations and says the West and the new authorities in

Kiev have aggravated the crisis. Asked about a German proposal to hold a second international meeting on Ukraine, Lavrov said the agreements reached during the first round of talks in Geneva had still not been implemented. "Meeting in the same format, when the opposition to the current Ukrainian regime will be absent at the negotiating table, would hardly add [anything]," he said. "One could possibly do it but we would be going round in circles, again saying that one needs to carry out what we had agreed on. And it is the Ukrainians who should deliver, both the regime and those opposing it."

Penalties Toughened For Riots, Terrorism

REUTERS

While all eyes are turned to Ukraine, President Vladimir Putin has quietly enacted laws which opponents say will strengthen his hand in a battle against dissent in Russia. Putin signed laws on Monday envisaging tougher punishment for people involved in riots and imposing life sentences for various "terrorist" crimes. He also approved tighter controls on bloggers, some of whom have emerged as opposition leaders and have used the Internet to criticize Putin and arrange protests. "All this tightening will be applied only for political ends," said Dmitry Gudkov, a member of parliament who helped organize rallies against Putin in several cities in the winter of 2011 to 2012.

The moves underline Kremlin concern that the unrest in Ukraine, where demonstrations caused the Moscow-backed president to flee, might encourage protests in Russia, even though the annexation of the Crimean peninsula from Ukraine has helped push Putin's ratings to their highest level since late 2010. The new measures preceded a rally planned by opposition activists in Bolotnaya Ploshchad in central Moscow on Tuesday, the anniversary of a protest against Putin on May 6, 2012, the eve of his inauguration for a third term as president. The 2012 protest, on the same square, was crushed by riot police and many were detained in what Kremlin critics say was the start of a clampdown on the opposition. Police were out in force in central Moscow before the protests and ahead of Friday's military parade on Red Square, presided over by Putin, marking the Soviet victory over Nazi Germany in World War II. Dmitry Agranovsky, a lawyer for defendants in what became known as the Bolotnoye case following the protest two years ago, said Kremlin fears of a spillover from the uprising in Kiev meant an example had been made of his clients. Seven received jail terms of up to four years although the Kremlin denies using the courts for political ends and dismisses talk of a clampdown on the opposition.

"Our defense strategy is to draw a clear line between Bolotnaya and the protests in Kiev," Agranovsky said Tuesday. "We cannot be punished for what happened in Kiev." The laws envisage prison terms of eight to 15 years for organizing "mass riots accompanied by violence, pogroms, arson, destruction of property, use of weapons, explosive devices, explosive and poisonous substances." They introduce prison terms of up to 10 years and fines for taking part in "training" with the purpose of staging mass riots, as well as jail sentences for recruiting people for "extremist activity." The laws also expanded the powers of the Federal Security Service, once led by Putin and a successor to the KGB in which the president was an officer in the 1970s and 1980s. The legislation raised to life imprisonment the possible penalty for crimes including organizing and financing terrorism and being linked to or "performing other terrorist activity." The Kremlin has gradually stifled the protest movement that at its height gathered tens of thousands in the streets of Moscow but failed to unite behind a single leader or ideology and lost momentum after Putin won the 2012 presidential race. The opposition have been further sidelined during the Ukraine crisis because criticizing the annexation of Crimea, handed over to Ukraine by Soviet leader Nikita Khrushchev in 1954, would win almost no popular support in Russia. Some of the staunchest Kremlin critics, including leftist leader Sergei Udaltsov, echo the Kremlin's line that the Kiev protests which ousted the president were staged by "fascists." Few opposition leaders have voiced any criticism of Putin's stance on Ukraine, including Gudkov, who has said taking over Crimea will drain funds from state coffers. "Putin has rallied Russians behind him but this was his last trump card in a dangerous game," Gudkov said. "For now people may focus on hating 'fascists' in Kiev, but Crimea will cost citizens dear in the end and the economy is already in trouble."

'Putin has rallied Russians behind him but this was his last trump card in a dangerous game.'
Dmitry Gudkov

Prosecutor Drops Serdyukov Pardon Probe

THE MOSCOW TIMES

Russia's chief military prosecutor has accepted the legitimacy of a pardon granted to former Defense Minister Anatoly Serdyukov, a news report said Tuesday. Having previously questioned the legality of Serdyukov's amnesty, the prosecutor ordered that an investigation be carried out by special research institutions, Kommersant reported, citing Communist State Duma Deputy Valery Rashkin. The prosecutor's name was excluded from the story. The commission reportedly concluded that the grant of amnesty was fair,

though the prosecutor's office did not identify details of the institution or of the professionals that carried out the assessment, according to Kommersant. The former minister was removed from his post by President Vladimir Putin in November 2012 amid allegations of large-scale corruption believed to have cost the state 13 billion rubles (\$360 million). Serdyukov was suspected of involvement in the allocation of ministry funds and soldiers for the construction of a road and the development of a holiday resort in the Astrakhan region belonging to Serdyukov's brother-in-law, Valery Puzikov, at a cost to the state of 56 million rubles (\$1.5 million).

Ultimately, Serdyukov was charged only with negligence, and was unlikely to face jail time. Still, dozens of criminal cases involving Defense Ministry corruption remain under investigation, Rashkin told Kommersant. Interfax broke the story in March that Serdyukov had been pardoned. His lawyer Genrikh Padva then said during a meeting of Moscow lawyers that the amnesty had been approved earlier in 2014 in a deal that had remained hushed in order to avoid "agitating the public," legal news agency RAPSII reported. Padva later denied that the comments had been anything but hypothetical.

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Ukraine Says 30 Pro-Russian Insurgents Killed

As gun battles erupted at various points throughout Slovyansk, Ukraine's interior minister warned of injuries on both sides.

THE ASSOCIATED PRESS

Ukraine's interior minister said Tuesday that 30 pro-Russian insurgents were killed during operations to expunge anti-government forces in and near a city in the east, while the Kiev authorities attempted to reassert control over the southern region of Odessa by appointing a new governor there.

Arsen Avakov said on his Facebook page Tuesday that four government troops also died and 20 were injured during fighting in Slovyansk.

Gun battles took place at various positions around the city Monday in what has proven the most ambitious government effort to date to quell unrest in the mainly Russian-speaking east.

Avakov said Monday that pro-Russian forces in Slovyansk, a city of 125,000, were deploying large-caliber weapons and mortars in the region and there were injured on both sides. Government troops were facing about 800 insurgents, he said.

In Donetsk, a major city some 120 kilometers south of Slovyansk, international flights from the local airport were

suspended Tuesday. The airport said on its website that the cancellations followed a government order.

Ukraine is facing its worst crisis in decades as the polarized nation of 46 million tries to decide whether to look toward Europe, as its western regions want to do, or improve ties with Russia, which is favored by the many Russian speakers in the east. Dozens of government offices have been seized, either by armed insurgents or anti-government crowds, over the past several weeks.

The central government attempted to re-establish control Tuesday over the predominantly Russian-speaking Black Sea region of Odessa, where 46 people died after fighting and a fire broke out between pro-Russian and pro-Ukrainian forces late on Friday.

In a statement published on the president's website, the Kiev authorities announced they were firing the acting governor and replacing him with member of parliament Ihor Palytsya. On Saturday, the police chief of the city was fired, mere hours after he had called for calm.

While no reasons were given for the latest change, the interim Kiev government has previously wielded its authority to appoint regional governors as a way of reasserting control over rebellious regions in the country's east. The concern that Odessa could be the next region to fall to pro-Russian forces — particularly after 67 people detained in the Friday fighting were released by



ALEXANDER ZEMLIANICHENKO / AP

Pro-Russian gunmen carrying their weapons near the local administration building in Slovyansk on Tuesday.

the police under pressure from an angry crowd — has sparked concern in Kiev, which said it was sending an elite National Guard force to the city on Monday.

The goals of the pro-Russian insurgency are ostensibly broader powers of autonomy for the region, but some in-

surgenents do favor separatism.

Leaders of the anti-government movement say they plan to hold a referendum on autonomy for eastern regions on May 11, although visible preparations for the vote have to date been virtually negligible.

The Russian Foreign Ministry has

put the blame for the unrest squarely on Kiev, which it says “stubbornly continues to wage war against the people of its own country.” The ministry has urged what it called the “Kiev organizers of the terror” to pull back their troops from the east and hold peaceful negotiations to resolve the crisis.

Both Sides Bury Dead As Ukraine Teeters

REUTERS

Both sides have been burying their dead as Ukraine slides further toward war, with supporters of Russia and of a united Ukraine each accusing the other side of tearing the country apart.

Tuesday morning was quiet in eastern and southern Ukraine, but the deadliest few days since the separatist uprising began have transformed the conflict, hardening positions and leaving little room for peaceful resolution.

In Kramatorsk, a separatist-held town in the east that saw an advance by Ukrainian troops at the weekend, the coffin of 21-year-old nurse Yulia Izotova was carried through streets stilled by barricades of tires and tree trunks. Scattered red carnations traced the route.

At the Holy Trinity Church, seven priests led mourners in prayer for a woman killed by large-caliber bullets, which the townsfolk believe were fired by Ukrainian troops.

“They shoot at us. Why? Because we do not want to live with fascists?” asked 58-year-old passport photographer Sergei Fominsky, standing with his wife among the mourners.

“We are not slaves. We kneel to no one,” he said.

In Odessa, a previously peaceful, multi-ethnic Black Sea port where more than 40 people were killed on Friday in the worst day of violence since a February revolt toppled Ukraine's pro-Russian president, pall-bearers carried the open casket of Andrei Biryukov from a van to the street corner where he was shot.

A pro-Ukrainian activist, Biryukov, 35, was killed during a day that began with hundreds of pro-Russian sympa-



GLEB GARANICH / REUTERS

A portrait of Andrei Biryukov, a pro-Ukrainian activist killed in clashes on Friday, seen at his funeral in Odessa.

thizers armed with axes, chains and guns attacking a Ukrainian march, and ended later that night with the pro-Russians barricaded inside a building that was set on fire, killing dozens.

A small crowd of about 50 stood around the body, covering it with carnations and roses.

A Ukrainian flag fluttered in the wind, and a patriotic song about dead heroes was played from a sound system.

Relatives wept and a young woman fell on her knees crying loudly. The corner where the man died was decorated with flowers and small Ukrainian flags.

“The government has failed to protect its own people. The police have failed miserably,” said Nikita, a grizzled 56-year-old with a Ukrainian yellow-and-blue armband.

Sergei, in his 40s, who also came to mourn, said violence “was imported to Odessa.”

“We were proud of Odessa as a unique place where people used to live in peace, regardless of their beliefs and religion and race,” he said. “Now this is all gone.”

The past few days have seen government forces press on with an offensive in the east, where separatist rebels have so far held firm at their main outpost in the town of Slovyansk and shot down three Ukrainian military helicopters.

Interior Minister Arsen Avakov said on Tuesday more than 30 separatists had been killed in fighting around Slovyansk, but there was no confirmation of such a figure.

The rebels, who triggered fighting in the area on Monday by ambushing government troops, said four of their number had been killed.

The Ukraine crisis has led to a confrontation between Moscow and the West unseen since the darkest days of the Cold War.

