



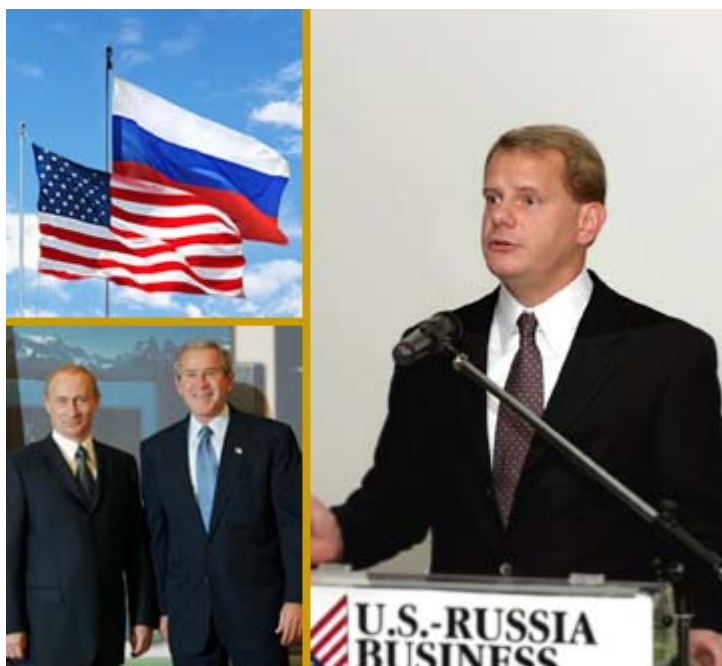
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Wednesday, September 27, 2006

Volume 1 Issue 32



Blake Marshall, Leading Expert on U.S.-Russian Relations, Joins The PBN Company

The PBN Company announced earlier this month that long-time friend and colleague, Blake Marshall, is joining the firm's Washington, DC office as Senior Vice President — International effective November 15, 2006.

Blake is one of the leading experts in Washington, DC on the Russian economy and U.S.-Russian relations. Just this summer, Blake took part in Oval Office discussions to help prepare President Bush for the G8 Summit and subsequently participated in a quasi-official retreat outside of Moscow to discuss where the U.S.-Russian relationship will go following the G8 Summit.

He is currently Executive Vice President and COO of the U.S.-Russia Business Council (USRBC), the Washington-based trade association that represents the interests of 300

A New Phase in U.S.-Russian Relations

By Blake Marshall

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A Measure of Confidence: What Do Russians Think About China?

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companies operating in the Russian market. Marshall manages USRBC's policy agenda and lobbying initiatives with both the U.S. and Russian governments, acts as principal spokesman, and directs the organization's daily operations.

In announcing his planned departure, USRBC President Gene Lawson called Blake "one of the pioneers in the 1990s contributing to Russia's post-Soviet transition, and he is widely recognized as a next generation leader in the field of Russian affairs and U.S.-Russian relations."

"Blake brings exceptional expertise and stature to the firm," said The PBN Company's Chairman and CEO Peter B. Necarsulmer. "There is probably no other person in Washington with Blake's combined U.S.-Russia business, political and academic credentials, and the respect of both the policymaking and business communities."

The PBN Company's Washington, DC office splits its time on domestic public policy issues and international relations involving the firm's clients in Russia, Ukraine, the CIS and Baltic States. Blake will work with Senior Vice President Paul Nathanson and his team of professionals to service both domestic and international clients. Specifically, he will be responsible for advising both Western companies on their investments in the region, as well as assisting Russian, Ukrainian and other CIS companies in raising their profiles and building relationships in the United States.

In this edition of Access PBN, Blake provides his analysis of the current factors causing friction in U.S.-Russian relations. Blake concludes that "the early Bush-Putin romanticism is slowly giving way to a realistic reappraisal of where U.S. and Russian interests truly converge in this new phase. It has taken some time for the U.S. to come to terms with a resurgent Russia exercising its influence to further its interests, but the most difficult aspects of that adjustment may be behind us now."

Also included in this edition is Paul Nathanson's analysis of U.S. domestic politics as the 2006 mid-term elections near. In addition, Senior Vice President Myron Wasylyk provides insight into the latest twists and turns of Ukrainian political affairs. Finally, PBN•Moscow Director of Market and Opinion Research Dmitry Polikanov examines the findings of recent opinion polls on Russian-Sino relations.