Since a pro-European government took power after the uprising that toppled pro-Russian President Viktor Yanukovich in February, President Vladimir Putin overturned decades of diplomacy by declaring Moscow's right to intervene to protect Russian speakers in the neighboring former Soviet republic.

U.S.: Russian Planes Flew Near Guam

REUTERS

The head of U.S. air forces in the Pacific said Monday that Russia's intervention in Ukraine had been accompanied by a significant increase in Russian air activity in the Asia-Pacific region in a show of strength and to gather intelligence.

General Herbert “Hawk” Carlisle said the activity had included Russian flights to the coast of California, and around the U.S. Pacific island of Guam.

Carlisle said the number of long-range Russian patrols around the Japanese islands and Korea had increased “drastically.” He said there had also been “a lot more ship activity as well.”

Speaking at Washington's Center for Strategic and International Studies think tank, Carlisle showed a slide of a U.S. F-15 jet intercepting a Russian “Bear” aircraft over Guam. He used the Cold War NATO name for Russia's Tupolev Tu-95 strategic bomber.

“Certainly what's going on in Ukraine and Crimea is a challenge for us and it is a challenge for us in Asia-Pacific as well as Europe,” Carlisle said.

He said there had been “a significant” increase in Russian activity in the Asia-Pacific “and we relate a lot of that to what's going on in Ukraine.”

“They have come with their long-range aviation out to the coast of California, they have circumnavigated Guam,” he said. “That is to demonstrate their capability to do it, it is to gather intel,” Carlisle said, adding that the surveillance had included observation of military exercises involving U.S. forces in South Korea and Japan.

“There are things that are concerning with respect to how they operate and how transparent they are with other nations in the vicinity,” he said.

Loan System To Aid Small Businesses

THE MOSCOW TIMES

In a drive to boost lending to small and mid-sized businesses in an economic slump, the government is creating a publicly traded loan guarantee system armed with 50 billion rubles (\$1.4 billion) in starting capital.

Founded at a government meeting led by Prime Minister Dmitry Medvedev on Monday, the Agency of Loan Guarantees is meant to improve lending conditions for small and mid-sized businesses, lower the credit risks for their investment projects in the nonretail sector, improve regional guarantors' ability to back their loans and increase the total volume of long-term lending to these businesses, according to a statement published Tuesday on the Kremlin's website.

The agency aims to guarantee more than 7,000 loans, worth a total of between 825 billion and 880 billion rubles (\$23.2 billion to \$24.7 billion), over the next five years. The agency's 50-billion ruble capital is to be formed by the release of 5 million shares valued at 10,000 rubles each.

Viewed as high-risk borrowers, small and mid-sized businesses have struggled to access long-term loans — only 7 to 10 percent of loans issued to these businesses are for periods beyond three years, the statement said. If this trend continues, the growth rate in lending to small and mid-sized businesses will not exceed 10 to 12 percent in 2014, the government warned.

Small and mid-sized businesses' need for investment loans stands at between 490 billion and 900 billion rubles a year, the government said.

Ukraine Crisis Hurts Tour Operators

Tourism companies have seen up to 15 percent of bookings canceled, but analysts believe the setback is merely a passing trend.

By **Diana Kulchitskaya**
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The crisis in Ukraine has led skittish U.S. and European tourists to rethink their holiday plans, leading to a wave of cancellations and a drop in sales for Russia's tour operators, the Russian Union of Travel Industry, or RATA, reported Monday.

About 10 to 15 percent of tour operators bookings have been cancelled, according to the industry's report. The bulk of the cancellations come from European countries and the U.S. However, the situation in Europe is quite diverse, as, for example, some Polish tourists are calling off their trips, while tours booked by Italians are not being cancelled.

According to the data collected by RATA, some tourists from the U.S. and Europe are refraining from traveling to Russia for ideological reasons, as they believe Moscow is involved in ongoing conflict in Ukraine. Others are afraid for their safety in Russia.

"Tour operators say in Europe the main cancellations come from Germany and Britain," said Yury Borzykin, vice president of RATA. He said some people are simply misled by the media coverage of Russia and are afraid of nonexistent threats. He predicted that



ALEXANDRA ASTAKHOVA / VEDOMOSTI

Tourists gathering at Moscow's Red Square, a sight that may become rarer as international tensions escalate.

in June or July the number of tourists would return to normal.

"We cannot speak of a significant fall right now, the trend is set, however, it will not have a deep effect on the economy of the tourism sector," Borzykin added. He said that the overall tourism statistics for 2014 may be even higher than in 2013, as the figures could be boosted by the tourists who came to the Olympic Games in Sochi.

Other analysts are also optimistic. "The decline is a temporary trend,

which will be over in a couple of months," said Vadim Prasov, vice president of the Federation for Restaurateurs and Hoteliers. He added that the Russian tourism market was small and has the potential to grow. Domestic tourism may also expand, he added.

Russian agencies working with tourists from Southeast Asia have not witnessed a decline in sales. "We are working mainly with Malaysia, Indonesia and other Asian states and there have been no cancellations so far," said Alex-

andra Zakharentsova, internal manager at Asta Travel Group. RATA vice president Borzykin also confirmed that tour operators are noticing a growing number of Asian tourists, especially from China.

Alexander Rakov, the director of federal agency Rostourism, told Itar-Tass that Russia hosted about 2 million tourists in 2013, while the number of foreigners coming to the country for nontourist purposes is about nine times higher.

Visa and MasterCard Hit With \$3.8Bln Blow

By **Diana Kulchitskaya**
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Visa and MasterCard will hold fast to Russia despite a new law that forces them to pay more than \$3.8 billion as a security deposit to the Central Bank.

Both international firms consider the measures taken as too severe and think that they will not only make work in Russia more difficult, but also have a negative impact on the whole system of electronic payments in the long-term, the companies said in an official statement on Tuesday.

"Several provisions in the law are unprecedented and will have a severe impact on the payments market in Russia — particularly cardholders, financial institutions and merchants," Visa said in a statement. The company, however, intends to work closely with the government in order to resolve the existing difficulties.

MasterCard said that they would also continue their cooperation with government bodies, financial and trade organizations and will examine the new law thoroughly. The company added it would try to overcome the difficulties.

The new legislation on the national payment system, signed on Monday by President Vladimir Putin, requires all international firms to pay a security deposit equivalent to two days of transactions processed in Russia to the Central Bank.

The new regulations come into force

on July 1, 2014. They also require foreign payment operators to inform the government about any stoppage of service in advance. International payment systems will also have to set up a processing center based in Russia.

"The amount of the deposit is too big as it is stated now. At the moment it exceeds the companies' annual profit in the country," said Alexei Portansky, professor at Moscow's Higher School of Economics. He added that he had not heard of security deposits being common practice in other countries, so Russia may become a pioneer in this respect.

Portansky, however, does not think that the restrictive measures may eventually lead to a massive pull out of MasterCard and Visa from the country. "The companies will struggle to find a solution. The Russian market is too big for them to lose," he added.

"The legislator has gone into extremes. The approved regulations are almost a ban on the work of foreign payment systems," said Garegin Tosunyan, an expert in banking legislation at the Russian Presidential Academy of National Economy and Public Administration.

The creation of a national payment system in Russia was initiated by Putin after MasterCard and Visa cut services for two Russian banks sanctioned by the U.S. The two companies are major players on the Russian market as they process nearly 60 percent of all transactions in the country.

The legislation requires the firms to pay a security deposit equal to two days of transactions processed in Russia.

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OECD Slashes Russian Forecast

REUTERS

The Organization for Economic Cooperation and Development, or OECD, is cutting its forecast for Russian economic growth by almost four-fifths, the organization said Tuesday, citing the "major downside risks" posed by the crisis in Ukraine.

The Paris-based organization of advanced economies predicted Russia's gross domestic product would grow by 0.5 percent this year — cutting its 2014 forecast from a previous 2.3 percent. The largely oil and gas-based economy grew by 1.3 percent in 2013.

The OECD is the latest international organization to cut its growth outlook for

Russia, as the political crisis in Ukraine and the Western sanctions it has provoked caused large-scale capital outflows and a slump in investment. The International Monetary Fund said last week Russia was in recession and cut its growth forecast for the year to 0.2 percent from 1.3 percent.

"The moderate recovery that was underway at the end of 2013 has been halted by the turbulence related to the events in Ukraine," the OECD said in its semi-annual global outlook. "Associated increased uncertainties and capital flight are now weighing on investor confidence."

It recommended that Russia temporarily relax its fiscal rules to allow greater government spending.

"Lower than planned nonoil reve-

nues risk testing the deficit ceiling of the medium-term financial framework," the OECD said. Russia should use higher oil revenues from a weaker ruble "to avoid spending cuts and finance additional spending to support economic activity. A temporary deviation from the medium-term fiscal framework should be reversed once the economy gains speed again."

The call contrasts with advice from the IMF, which has praised Russia for sticking to a rule limiting government borrowing to 1 percent of gross domestic product per year.

The government has ruled out revising the basic fiscal rule, but it is preparing other steps. They include dipping into its \$87 billion National Welfare Fund.

German Minister: EU Reliant on Russian Gas

REUTERS

There is no quick fix for Europe's energy dependence on Russia, Germany's Economic Affairs and Energy Minister said on Tuesday as the Group of Seven leading industrial nations' energy ministers readied a statement on the need to diversify energy supplies.

"Everyone agreed with me that, given the current conflict, there will be no quick solution," Sigmar Gabriel said

on the margins of a meeting of G7 energy ministers in Rome.

The G7 energy meeting, called to discuss energy security as Europe seeks ways to wean itself off its dependency on Russia, follows a weekend of violence that killed dozens in Ukraine, a major transit route for Russian gas into the European Union.

"I don't know anyone in the world who could tell us how Europe's dependency on importing Russian gas can be

changed in the short term," Gabriel said.

A third of the EU's gas demand is met by Russia, with almost half of that passing through Ukraine, which is in a pricing dispute with Russian gas exporter Gazprom, its third in the past decade.

"My American colleague told us that they will not be in a position to export their shale gas until the end of the decade," Gabriel said, referring to U.S. domestic shale gas reserves.

BUSINESS IN BRIEF

Russia Eyes Nicaragua Canal

Russia will take part in building the Nicaragua Canal and is discussing possible modes of cooperation, Deputy Foreign Minister Sergei Ryabkov said Tuesday in an interview with RIA Novosti.

A large part of demand for the new route will come from the growing number of ships that are too wide to pass through existing waterways, including the expanded Panama Canal, according to the project's website.

The Nicaraguan government plans to begin construction of the canal by the end of this year, with the total cost of the project estimated at \$40 billion, according to RIA Novosti. The project's main investor is Chinese company HKND Group, which has exclusive rights to the planning, construction and management of the canal and other potential infrastructure development projects in the region. (MT)

percent year-on-year reduction.

The bulk of the loss was caused by mark-downs in the value of Rusnano's financial assets. Fully owned by the government, Rusnano was set up in 2011 to facilitate state stimulation of nanotechnology and other high technology industry in Russia by investing in production. At the end of last year the company had a nominal total of 132 billion rubles invested, up from 125 billion in 2012. (MT)

Crime Summit Canceled

An international organization that sets standards for how countries combat money laundering said it has decided not to hold a planned meeting in Moscow next month due to the Ukraine crisis.

A summit meeting of the Paris-based Financial Action Task Force, or FATF, was to be held in Moscow in June, in part because the group's current head is Vladimir Nechayev, chief of Russia's anti-money laundering agency. However, on Sunday, national anti-money laundering agencies belonging to FATF received a notice from the group saying the meeting would be held in Paris instead.

"It became apparent that it would be difficult to ensure full attendance of FATF delegations at the scheduled plenary in Moscow but there was widespread support for the work of the FATF to continue uninterrupted," the announcement said. (Reuters)

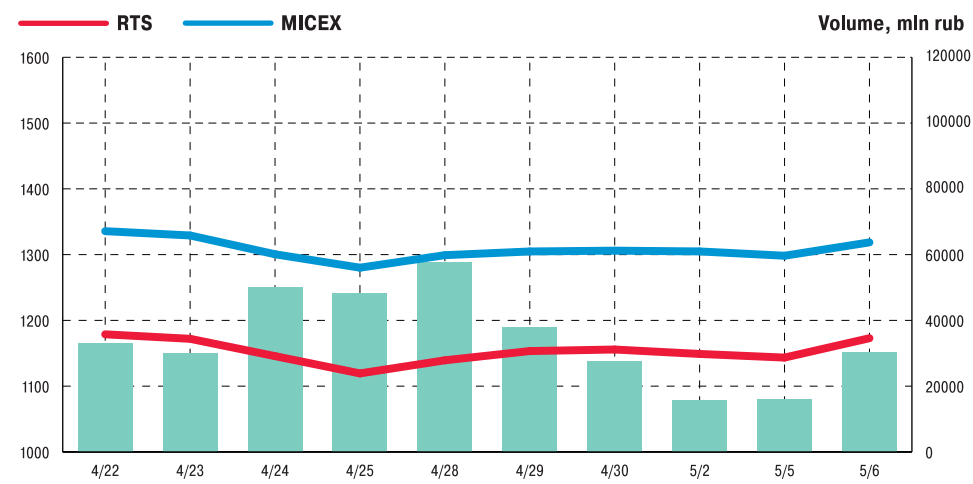
Rusnano Losses Rise 82%

Net losses at state technology investment company Rusnano rose by 82 percent to 39.9 billion rubles (\$1.1 billion) last year, according to the company's financial statements.

Rusnano's income fell by 15 percent to 5.9 billion rubles, of which 5.5 billion was earnings on investments, according to information published on the company's website. Costs were 5.5 billion rubles, a 32

RUSSIAN MARKET INDICATORS

THE MOSCOW EXCHANGE INDEXES



Source: Moscow Exchange

BENCHMARK AND SECTOR INDEXES

	CLOSE	CHANGE, %	VOLUME, MLN RUB (\$ MLN FOR RTS)	52-WEEK HIGH	52-WEEK LOW	52-WEEK PERFORMANCE, %	MARKET CAP, BLN RUB (\$ BLN FOR RTS)
MICEX Index	1,318.57	1.56	30,132.97	1,533.61	1,237.43	-6.71	5,950.56
RTS Index	1,172.91	2.58	838.81	1,518.54	1,062.47	-18.10	168.03
Second-Tier Index	1,087.17	1.49	2.69	1,351.87	959.33	-18.91	3.30
Broad Market Index	845.77	2.57	841.50	1,093.98	766.84	-18.23	178.06
Blue Chip Index	8,874.50	1.61	27,540.79	10,437.17	8,402.22	-6.97	5,092.62
Russian Volatility Index	37.86	-15.74	0.00	74.46	15.42	82.99	0.00
Oil & Gas	3,238.02	1.32	11,237.05	3,626.98	2,841.58	5.69	1,468.29
Power	865.57	1.38	1,179.74	1,327.63	765.12	-34.11	131.30
Telecommunication	1,875.95	0.85	800.16	2,522.79	1,757.53	-12.13	414.71
Metals & Mining	2,210.11	1.42	2,016.21	2,416.83	1,945.14	-4.89	319.44
Manufacturing	1,414.86	2.76	10.98	1,940.85	1,263.22	-19.62	16.57

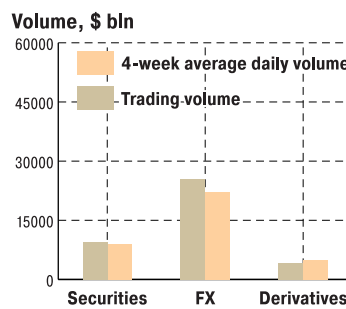
Source: Moscow Exchange

TOP 50 BY MARKET CAPITALIZATION

	CLOSE, RUB	CHANGE, %	CLOSE, \$	VOLUME, MLN RUB	52-WEEK HIGH	52-WEEK LOW	52-WEEK PERFORMANCE, %	MARKET CAP, BLN RUB
AFK Sistema	36.5	-0.82	1.03054	77.71	43	35.041	33.48	352.35
ALROSA	36	0.56	1.01642	128.81	40.989	29.2	15.01	265.40
Aeroflot	50.55	0.60	1.42722	200.92	99.3	44.7	-4.35	56.23
Akron	1221	1.23	34.47361	6.79	1368.3	840.1	-1.83	49.10
Bashneft	2200.1		62.11743	32.19	2250	1608.2	17.06	409.65
Bashneft (pref)	1525		43.05672	63.35	1648.9	1129.7	47.79	59.99
DIXY Group	299.7	2.82	8.4617	16.48	440.51	185	-26.54	37.40
E.ON Russia	2.516	1.96	0.07104	28.23	2.6315	1.8306	-0.86	157.18
Enel OGC-5	0.8629	1.52	0.02436	2.73	1.305	0.7512	-36.03	30.78
FSK EES	0.05805	2.09	0.00164	495.45	0.139	0.0465	-58.24	74.14
Gazprom	129.49	2.77	3.65601	5,644.44	153.85	114	0.09	3,033.05
Gazprom neft	137.75	-0.60	3.88922	46.70	159.4	127	6.49	652.17
Gruppa Cherkizovo	612.8	0.51	17.30174	2.18	649.5	477	18.97	26.39
INTER RAO EES	0.00726	3.24	0.0002	159.86	0.01388	0.00626	-49.69	75.03
IrkutskEng	6.4	-2.97	0.1807	2.05	9.298	5.015	-43.77	30.41
LSR	493.2	-0.18	13.92497	1.56	824.4	366.2	-14.23	50.90
LUKOIL	1878.9	0.69	53.0487	1,751.13	2140	1715	-6.83	1,601.53
M.video	217.1	0.05	6.12958	62.75	399.98	160.01	-12.42	39.48
MMK	5.94	2.27	0.16771	31.12	10.125	4.303	-21.82	66.05
MOESK	1.1401	-0.89	0.03219	0.20	1.48	0.81	-14.95	55.89
MTS	258	0.39	7.28435	550.35	353.77	226.43	-7.06	530.51
Magnit	7340	1.94	207.23692	1,191.67	9558	6565.3	6.99	693.36
MegaFon	935.8	0.86	26.4213	5.54	939.3	910	-1.99	577.78
MosEng	0.74	1.73	0.02089	5.44	1.4441	0.6398	-41.25	29.39
Moscow Exchange	54.31	2.65	1.53338	128.18	69.99	42.74	17.66	122.93
NLMK	42.2	3.20	1.19147	83.83	58.9	36.05	-20.83	250.70
NMTP	2.4093	1.46	0.06802	0.47	3.661	1.8236	-17.47	46.12
NOVATEK	346.94	2.49	9.79547	457.74	427.52	277.72	14.65	1,045.98
NorNickel GMK	6415	0.39	181.12055	1,382.81	6560	4065	32.54	1,014.99
PIK	83.01	0.74	2.3437	0.68	89.98	59.21	31.37	55.05
Pharmstandard	1200	2.28	33.88069	0.24	1916.8	803.6	-44.57	45.50
PhosAgro	1254.7	0.93	35.42509	1.44	1371.8	621.7	-4.59	162.29
Polus Zoloto	542.7	1.44	15.32254	5.42	923.9	510	-44.11	102.65
Polymetal International	334	1.01	9.43013	1.66	484.34	227.25	N/A	129.51
Rosneft	224.05	1.43	6.32581	1,423.45	270.2	203.61	1.61	2,359.68
Rosseti	0.422	0.48	0.01191	256.79	0.833	0.41	N/A	68.46
Rostelecom	78.06	3.39	2.20394	226.08	132.97	71.27	-32.42	209.24
RusGidro	0.573	0.54	0.01618	209.42	0.6395	0.457	-1.55	181.15
Sberbank	74.1	2.93	2.09213	9,525.36	111.42	65.33	-27.70	1,587.07
Sberbank (pref)	60.66	2.38	1.71267	675.46	86.13	54.93	-17.30	60.27
Severstal	254.1	3.17	7.17424	272.43	287.9	239.4	-10.53	210.69
Surgut	24.95	-0.40	0.70444	707.01	29.9	23.499	-6.99	895.76
Surgut (pref)	25.067	0.95	0.70774	536.22	28.39	21.3	15.24	193.12
TMK	71.88	1.67	2.02945	3.20	109.99	58.05	-13.81	66.95
Tatneft-3	204.68	1.33	5.77892	223.66	225.99	180.5	-0.52	444.91
Transneft (pref)	79497	0.63	2244.51133	406.63	87789	70555	24.02	123.22
Uralkali	157.03	-0.77	4.43357	343.14	231	140.15	-31.42	464.13
VTB	0.03991	3.13	0.00113	2,743.80	0.05151	0.02975	-19.31	512.72
VTGK	1.835	0.28	0.05181	0.24	2	1.5001	11.89	54.04
Verhnesald MPO	7760	0.78	219.09516	2.33	8791.6	5571	33.79	88.05

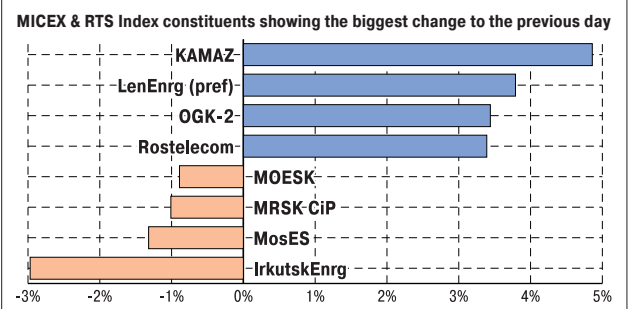
Source: Moscow Exchange

MARKET ACTIVITY



Source: Moscow Exchange

THE MOSCOW EXCHANGE STOCK MARKET WINNERS & LOSERS



Source: Moscow Exchange

The things that make me different are the things that make me.
A.A. Milne

CENTRAL BANK CURRENCY RATES

CURRENCY	UNITS	RUBLES	U.S. \$	CURRENCY	UNITS	RUBLES	U.S. \$
Australian dollar	1	33.16	0.93	Kazakh tenge	100	19.59	0.55
Brazilian real	1	15.88	0.45	New Turkish lira	1	16.99	0.48
Canadian dollar	1	32.58	0.91	Norwegian krona	10	60.04	1.68
Chinese yuan	10	57.24	1.61	Swedish krona	10	54.67	1.53
Danish krone	10	66.43	1.86	Swiss franc	1	40.72	1.14
Euro	1	49.51	1.39	U.K. pound	1	60.35	1.69
Indian rupee	100	59.31	1.66	U.S. dollar	1	35.66	1.00
Japanese yen	100	34.96	0.98	Ukrainian hryvna	10	30.54	0.86