Email Blake: Blake.Marshall@pbnco.com

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A New Phase in U.S.-Russian Relations

Much has been written about recent strains in the U.S.-Russian relationship. The U.S. and Russia have expressed their concerns over issues ranging from Russia's internal development to the war in Iraq, and for the most part, these have been addressed as manageable differences short of more serious tensions. However, while the January 2006 shutoff of gas supplies from Russia to Ukraine may not have been a singular trigger switch, it has come to represent a departure point for a new phase in U.S.-Russian relations. The cooling in the relationship that has ensued evidences some of the difficulties inherent in adjusting to this new phase, principally defined by a resurgent Russia exercising its influence in pursuit of its national interests.

In some ways, the relationship has suffered from inflated expectations — that counterterrorism cooperation in the aftermath of 9/11 was the centerpiece of a "strategic partnership" that would by definition unite the two countries on common objectives across the globe. As certain other achievements failed to materialize, it has become clearer now that unrealistic expectations increased the likelihood of disappointment, at least in a public relations sense.

Over the past two years, the respective checklists of irritants have grown, and frustrations have mounted on both sides. Along the way, the dialogue decreased, and far too much of our bilateral business has been conducted through the media, through terse statements issued by press offices or public speeches intended for other audiences.

Former Soviet Space Issues

The diminished dialogue has left officials and foreign policy elites in both countries to infer the other's intentions and motives, which has resulted in mistaken impressions that shift the balance between cooperation and conflict. This is especially true on questions in the former Soviet space. An example is Georgia. Some influential Russians believe that the U.S. used President Saakashvili's visit to Washington prior to the G8 Summit to at least tacitly endorse a military solution to the frozen conflicts in Abkhazia and South

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"The early Bush-Putin romanticism is slowly giving way to a realistic reappraisal of where U.S. and Russian interests truly converge in this new phase. It has taken some time for the U.S. to come to terms with a resurgent Russia exercising its influence to further its interests, but the most difficult aspects of that adjustment may be behind us now."



Blake Marshall, who is currently Executive Vice President and COO of the U.S.-Russia Business Council, will be joining The PBN Company's Washington, DC office as Senior Vice President — International effective November 15, 2006.

Ossetia. Not only is that inaccurate — and perhaps dangerously so — but exactly the opposite is true, as Washington has attempted to use its influence to restrain Tbilisi's sometimes erratic behavior.

A similar case can be seen with Ukraine. Unlike the first two rounds of NATO expansion, for a host of political, military and cultural reasons, Russia views Ukrainian membership in NATO as a bright red line. Crossing that line would jeopardize bilateral cooperation and possibly provoke retaliation on other fronts. When polls show that between two-thirds and three-quarters of Ukrainians are opposed to joining NATO, Russian elites ascribe the impetus for membership to a concerted push from Washington rather than self-determination. Right or wrong, the result is a reversion to balance-of-power tradeoffs, such as the prospect of withholding cooperation on Iran if Ukraine joins NATO. Last week's announcement that Ukraine is applying the brake on a Membership Action Plan helps to defuse near-term tensions over this sensitive issue.

But this implied Ukraine-Iran linkage raises questions for both the U.S. and Russia as they more clearly define their national interests. If Iran's nuclear pursuits are a principal security threat to the United States, would U.S. policy rationally sacrifice a first-order cooperation imperative for a second- or third-tier priority? And for Russian policy, containing Iran's nuclear ambitions — much like counter-terrorism cooperation — is not exactly a favor to the United States. It is clearly in Russia's national interest to prevent the acquisition of nuclear weapons in a volatile region on its periphery. Russian foreign policy elites will readily agree, but the limits to which Russia will go on the nonproliferation concern are a matter of cost, both economic and diplomatic — hence the arduous sanctions discussion. While Iran going nuclear is undesirable, it is not the grave threat in Moscow that it is in Washington, and Russia certainly isn't interested in going to war to prevent it. Our broad strategic interests converge, but tactical considerations diverge.

WTO and Economic Issues

Recently the political overlay in our bilateral relationship has also altered perceptions of economic cooperation and competition, with energy supplies and delivery routes being the most prominent example. More concretely, when the WTO bilateral negotiations "failed to conclude" in the run-up to the G8 in mid-July, it revealed different estimations of the political dynamics and economic issues involved. Even on the primary issue at the heart of the impasse (plant inspections for meat products), there was a fundamentally different assessment of the facts involved. On the Russian side, this bred a sense of frustration that the U.S. was "withholding" WTO membership, presumably as some sort of bargaining chip.