Source: Sberbank CIB

ADRS, GDRS AND FOREIGN-TRADED STOCK

	SHARES PER ADR	CLOSE, \$	CHANGE, %	VOLUME*, \$	52-WEEK HIGH	52-WEEK LOW
Evraz	-	99.95	-0.1	1,550,827	178.10	51.35
Gazprom	2.00	7.29	2.0	28,828,737	9.87	6.25
Gazprom Neft	5.00	19.50	0.1	38,544	23.28	16.61
KazMunaiGas EP	0.17	15.27	2.0	76,403	18.61	12.50
Lukoil	1.00	52.80	0.3	925,241	66.95	47.03
Magnit	0.20	48.73	2.6	406,403	67.50	43.63
Mail.ru Group	1.00	29.32	1.8	390,933	44.86	23.23
MMK	13.00	2.15	2.1	194,026	3.70	1.54
MTS	2.00	16.59	1.1	577,188	24.06	15.06
NLMK	10.00	11.88	1.5	121,366	18.30	10.23
Novatek	10.00	103.80	-0.2	208,144	145.30	94.83
Polymetal	-	550.50	-2.0	145,228	812.00	439.50
Polyus Gold	-	185.00	-0.3	485,567	214.50	179.00
Rosneft	1.00	6.24	0.7	6,110,301	8.49	6.03
Sberbank	4.00	8.59	2.8	14		

U.S. to Unleash New Tax Law on Russian Banks

THE ASSOCIATED PRESS

WASHINGTON — As the U.S. attempts to punish Russia for its actions in Ukraine, the Treasury Department is deploying an economic weapon that could prove more costly than sanctions: the Internal Revenue Service, the federal tax collecting agency.

This summer, the U.S. plans to start using a new law that will make it more expensive for Russian banks to do business there.

“It is a huge deal,” says Mark E. Matthews, a former IRS deputy commissioner. “It would throw enormous uncertainty into the Russian banking community.”

Long before the Ukraine crisis, Congress approved the law in 2010 to curb tax evasion that relies on overseas accounts. Now, beginning in July, U.S. banks will be required to start withholding a 30 percent tax on certain payments to financial institutions in other countries — unless those foreign banks have agreements in place to share information about U.S. account holders with the IRS. The withholding applies mainly to investment income.

Russia and dozens of other countries have been negotiating information-sharing agreements with the U.S. in an effort to spare their banks from such harsh penalties.

But after Russia annexed Crimea and was seen as stoking separatist movements in eastern Ukraine, the Treasury Department quietly suspended negotiations in March. With the July 1 deadline approaching, Russian banks are now concerned that the price of investing in the U.S. is about to go up.

The new law means that Russian banks that buy U.S. securities after July 1 will forfeit 30 percent of the interest and dividend payments. The withholding applies to stocks and bonds, including U.S. Treasuries. Some previously owned securities would be exempt from the withholding, but in general, previously owned stocks would not.

Private investors who use Russian financial institutions to facilitate trades also face the withholding penalty. Those private investors could later apply to the IRS for refunds, but the inconvenience would be enormous.

“It is a big problem for them,” said Matthews, who is now a lawyer at Caplin & Drysdale, a tax firm based in Washington. “It decreases their competitive-



BENOÎT PRIEUR / WIKICOMMONS

The U.S. Department of the Treasury is backing a new tax law that may damage Russian financial institutions.

ness and they may have capital flight elsewhere.”

The U.S. and Russia are significant trading partners, though not all transactions would be subject to withholding. Last year, the U.S. imported \$27 billion in goods from Russia, which ranked 18th among importers to the U.S., according to the Census Bureau. The U.S. exported \$11 billion in goods to Russia.

The withholding would expand in 2017, if there was still no information-sharing agreement. At that point, if investors sold stocks or bonds, U.S. banks would be required to withhold a 30 percent tax on the gross proceeds from those sales.

The law would also snag big global banks with subsidiaries that do not have agreements with the IRS to share information. At first the withholding could be limited to the subsidiaries. But eventually, if any part of a large global bank refused to comply with the information-sharing requirements, the entire bank would be penalized.

“That keeps an institution from deciding that it is going to register its entity in Germany but not register the entity it has

in Switzerland,” said Denise Hintzke of Deloitte Tax.

It would also provide a tremendous disincentive for large global banks to do business in countries where they cannot share information with U.S. authorities.

More than 50 countries have reached agreements with the U.S. to share tax information about U.S. account holders. The list includes countries famous for bank secrecy, such as Switzerland and the Cayman Islands.

For Russia, the penalties could be more damaging to its economy than U.S. sanctions, said Brian L. Zimble, managing partner of the Moscow office of Morgan Lewis, an international law firm.

“If sanctions are going to be limited to certain targeted individuals and banks, where this applies to everybody in the market, yes, I think this could potentially be worse than sanctions for the Russians,” Zimble said.

The 2010 law is known as FATCA,

which stands for the Foreign Account Tax Compliance Act. It was designed to encourage — some say force — foreign banks to share information about U.S. account holders with the IRS, making it more difficult for Americans to use overseas accounts to evade U.S. taxes.

Under the law, U.S. banks that fail to withhold the tax would be liable for it themselves, a powerful incentive to comply. On Friday, the Treasury Department issued guidance saying it will give U.S. banks a temporary reprieve. As long as U.S. banks make a good-faith effort to withhold the proper tax, they will not be liable for mistakes until 2016.

The new guidance also gives some leeway to U.S. banks that may have trouble identifying all payments subject to withholding by July 1. Those banks will be given an extra six months to comply.

The goal of the law was to set up a penalty so harsh that foreign banks would have little choice but to share information with U.S. authorities, Matthews said.

The Treasury Department said Russian banks can still apply on their own to share information about U.S. account holders directly with the IRS. But those banks may risk violating local privacy laws by sharing such information with a foreign government.

“They cannot do it,” Zimble said. “Russia does have bank secrecy laws.”

It is a problem that banks around the world are facing. To get around the hurdle, the Treasury Department has been negotiating agreements in which foreign governments will collect the information from their banks and then share it with U.S. authorities. Russia was negotiating one of these agreements when the U.S. broke off talks.

Widespread Use of Temporary Staffing Curtailed by New Law

By Delphine d'Amora
d.damora@imedia.ru

Major foreign and domestic companies across economic sectors could be hit hard by a new law that will restrict the use of temporary staffing agencies in Russia.

Signed by President Vladimir Putin on Monday, the amendments are to go into force at the beginning of 2016.

The president said earlier this month that the law is aimed at defending workers' rights. “Maybe there is nothing wrong with the very fact of leasing out manpower, but certain human rights must be upheld, contracts must be closed and so on,” Putin said at a meeting with labor union leaders on May 1, according to a statement on the Kremlin website.

About 100,000 to 130,000 people worked as temporary employees in the legal labor market in Russia in 2013, according to estimates from Ventra and Coleman Services.

Although the law was expected to fully ban outsourced labor, in its final version it

permits a number of exceptions. Agencies can still send workers to assist individuals with their housekeeping, to fill positions left open by temporarily absent workers, and to assist with heightened workloads for a period of up to nine months.

The law bans hiring workers to replace employees who have gone on strike or refused to work due to a violation of their labor rights. Temporary workers also cannot be sent to work on hazardous facilities or in dangerous conditions, as defined by Russian law.

“I hope that the bill will only strike unscrupulous employers, who do not provide secure payment and social services for their workers,” said Oksana Samokhina, team leader at Moscow-based recruitment agency Unity.

If the bill also affects accredited, law-abiding agencies, “the losses for companies who employ out-staffed labor could be so high that they would lead to a decline in production and even their possible withdrawal from Russia,” Samokhina said.



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Russia's Self-Isolation

By Vladimir Ryzhkov

During the 23 years since the collapse of the Soviet Union, Russian public opinion and the mindset of its ruling elite have gone from a generally pro-European liberal orientation in the 1980s and 1990s to a gradual revival of the idea of Russia as a great power in the late 1990s — especially after the NATO bombing of Yugoslavia and the first Chechen war.

President Vladimir Putin skillfully rode that wave of change by building his power vertical and a foreign policy that claimed Russia was “getting up off

VIEW FROM A DEMOCRAT

its knees.” His first decade in power was marked by economic growth and a consumer boom in exchange for a crackdown on individual freedoms and an expanded role for the state in politics and the economy. After the quick victory in the war against Georgia in 2008 and the swift annexation of Crimea, Putin has firmly set Russia on the path toward restoring its superpower status based on an anti-Western and nationalist state ideology.

Putin delivered a keynote speech at the meeting of the Valdai Club last September in which he proclaimed that Russians and the state are conservative at their core — unlike Europe, which he said had discarded traditional Christian values. Putin called on Russia to create an ideology based on unconditional patriotism that would have a direct impact on the country's economy, domestic politics, education and culture.

1. The economy

The State Duma passed series of laws aimed at “nationalizing the elite” and banning offshore bank accounts. Moscow leaders urged wealthy Russians to return their money to Russia and to disclose information about the true owners of offshore accounts. Ministers and Duma deputies were ordered to divest themselves of foreign bank accounts. Military spending increased sharply, including spending on arms procurement.

After the West imposed economic sanctions, Moscow accelerated the process of creating a national payment system and began looking at the possibility of placing shares of Russian companies on national stock exchanges. There is also a plan to create Russian rating agencies.

2. Domestic politics

The Kremlin expelled USAID and several U.S.-based nongovernmental organizations in 2012. Russian-based NGOs that continue to receive foreign funding have been forced by law to label themselves as “foreign agents.”

What's more, a new law permits government officials to block any website and blog they deem disloyal without the need for a court order. They have

already blocked the sites for *Yezhednevny Zhurnal*, *Grani.ru*, *Kasparov.ru* and anti-corruption activist Alexei Navalny's blog. In addition, new legislation has expanded the Federal Security Service's authority to carry out surveillance of Russians. Deputies have also passed a law granting the FSB complete access to the personal data of anyone using social networks and e-mail. The authorities' next step, independent intelligence experts believe, could be blocking or severely restricting Facebook, YouTube, Skype and Twitter in Russia. If so, Russia's level of Internet censorship and other restrictions could rival those of China and Belarus.

Lawmakers have also adopted new “anti-extremist” legislation to maximize the penalties for participating in protest rallies. Several protesters who took part in the peaceful demonstration on May 6,

2012 have already been given prison terms, and one of them, Mikhail Kosenko, has been forced by court to undergo psychiatric treatment. In addition, the law has been toughened for those who try to organize opposition activities if the authorities deem it “an appeal to extremism.”

3. Education

High schools have been instructed to teach young people a new concept of history, one that inculcates patriotic sentiments toward Russia as a global power. The Russian state is presented as being the most important social and political institution in the country. Textbooks do condemn state-sponsored crimes perpetrated by earlier Russian and Soviet leaders, but the implicit message remains: The state has the right to achieve its goals at nearly any cost.

4. Culture

The draft concept for the state's new policy on culture emphasizes Russia's unique civilization. For the first time in several centuries, the Culture Ministry has officially announced that “Russia is not Europe.” It also rejects the Western concept of tolerance and multiculturalism. In the end, authorities want to “cultivate” a new generation of Russians who meet the needs of the new state ideology.

Taken together, these four elements of the Kremlin's new state ideology demonstrate that it is determined to isolate Russia from the Western world, effectively ending any hope for the country's modernization.

Vladimir Ryzhkov, a State Duma deputy from 1993 to 2007, is a political analyst.

C O M M E N T

Putin's Russian World

Vedomosti

The growing number of victims in southern and eastern Ukraine — including Friday's tragedy in Odessa that resulted in at least 46 dead — indicate that the political crisis has grown into a social and humanitarian one. The upheaval in Ukraine — and Russia's reaction to it — is the delayed consequences of the collapse of the Soviet empire and the remnants of the Soviet mindset.

The Soviet collapse in 1991 was largely a peaceful event for Russia and Ukraine, the largest of the former Soviet republics. While the bloody, armed conflicts in Abkhazia, Tajikistan, Nagorno-Karabakh and the self-proclaimed Transdneestr republic destabilized these regions, they did not touch Russia directly. Even the two Chechen wars were not considered by many Russians to be an internal conflict in the strict sense of the word, although they took place on Russian territory.

Ukraine received its independence in 1991 without any blood being spilled, but it had its share of serious economic and social problems over the past 23 years. In February, Ukrainians finally lost patience after two decades of en-

during one incompetent and corrupt regime after another. It turns out that the desire for revolution was never fully overcome but only put on hold.

The acute crisis in Ukraine will force the authorities in Kiev and Ukrainians to confront a number of fundamental questions:

Will Ukraine align itself with Europe or Russia?

Will it enjoy real sovereignty or have to depend on a Big Brother?

Can the country unite on the basis of a new national identity, or will it break apart as a result of an attempt to institute “federalization” in the pro-Russian eastern and southern regions?

Crimea had been part of pre-revolutionary Russia — part of the territory won by Catherine the Great's imperial conquest in the 18th century. Then, Crimea was transferred to Ukraine during the Soviet era. President Vladimir Putin likely views the annexation of Crimea as a symbolic link with Russia's glorious imperial history, including the “Soviet empire.”

Many believe that Russians can have no other identity other than as former Soviet citizens. We can assume that the Kremlin's frequent references to a larger “Russian world” — one con-

sisting of ethnic Russians and Russian speakers located within and outside of Russia — is intended to renew that aging Soviet identity.

Putin's notion of a developing a broad-based “Russian world” extends beyond Russia's borders. After all, millions of ethnic Russians and Russian-speakers are concentrated in the former Soviet republics. But developing the “Russian world” necessarily contradicts the interests of neighboring nations, which will not want to sacrifice their territory — or citizens — to serve Russia's interests.

Twenty-two years ago, another federation collapsed that had been held together by a common ideology and geopolitical factors. The resulting war turned out to be the most destructive armed confrontation in post-World War II Europe. The Bosnian war was caused by the destruction of a multi-ethnic state. As a result, the Serbian people found themselves divided by the borders of the newly formed states.

In that conflict, the refusal to reject old patterns of behavior in the face of the new reality came at the cost of tens of thousands of lives and millions of refugees.

This article appeared as an editorial in *Vedomosti*.

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How MI5 and CIA Can Fight the Russian Threat

By Mark Galeotti

After years reorienting itself toward counter-terrorism operations and hiring speakers of Urdu and Pashto, MI5, Britain's domestic security and counterespionage agency, is now looking for Russian-speaking intelligence analysts. Meanwhile, a contact of mine suggested that the Russia desks in several European intelligence agencies are hastily expanding, with agents and analysts being transferred in from other sections. Yesterday, they were reading reports on North African politics and scanning the Chinese press. Now they are poring over YouTube footage of Russian armor on exercises near the Ukrainian border.

All of a sudden, as talk of a new Cold War dominates opinion pages all over the world, Western intelligence and security agencies are rushing to regain capacities lost during the 1990s and 2000s. After all, those were the days of the "peace dividend." During this period, Russia seemed at best a partner and at worst an irrelevance. But suddenly, the big, bad specter of al-Qaida and jihadi terrorism seemed the greater menace.

I remember talking to a veteran of the U.S. intelligence community, who had experienced two purges. First, as a Russian hand, she had seen her section decimated after the Soviet collapse. Having managed to reinvent herself as a specialist in dealing with transnational organized crime — especially the Russian mob — she then saw the best and brightest of her unit summarily transferred to counter-terrorism work after 9/11.

Now, the West is worried about the Russian threat again, and it is painfully aware of the deficiencies in its intelli-



gence capacities in this region.

Paradoxically, Western security agencies themselves have been warning for years of an upsurge in the scale and aggressiveness of Russian espionage operations.

What's more, there has not been a steady stream of Russian espionage cases. Some were more Austin Powers than James Bond, such as the cell of Foreign Intelligence Service sleeper agents uncovered in the U.S. in 2010, best known for Anna Chapman. But others were very serious breaches of Western security. Jeffrey Delisle, a Canadian naval officer who offered his services to GRU, Russia's military intelligence, had access to top-secret material from around the world. Herman Simm, a long-time Russian agent, was head of the Estonian Defense Ministry's security department. And there are others in these categories.

Yet for all this, there seems to have been an unwillingness to take the security

breaches seriously. The Chapman case — and how galling it must be for other, more professional members of the cell to have been relegated by posterity into mere extras in her story — was more the grounds for titillation and entertainment than serious consideration. Other incidents tended to be five-day wonders at the most in the media.

This was not because Western security

For 20 years, the West considered Russia a partner at best and an irrelevance at worst.

agencies were not expressing their concerns. Indeed, back in 2010, MI5 issued a statement, saying "the threat from Russian espionage continues to be significant and is similar to the Cold War." Rather, it reflected their political masters' determination to classify Russia as a secondary, has-been state. The other factor was the Western security agencies' narrow focus on terrorism, as if ragged gangs of re-

ligious fanatics dodging drones from cave to cave halfway across the globe represented an existential threat to the Western order.

It has taken the Ukrainian crisis to change attitudes. Last month, I attended the Lennart Meri Conference on Baltic security in Tallinn. There, the mood was tinged with more than a little of the "told you so," especially among representatives from Central Europe. To them, the "western West" had for years been content to underestimate Russian intentions and capacities and to rely on bromides about "partnerships" and "restarts." The West is only now realizing its mistake.

Of course, the West has always spied on Russia and tried to counter its intelligence operations. But there is no escaping the damage done by nearly 25 years of neglect. Rebuilding counterintelligence assets, let alone agent networks on the ground and the analytic capacity at home, cannot be done quickly.

Meanwhile, we must remember that democracies in particular have a tendency to lurch from one over-compensation to another. The West was too quick to write Russia off in the miserable 1990s. Will it now go to the other extreme and consider Russia as an existential enemy in the 2010s? If so, this would clearly exacerbate tensions with Moscow even further. It would also likely mean that the West's spies once again become obsessed with Russian military capacities.

The threat to Europe, though, is not that Russia will send its tanks to the Baltics, Poland or Romania. Even in its current emaciated condition, NATO is capable of delivering a devastating response to any Russian aggression in Europe. Nor is the problem that Russia's unidentified special forces — aka "little green men" — will suddenly crop up in Estonia's Russian-speaking city of Narva or among the Russian tourists in Karlovy Vary.

Rather, the problem is that Russia could try to render the West impotent. First, it could divide Western leaders over the issue of how to best deal with the Russian threat. Germany is perhaps the best example of a country already divided over the "Russian problem." Russia could also infiltrate Western financial institutions through cyberwarfare or dirty money. The question is whether Western security agencies, as they desperately scramble to respond to the new perceived challenge after running down their Cold War capabilities, will simply seek to recreate these again. That would be a mistake. What is needed is not a revival of the old, but the creation of new capabilities to respond to a new era of diffuse, complex asymmetric competition.

Mark Galeotti is professor of global affairs at New York University.

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Kommersant

“Common price named for Ukraine” says that the International Monetary Fund’s loan program for Ukraine envisages that Kiev will buy Russian gas at \$380 per 1,000 cubic meters as soon as 2014. The Economic Development Ministry also expects the gas price for Ukraine to reduce to \$350 per 1,000 cubic meters in 2015; p. 1, 10.

“Foreign policy developments head for ruble” says that the Foreign Ministry has been offered to set up a fund to sponsor foreign policy research and development in order to substitute foreign financing of nongovernmental organizations, or NGOs, engaged in this activity with the Russian one. The initiative is also meant to help Russian NGOs avoid to be labelled as “foreign agents”; p. 1, 3.

“Though parquet, but defender” says that in response to State Duma lawmaker Valery Rashkin’s inquiry, the Main Military Prosecutor’s Office has found it justified to grant amnesty to former Defense Minister Anatoly Serdyukov, who was charged with negligence. Rashkin was dissatisfied with this and complained to President Vladimir Putin; p. 1, 5.

“Business ombudsman left in risk zone” says that the Economic Development Ministry has drafted amendments to the law regulating the performance of businessmen’s rights ombudsmen, which envisage extending ombudsmen’s authorities, but lack a provision on ombudsmen’s immunity; p. 2.

“Mejlis threatened with liquidation” says that the Crimean prosecutor’s office has issued a warning to the chairman of the Crimean Tatar Mejlis, or parliament, about the unacceptability of conducting extremist activities. In case of noncompliance, the Mejlis will be liquidated, the warning says; p. 3.

“Maidan in expanded form presented to president” says that the Kremlin has published a Foreign Ministry-made White Book report on human rights violations in Ukraine in the period from November 2013 to March 2014. The president’s human rights council thinks that some information mentioned in the report needs to be checked; p. 3.

“Vladimir Putin wishes success to Marina Kovtun” says that Putin has appointed Murmansk Region governor Marina Kovtun as an acting regional head, thus enabling her to stand in the autumn election; p. 3.

“Former senator arrested at third attempt” says that Moscow’s Basmany court has issued an arrest warrant in absentia for the former Federation Council senator from the Republic of Tuva and the beneficiary of the bankrupt bank Mezhprombank, Sergei Pugachev, charged with large-scale embezzlement; p. 4.

“Police go away from federal districts” says that Putin has abolished the Interior Ministry’s main directorates in federal districts, except for the North Caucasus Federal District, and cut the number of the staff of the ministry’s central headquarters; p. 4.

“Ukraine between Slovyansk and Geneva” says that the Ukrainian authorities’ “anti-terror” operation in the country’s southeastern regions has resumed, although it continues to be ineffective. The West has increased its economic and political support for Kiev. Meanwhile, leading European diplomats are actively discussing the possibility of holding a new international conference on Ukraine; p. 6.