More worrisome is the Russian sentiment expressed in some quarters that the U.S. is actively working to keep Russia out

of the WTO, as part of a broader conspiracy to constrain Russia's burgeoning economic influence. That same school of thought points not only to Gazprom's and Severstal's M&A ambitions abroad, but also to the U.S. sanctions levied in early August against Rosoboronexport and Sukhoi pursuant to the Iran Nonproliferation Act. The unfortunate proximity to the WTO disappointment three weeks earlier overshadowed several contextual facts: the statute requires a regularly scheduled review (semiannual); there had been prior communication to the Russian government on the specific allegations of the current review (it was not a surprise); and the sanctions package included five other companies from three other countries (Russia was not unfairly targeted).

Russian observers could naturally wonder about a "piling on" effect, however, with the coincidental announcement the very next day that the U.S. would conduct a review of its Generalized System of Preferences (GSP) trade benefits that afford certain countries preferential tariff treatment. The immediate reaction noted that repealing GSP benefits could cost Russia more than \$1 billion; again, lost in the shuffle were the broad parameters of the review. The review is being conducted for 13 countries whose economies have rapidly matured, as part of the entire GSP program's reauthorization when it expires at the end of 2006. While the facts behind these developments do a good job of debunking the "keep Russia down" conspiracy theories, official Washington has not done a good job of communicating to the Russian government, the business community or the broader public about the specifics involved.

The early Bush-Putin romanticism is slowly giving way to a realistic reappraisal of where U.S. and Russian interests truly converge in this new phase. It has taken some time for the U.S. to come to terms with a resurgent Russia exercising its influence to further its interests, but the most difficult aspects of that adjustment may be behind us now.



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U.S. Election Campaigns Overshadow Domestic and Foreign Policy Making

The last few weeks of any Congressional session are always busy, with the House and Senate attempting to vote on numerous legislative initiatives before recess. This year, with so many close Congressional races and both sides trying to use each issue to its advantage in the election campaign, the stakes are higher than ever.

For the first time in years, the Democrats believe that they have an opportunity to take control of one or both houses from Republicans. They point to opinion polls as reasons for their optimism. A majority of Americans disapprove of President Bush's job performance and a recent L.A. Times/Bloomberg survey showed that Democrats hold a 49 percent to 39 percent lead when registered voters are asked which party they intend to support for Congress this year. History is also on their side. "Mid-term elections" (Congressional elections held at the halfway point of the President's four-year term) almost always favor the party that is not in power (the Democrats this year). In 1994, Republicans ran a strong anti-incumbent campaign and used the mid-term elections to take over control of Congress, including winning 52 seats in the House of Representatives and gaining control of that chamber for the first time in 40 years.

The Democrats also believe they have several key issues on their side. The Iraq war — and the President's handling of it — is politically unpopular. Americans are increasingly concerned about the economy, particularly as gas prices soared beyond \$3.00 a gallon. But Republicans are adroit at changing political debates to subjects where they believe they are on more solid ground. Republicans are also benefiting from some improved key economic factors.

Iraq War v. War on Terrorism

Democrats want the congressional races to focus on the war in Iraq. Republicans want the elections to focus on terrorism and security issues. While the gap has closed greatly this year, Republicans still maintain an edge in public opinion

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"Both Democrats and Republicans believe that showing that they can be 'tough' on Russia burnishes their foreign policy and national security credentials. It is almost certain that the rhetoric on hot button issues such as Russia's democratic reform and WTO membership will only increase in the coming weeks."



Senior Vice President Paul Nathanson has managed The PBN Company's Washington, DC office since its opening in 1993, where he focuses both on domestic public policy and on supporting the firm's international clients to expand their presence and effectiveness in the nation's capital.

over Democrats on national security issues. The arrests in London in August of a group allegedly planning to destroy planes operated by U.S. carriers over the Atlantic Ocean, the flare up of the nuclear confrontation with Iran and the media focus and commemorations related to the five year anniversary of September 11 helped shift the debate away from Iraq to terrorism and national security issues. In addition, Republican leaders in Congress scheduled a series of votes on port security, border security, defense appropriations and anti-terrorism legislation to highlight the work that Republicans have done to make Americans safer.

Gas prices in the U.S. soared to record levels in the first eight months of 2006. The drag on the economy and the direct impact on Americans' pocketbooks from paying more than \$3.00 per gallon helped focus voter anger at both President Bush and the Republican-controlled Congress.