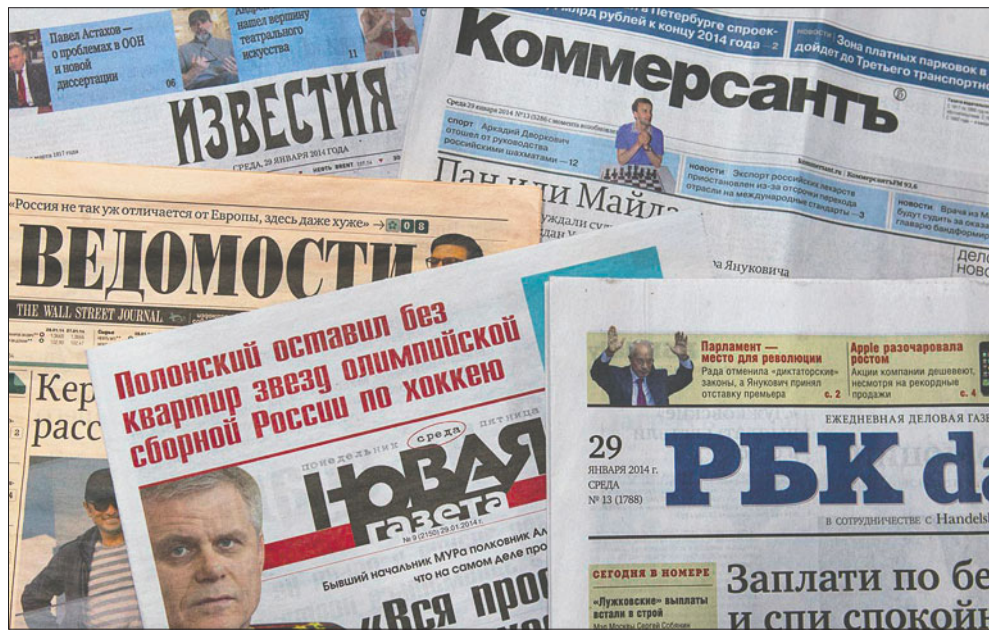
“U.S. to help Kiev with Viktor Yanukovich’s money” says that the U.S. has denied media reports that US advisers are taking part in the Ukrainian authorities’ operation in the southeast, but confirmed that a group of officers from the FBI and the CIA has been sent to Kiev to “help find the funds taken abroad by the former Ukrainian government”. Nevertheless, Moscow is sure that Washington has had a hand in the Ukrainian developments; p. 6.

Vedomosti

“Government no longer trusts trusts” looks at a national plan to combat tax evasion and concealment of beneficiaries, developed by the government; p. 1, 4.

“Only oil” comments on the Moscow city authorities’ initiative to introduce tax privileges for oil companies to make them stay in the city. This comes amid the campaign to relocate the central offices of oil and gas companies as well as certain federal agencies from the Russian capital city to regions; p. 1, 6.

Press Digest for May 6, 2014



“Assault interrupted by pouring rain” looks at the situation in the southeast of Ukraine and says that the most serious armed clashes since the beginning of the conflict in Slovyansk have resulted in the death and injuries of dozens of people, but have not radically changed the situation surrounding the city; p. 2.

“Maybe war will begin tomorrow” says that the emotional uplift Russians used to have, has been replaced with anxiety: a civil war is looming over Ukraine, half of those polled by the Levada Centre have said; p. 3.

“Everything is for Crimea” says that Putin has found internal reserves for Crimea in the Interior Ministry: more personnel will be hired and, at the same time, a large-scale reduction in the number of the staff is expected in the ministry; p. 3.

“Recession as norm” says that the Russian economy has bogged down in stagnation. However, now, grad-

flow of funds from foreign banks operating in Russia; p. 1, 4.

“They suggest prohibiting state reserves in dollars” says that State Duma lawmaker Yevgeny Fedorov is working on a bill regulating the use of foreign currencies depending on political risks. The bill is being drafted in response to the anti-Russian sanctions introduced by the West, the article says; p. 2.

“Head of Yandex.Ukraine resigns as general director” says that the head of the Ukrainian branch of the Russian search engine Yandex, who has openly backed the Right Sector’s actions in Odessa, has decided not to remain the public face of Yandex.Ukraine and has gone on leave for an indefinite period; p. 5.

“First domestic Mistral loses Syracuse” says that the first of two helicopter carriers of the Mistral class, be-

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ual recession may become the “new norm”, article says; p. 4.

“Playing against Russia” says that the U.S. intends to help Europe reduce dependence on gas deliveries from Russia. To do this, the U.S. should “open the road to LNG deliveries”, report says; p. 5.

“New Middle Ages” looks at the situation in Ukraine and says that the collapse of a state near our borders and near the borders of the EU causes the gloomiest expectations. There is very little chance of preserving current Ukraine, article says; p. 7.

“Quote of week” looks at the situation in Ukraine and at the concept of double standards used both by Russia and the U.S. in their approach to the conflict; p. 7.

Izvestia

“Hague tribunal to assess Ukrainian authorities’ activities” says that the State Duma intends to file a lawsuit to the International Criminal Court in The Hague, seeking punishment for the Ukrainian authorities for unleashing a civil war in the country and the genocide of Ukrainians; p. 1, 3.

“Schools and higher education institutions to teach fight against corruption” says that a program to teach the population to combat corruption will be developed by 2015; p. 1, 4.

“Roskomnadzor to computerize search for filthy language” says that the Roskomnadzor media watchdog has begun to test a system of automatic monitoring of online media outlets for swearing in articles and commentaries; p. 1.

“Russians withdraw 63 billion rubles from foreign banks’ subsidiaries” says that the anti-Russian sanctions introduced by the West have triggered the out-

ing built in France for Russia, will be equipped with the Russia-made satellite communications system Tsentavr instead of the French satellite communications system Syracuse; p. 6.

“Russia to offer UN to delay election in Ukraine” says that the Russian Public Chamber intends to ask the United Nations and the Council of Europe to postpone the May 25 presidential election in Ukraine until the situation normalizes there; p. 8.

Rossiiskaya Gazeta

“First May ones” says that the Central Bank has revoked licenses of two Moscow banks: Atlas Bank and First Republican Bank; p. 1-2.

“They lose their wits” says that Deputy Prime Minister Dmitry Rogozin has been outraged by the Kalashnikov concern’s high-priced tenders for services to create the company’s brand and set up the company’s website; p. 3.

“China entices” looks at Russian-Chinese relations, which have recently begun to improve given Russia’s standoff with the West over Ukraine; p. 3.

“Spring storm begins in Estonia” looks at a military exercise in Estonia. NATO has decided to frighten Russia in the Baltic region, article says; p. 8.

“Anti-terror operation or what?” says that the Ukrainian authorities have resumed the “anti-terror” operation in the country’s southeast, though have admitted that it is facing certain problems because many local people and law enforcers are backing “separatists”; p. 8.

“How Americans looked for Russians” comments on an article in The New York Times about the situation in Ukraine and says that U.S. journalists have not found Russians among people’s militia in

the southeast of the country; p. 9.

“Has ambassador recovered his sight?” says that the U.S. has no proof that Russia is involved in the tragedy in Ukraine’s Odessa; p. 9.

Moskovsky Komsomolets

“How we can avoid becoming Ukraine” looks at the situation in Ukraine and says that every effort should be made to prevent the bloody chaos in Ukraine from engulfing our country; p. 1-2.

“Not step forward!” looks at the reason why Russia should not bring troops into Ukraine; p. 1-2.

“Crimean holidays” features correspondent’s report on her trip to Crimea; p. 1, 5.

“Southeast on fire” says that some 20 people have been killed in Ukraine’s Donetsk region over the last few days; p. 2.

“Tanks will rumble in Donetsk region” says that there have been calls on Putin to provide supporters of federalization in Ukraine with heavy armaments and features experts’ comments on the issue; p. 2.

RBK Daily

“Teacher from state” points out that about 50 politicians, officials, top judges and top managers of state-run banks and media outlets hold concurrently senior positions at Russia’s leading higher education universities and institutes; p. 2.

“Russian guard has no place in Europe” says that officers from the Federal Protection Service have been banned from visiting 108 foreign countries, which have extradition agreements signed with the U.S.; p. 2.

“Time to calculate debts” says that the Audit Chamber has suggested monitoring state-run companies’ foreign debts; p. 3.

“Transneft cuts off Ukraine” says that the Russian pipeline company Transneft has suspended diesel fuel supplies to Ukraine and Hungary over a legal dispute; p. 6.

Komsomolskaya Pravda

“Putin calls Kobzon at Komsomolskaya Pravda” says that President Vladimir Putin unexpectedly called the author and asked him to speak to singer and presenter Iosif Kobzon, who hosts a show on Komsomolskaya Pravda’s television channel. The article features a transcript of their brief conversation; p. 1-2.

“Report on Ukraine mayhem presented to president” briefly talks about a report by the Russian Foreign Ministry on violations of human rights in Ukraine, called “the white paper”, which has been presented to President Putin; p. 3.

“State Duma speaker Sergei Naryshkin: they are trying to lay the blame for aggressors’ actions on the victims” briefly covers a Russian parliamentary delegation’s visit to Serbia; p. 3.

“Junta storming Slovyansk again” covers recent clashes near east Ukraine’s Slovyansk; p. 4.

“They forced us into building and set it on fire” gives an eyewitness account of the Trade Union House fire in Odessa on May 2; p. 5.

“Odessa slaughter: scenario written in Kiev” argues that the May 2 Odessa fire was pre-mediated and pins the blame on the Ukrainian authorities; p. 6.

Tvoi Den

“Slovyansk drowned in blood” says that Ukrainian troops opened fire on civilians over the course of their counter-terrorist operation in Slovyansk; p. 1-3.

“Worse than animals” says that pro-Ukrainian activists “finished off the people jumping out of burning the Trade Union building with bats and crowbars during the May 2 fire in Odessa; p. 2.

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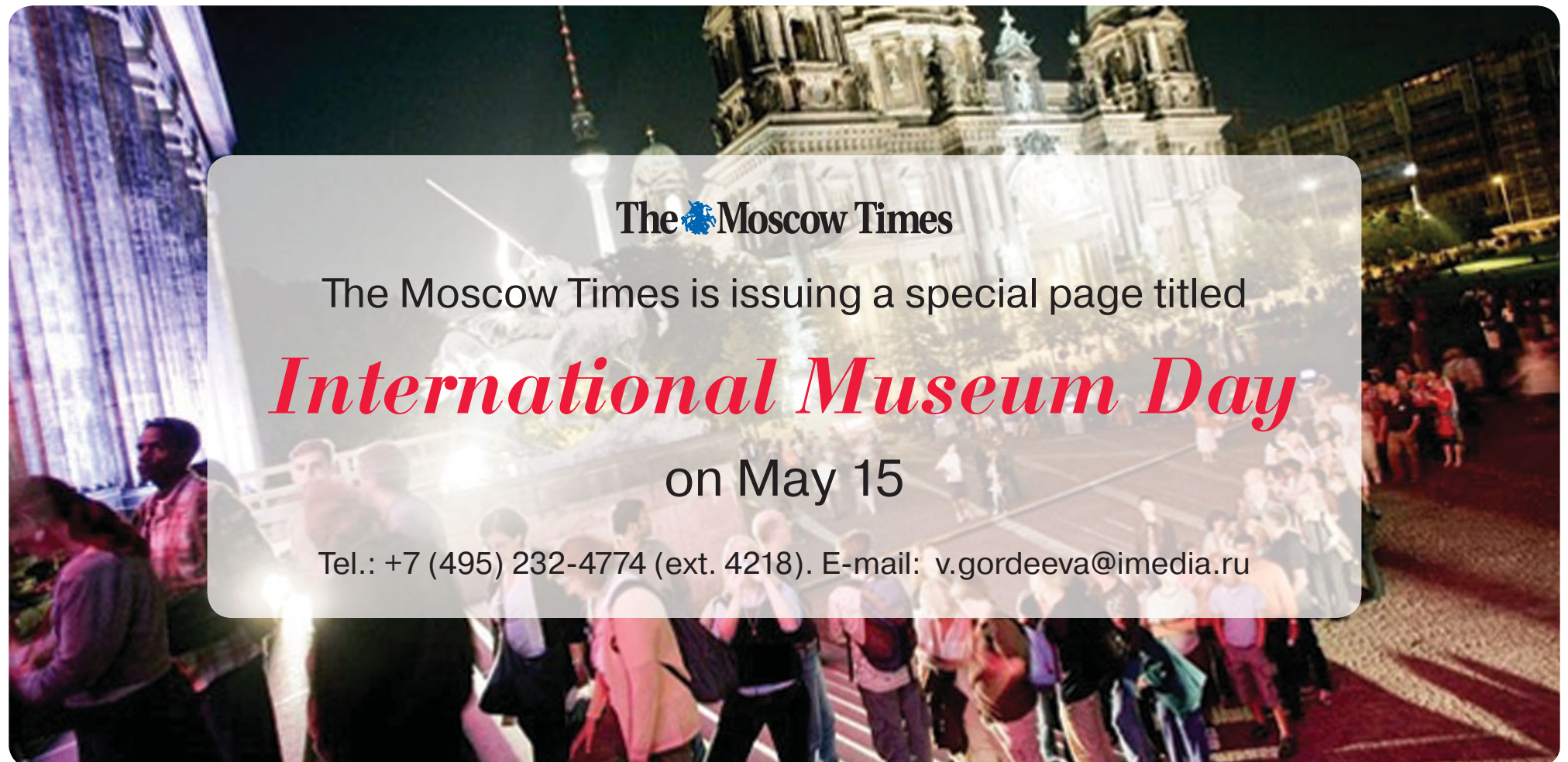
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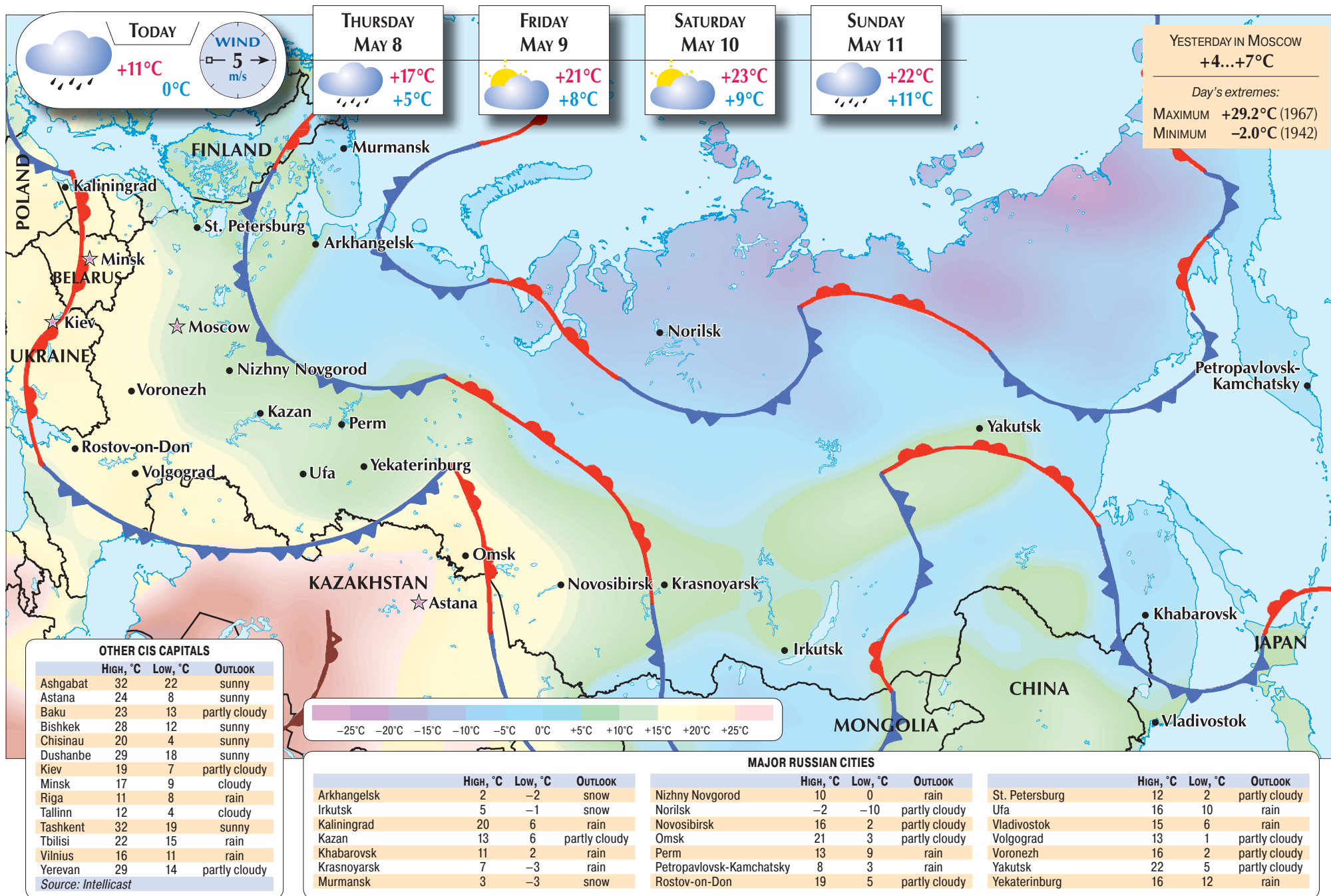


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The Moscow Times is not responsible for the accuracy of advertisements contained in this section.

INTRODUCTIONS

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VLADIMIR FILONOV / MT

Picture of the Day Soviet-themed decorations standing proudly outside Lubyanka. Victory Day will be celebrated May 9 and patriotic flags and symbols have appeared in the city.

BUTOVO

Continued from Page 16

did he guard? Bones ... In case someone digs up any by chance," Father Kirill said.

After the site ceased to be used for executions, apple trees were planted on the shooting range and mass graves, and locals used to break in here. Locals say that for half of a century people kept trying to get in despite the danger — trespassers could be shot — because there was no other place where they could get such sweet red apples.

When the secret archives of the NKVD were finally declassified, the true nature of the Butovo range was finally revealed.

Fundraisers for building a wooden church on the Butovo range were held in many Moscow churches, access to the site was improved, and a shuttle bus now runs from the Bulvar Dmitria Donskogo metro station. Also, memorial plaques with the names of the mur-

dered priests were installed around the chapel.

Since 2000 the Russian Orthodox Church canonized more than 300 martyrs who were shot and buried on the Butovo range.

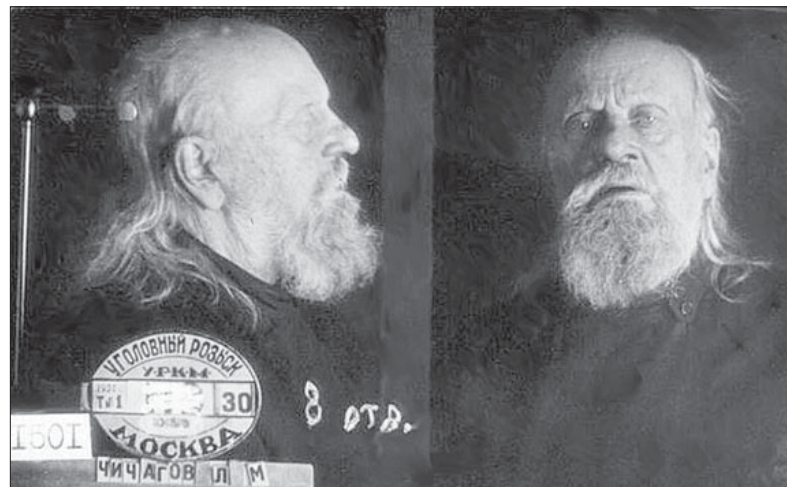
There is no other place in Russia or the former U.S.S.R. where there are so many holy relics — even the famous Monastery of the Caves in Kiev holds only about 150 saints' relics.

No other place in Russia or the former U.S.S.R. holds as many relics as Butovo.

The new saints have attracted many new donations, allowing for the construction of a much larger new stone church, where children and grandchildren of the newly canonized saints can be seen praying before icons depicting their fathers and grand-

fathers.

In an ironic twist of fate, many of the same NKVD staff who worked at the site were later targeted by purges and found themselves executed at the same shooting range — they now lie with their erstwhile victims in mass graves, and their remains are now indistinguishable.



WIKIMEDIA

Metropolitan Serafim Chichagov shortly prior to his execution in 1937.

EXPAT LIFE

MOSCOW INTERNATIONAL CHOIR'S spring concerts will be on May 20 and 26 at 7:30 p.m. at St. Andrew's Anglican church on 8 Voznesensky Pereulok. Program: Bizet's Te Deum and music from Broadway musicals. Tickets: 500 rubles. Proceeds go to Civic Assistance (<http://kids.refugee.ru>). Order tickets at Moscow.International.Choir@gmail.com or 8(906)0512881

ENGLISH BREAKFAST CLUB: Who wants to join us for breakfast near Red Square? We will discuss The Moscow Times newspaper and current events. Tuesday and Thursday mornings 9:00 a.m.-12:00 p.m. Cost is only 300rub, which includes breakfast, coffee and newspaper. Bookings essential: Call Ken +7(915)040-26-32. Facebook.com/talkandrelax

THE ANIMAL SHELTER on Ulitsa Zorge (www.facebook.com/naZorge) is in need of financial support. We have 500 dogs and 30 cats, and they need to eat every day. By donating, you will be giving the gift of life. Yandex wallet number 410011614051942.

ENGLISH GAMES is a Moscow-based club where you can play American board games and enjoy friendly company in English. Every Monday and Wednesday, from 7 to 9:30 p.m., near Metro Tsvetnoi Bulvar. 985-994-3739. www.facebook.com/englishgames.

The **ENGLISH-LANGUAGE DRAMA CLUB**, with British drama/language instructor Jack Silverstone,

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your work, to moscowwriters@yahoo.com and let's start the conversation. (Checkpoint Anti-cafe writers, if you really exist, give me a sign!)

THE ICL HELP LINE is a free, confidential, professional phone counseling service for relational and personal issues. Counseling is available in English, Russian, French and Polish. Call 926-113-3373, from 8 a.m. to 11 p.m., or e-mail ICL@list.ru.

meets every Wednesday at Dunkin' Donuts, 17 Novy Arbat, from 7:30 to 10:30 p.m. Everybody can join! To sign up, call +7-926-633-0669.