But lady luck may be on the Republicans side this year. Gas prices have been plummeting over the past month. The latest survey shows that average gasoline prices are now under \$2.50 per gallon, with the average in some areas under \$2.00, with predictions that gas prices will continue to fall. As Americans feel better about their pocketbooks and the economy, their anger at Republicans, who control both the White House and Congress, may soften.

Foreign Policy Issues Sidelined to 2007

The current highly charged election campaign also involves U.S.-Russian relations. Unlike Ukraine, Armenia and other former Soviet countries, Russia does not have a strong domestic diaspora that works to promote U.S.-Russian relations. Both Democrats and Republicans believe that showing that they can be "tough" on Russia burnishes their foreign policy and national security credentials. It is almost certain that the rhetoric on hot button issues such as Russia's democratic reform and WTO membership will only increase in the coming weeks.

There is little appetite among Republican leaders in Congress to take up Russia's WTO accession even if a deal is reached between the U.S. and Russia in the near-term. While there is certainly increasing concern over differences with Russia on a number of issues, Congress would have difficulty passing a trade agreement with any country because of growing anti-trade sentiment in both Houses of Congress caused by a growing trade deficit, and concerns over the economy and the loss of manufacturing jobs. For Russia, this means that, assuming a deal is reached, Congressional consideration of WTO-related legislation may be delayed until mid-2007.

The improved economy, falling gas prices and the Republican strategy to focus attention on national security issues, seems to be working — at least in the short term. President Bush's job approval rating is up, from a low of 29 percent to a current 42 percent. Recent polls show on a national level Republicans gaining ground in opinion polls on

Democrats. However, voter anger is still high, and many Republican incumbents in both the House and the Senate are involved in close races. For Democrats, there is still optimism. Anti-incumbent sentiment among voters is higher than in any recent elections dating back to 1994 — the year Republicans took over the House.

There is, however, one caveat. A scandal broke out last week that caused a Republican Congressman to resign because of his inappropriate, sexually explicit e-mails to Congressional pages (teenage students who work for Congress). The scandal widened this past weekend when new allegations arose that the Republican leadership in the House of Representatives knew about the e-mails but did nothing and instead tried to keep it quiet. This has created a political firestorm in Washington. How much damage this scandal causes to the Republicans' re-election prospects is still to be determined.

For political junkies and Washington pundits, it doesn't get any better than the next six weeks.



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An Unlikely Coalition Sets Ukraine's Future

An unlikely parliamentary coalition of former political foes that was cobbled together after months of infighting symbolizes a new phase in Ukraine's democratic evolution. Co-existence and competition are the key words in this delicate political balancing act between Viktor Yushchenko as President and Viktor Yanukovich as Prime Minister. While constitutional ambiguities, policy differences and political infighting test the new power sharing arrangement in Kyiv, the two Viktor's understand overcoming these challenges will benefit Ukraine's economic, social and political future.

A power sharing understanding between Yushchenko and Yanukovich, who both fought bitterly for the post of President in 2004, was reached in early August, when months of efforts to form a government among former "Orange Coalition" parties failed. First came the "face-saving" agreement signed by all political parties, except that of former Prime Minister Yulia Tymoshenko, to enact President Yushchenko's "Universal for National Unity," a political road map that confirms Ukraine's western political orientation and ensures that divisive election campaign issues — such as NATO membership, regional federalism and Russian as an official regional language — are decided within the current constitutional framework. Signing the national unity pact provided Yushchenko the political cover to nominate his former adversary Yanukovich as Prime Minister.

A Division of Ministerial Posts

Thereafter, the two Viktor's divided the key ministries. President Yushchenko installed loyal supporters in key foreign policy, defense, justice and law enforcement posts. Prime Minister Yanukovich put his friends in posts that control the economy and energy. The economic policy scales have firmly tilted in favor of big business and major investors in particular. At the same time, the President's control of the National Security and Defense Council and his anti-corruption legislation, reforms in law enforcement bodies and within the judiciary are poised to move forward

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"While constitutional ambiguities, policy differences and political infighting test the new power sharing arrangement in Kyiv, the two Viktor's understand overcoming these challenges will benefit Ukraine's economic, social and political future."



Myron Wasyluk, Senior Vice President of The PBN Company, has led our Ukraine team of 20 professionals since its founding in 1998. Myron also serves on the boards of the American Chamber of Commerce and the Polish-American-Ukraine Cooperation Initiative (PAUCI), and recently founded the Center for Economic Policy and Legislative Initiatives, a free-market liberal think tank.

as a means of supporting the President's democratization of the government and reducing its potential for excesses.