MOSCOW SCHOOL NO. 309 FOR DISABLED CHILDREN seeks donations of tabletop games and sports equipment. Child-sized sofas, Lego Duplos and computer equipment would also be appreciated. For more information, call school director Larisa Mikhailovna at 499-184-3941 (Russian only), or send an e-mail in English to sch309@yandex.ru.

WRITER SEEKING WRITERS. Poet / fiction writer (BU Creative Writing alum) seeks others, as well as playwrights / performers / filmmakers, for discussion and mutual serious criticism / inspiration. Please send an introduction, perhaps with samples of

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MOSCOW HASH HOUSE HARRIERS. Every Sunday at 3 p.m. we meet at a different metro stop and enjoy a fun run in a Moscow park. Walkers welcome! Check website www.moscowh3.com for this week's run details. Look for us also on Facebook, moscowhashhouseharriers.

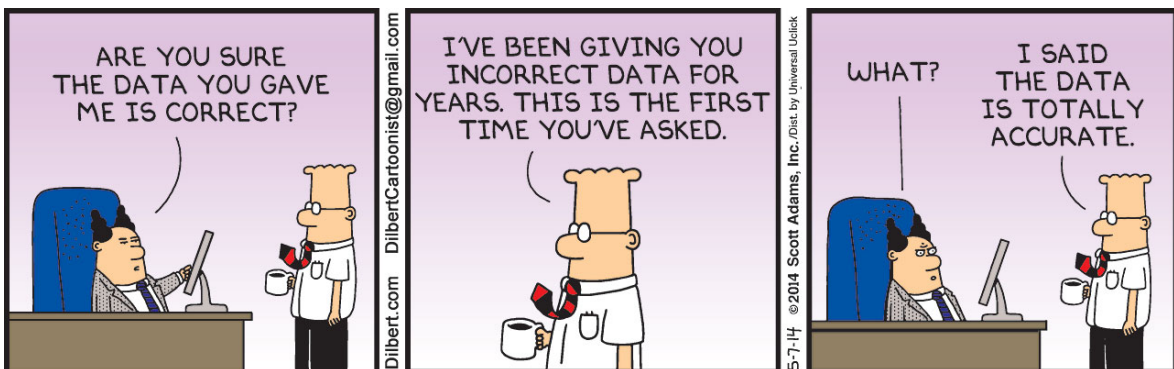
INTERMIX WORLD gathers regularly to promote a positive perception of mixed-race people and families. Visit our website, www.intermixworld.org, or register by writing to moscow@intermixworld.org.

For more information on community events and a full listing of English-language religious services, see The Moscow Times' website.

DILBERT

BY SCOTT ADAMS

For more Dilbert comics, see themoscowtimes.com/multimedia/dilbert



Beauty will save the world.
— Fyodor Dostoevsky

For a full list of films, concerts and exhibits in Moscow this week, see the calendar on The Moscow Times' website at tmt-go.ru/calendar

Moscow Mass Grave Is Among Russia's Holiest Sites

Over 20,000 people were executed at the Butovsky Range, including many Orthodox priests who have since been made saints.

By Alexander Annin
artsreporter@imedia.ru

On May 10, the Russian Orthodox Church will hold its annual special service in the Church of New Martyrs and Confessors in Butovo, a little-known site that is home to Russia's largest collection of holy relics.

In the forest near old Butovo, about 5 kilometers south of the Moscow Ring Road, lies the largest burial place for victims of Stalin's purges in the whole Moscow region, a site of mass executions. At the small plot of land known as the Butovsky Shooting Range or "Butovsky Poligon," about 20,760 people were executed between August 1937 and October 1938. Among this were men and women, the old and the young, people from 70 different nationalities and many faiths and social classes.

Seventy-seven years ago, in August 1937, the head of the NKVD ordered a high fence be erected around a remote five-hectare patch of oak forest. The construction was largely ignored by locals, who were told the site would be a shooting range, a rumor that frequent gunfire seemed to verify.

More than 20,000 people were executed at the site in a little more than a year — an average of about 50 people per day. The diversity of those executed was stunning, including South African communists, Polish nationalists, Germans, Hindus, Chinese, Tatars and Jews. However, the site "specialized" in executions of Orthodox Christian clergy, targeted by the Soviet Union as supposedly counter-revolutionary elements in their atheist state.

About 1,000 of the victims were clergy from the Russian Orthodox Church, and about 300 people from that number have since been beatified as saints. After the collapse of the Soviet Union, the Russian Orthodox Church began commemorating the site, establishing a small wooden church on the site in 1996 and a larger church that has been active since 2007. Since 2000, the patriarch has led an annual service in the church of the martyrs to commemorate those killed in Butovo.

The most famous person killed at



ALEXANDER ANNIN / FOR MT

The commemorative church and crosses built on the former Butovo Shooting Range are now visited by large numbers of Orthodox pilgrims every year.

Butovo was Serafim, the Metropolitan of St. Petersburg. Known as Leonid Mikhailovich Chichagov prior to entering the church, in the 19th century he was considered one of Russia's greatest religious writers, best known for his extensive research on the life of Saint Serafim Sarovsky. Chichagov was also known for his secular social literature works, authoring the book "The Glorious Deeds of the Russian Warriors" in memory of the Russian-Turkish war of 1877 to 1878, in which Chichagov served as an artilleryman.

By the time of his execution, Chichagov was an infirm man of 82 living privately in Malakhovka and ill with dropsy. When the NKVD arrested him, it became clear that the old man could not withstand interrogation at the Taganka prison, and so he was quickly taken to the Butovo range and shot.

According to the archives, many high-ranking members of tsarist society were executed at Butovo, apart from the religious figures. Some of those shot at Butovo include Vladimir Dzhunkovskiy, governor-general of Mos-

cow; Fyodor Golovin, the chairman of the Second State Duma; Nikolai Danilevsky, the first Russian aviator; Otto Schmidt, an arctic explorer; Mikhail Khitrovo-Kramskoi, a composer; five tsarist generals and representatives of Russian noble families such as the Rostopchins, the Tuchkovs, the Gagarins, the Obolenskys, the Olsufiyevs and the Bibikovs.

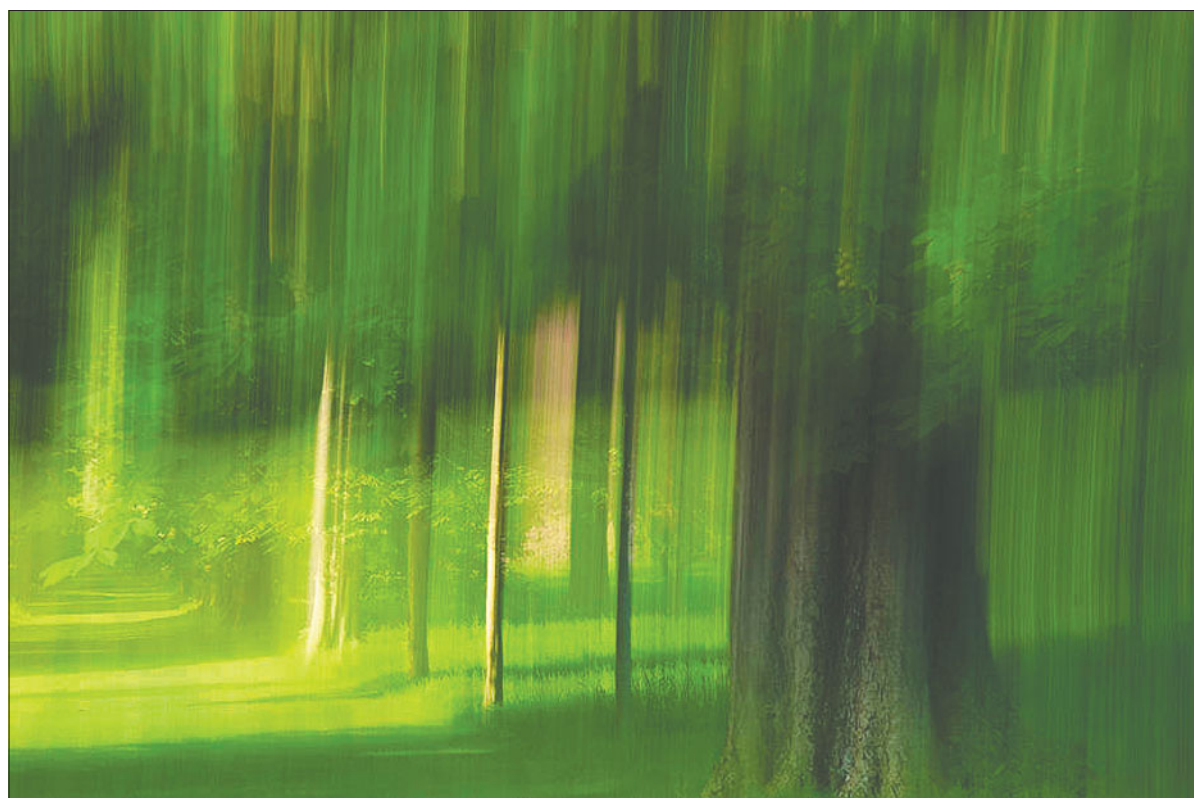
The first church constructed on the site was built by a descendant of one of those executed at Butovo: Architect Dmitry Shakhovskoi is directly de-

scended from Prince Dmitry Shakhovskoi, the founder of the Party of Constitutional Democracy of the Russian Empire, who was executed in late 1937.

Father Kirill Kaleda, prior of the Church of New Martyrs and Confessors, has worked in this grim place since 1995, when excavations of the burial site first began.

The shooting range was kept secret until 1995, and a KGB officer was permanently stationed at the site. "What

See BUTOVO, Page 15



CHARLES MARCH

Photos like March's "Highwood 2" portray pastoral scenes with an electric green vibrancy and triumphant haze.

Charles March's Photos Show Dynamic Scenery

By Richard Martyn-Hemphill
artsreporter@imedia.ru

One of the gems of this year's Moscow Photobiennale is Nature Translated, a mesmerizing exhibition by British photographer Charles March.

After showings at London's Bermondsey Project Space in 2012, and at St. Petersburg's Marble Palace earlier this year, Nature Translated is now on display at Moscow's Mouravieff-Apostol Museum.

The venue was once a famous meeting place of the Decembrists, a radical movement of 19th-century Russian revolutionaries; and its classical interior, tastefully renovated, nicely fuses with Charles March's contemporary photographs.

The photographs are all of trees, which would normally be considered a rather tranquil subject matter. Yet

Charles March has spent much of his life bringing a sense of speed to tranquil places. At Goodwood, Charles March's family estate, where he took most of his photographs for Nature Translated, he has spent more than 20 years running the Festival of Speed — combining the traditional elegance of his country home with the largest luxury car festival in the world.

So it is perhaps no surprise that the man behind the Festival of Speed looks to inject a giddy dynamism into his photographs.

The trees he captures in winter exude a shimmering resilience — dug in against heavy snow; while in summer, the trees have an electric green vibrancy, with some branches seeming almost translucent: a blurry and triumphant haze surrounds them. Bright light pervades.

See PHOTOBIIENNALE, Page 15