To meet the competitive political challenges brought about by the power shift from the Presidency to the Parliament, Yushchenko has taken moves to strengthen his own secretariat, which had been viewed as weak and ineffective since the Orange Revolution. Viktor Baloha, the current Minister of Emergency Situations and formerly a Regional Governor known to be a bulldog in defending political positions, replaces Oleh Rybachuk, as the President's Head of Secretariat. A new team of presidential aides has been assembled, including the former Central Banker and liberal Minister of Economics Arseniy Yatsenyuk; pragmatic former Deputy Minister of Foreign Affairs for European Integration Oleksandr Chaliy; and former Minister of Transport & Communications Viktor Bondar. The team is experienced in ministerial decision-making and will yield presidential veto powers to shape legislation and regulations that fit presidential goals and objectives.

Western Orientation and Improved Kremlin Relations

The government's stated objective of aligning itself with Western political institutions remains intact. However, the execution and timing of western integration now falls within the purview of Prime Minister Viktor Yanukovych, who said recently in Brussels that his government continues Ukraine's move toward Europe by replacing "Euro-romanticism" with "Euro-pragmatism." Immediate issues on the legislative agenda include the passage of laws that clear the way for Ukraine's WTO entry this year. Thereafter, negotiations will begin on a Free Trade Agreement between Ukraine and the EU, which have the potential to increase Kyiv's trade with Europe by as much as 25 percent annually. Ukraine's accelerated relations with NATO, long expected to commence at the alliance summit in Riga this November, have been temporarily put on hold.

A tangible benefit of Kyiv's political co-existence and power sharing formula is significantly improved relations with Russia. After a very rocky start in their relations, both Vladimir Putin and Viktor Yushchenko have recently commented in public that they have successfully moved the relationship between Moscow and Kyiv to more pragmatic grounds. The better relations started when Yushchenko appointed a non-Orange politician, Oleg Demin, as Ukraine's Ambassador to Russia. Government responsibility for Russian relations within the Prime Minister's Office will be led by long-time Russia hand Anatoliy Orel, who, during the Kuchma tenure, championed the pro-Russian axis in Ukrainian foreign policy and is expected to be a counterweight to Borys Tarasyuk, Ukraine's pro-Western Foreign Minister. A key economic benefit of the improved relations is Kyiv's ability to predict that natural gas import prices from Russia will remain at their current \$95/bcm until the end of the year with expectations of an increase to \$135/bcm in 2007. While media speculation about the

two-fold increase in 2006 and 50 percent increase in 2007 will continue, nonetheless, Russian gas supplies to Ukraine remain the cheapest in Europe.

Ukraine's two-year political transition has now entered a phase of potential stability based on new rules of the game. Pragmatism and the promise of economic growth are the glue holding Ukraine's political rulers together, at a minimum for the near term and possibly until the 2009 presidential election. And while the new power equation keeps opposition leader Yulia Tymoshenko temporarily on the political sidelines, her challenges to government support of big business and back peddling on important social programs will make her a constant feature on independent media networks and a tactical political ally for Yushchenko. Experts remain certain that Ukraine's return to an authoritarian past is impossible given civil society's expectations for transparency in government and a healthy skepticism in the media about political promises.



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A Measure of Confidence: What Do Russians Think About China?

Russia's relationship with China has greatly improved over the past few years as a result of both geopolitical ambition and clear economic necessity. Moscow enjoys its role of bridging East and West including being the only country capable of engaging Beijing in an international alliance that includes a military component. And Russia certainly benefits from the diversification of oil and gas flows eastward, giving Moscow more trump cards in the global energy game.

At the same time, opinions expressed in Russia about China are quite polarized and vary from racist epithets to slogans praising China as an economic miracle and as Russia's major partner in overthrowing America's global hegemony. Various surveys indicate a generally positive perception of China in the context of political and diplomatic interaction. According to the All-Russian Public Opinion Research Center (VTsIOM), 40 percent of Russians emphasize that Russia's relations with China are normal, while another 34 percent regard them as friendly or neighborly. Only 15 percent describe China in negative terms, stressing animosity between the countries.

Russian perceptions of China have changed dramatically in the recent past, and any current assessment of Chinese-Russian relations should not necessarily be considered a reliable indicator for the future. One of the most vivid trends in tracking Russian attitudes toward China is the increasing number of people who are becoming dissatisfied with China.

Attitudes to China: Slowly Growing Negativism

On one hand, 38 percent of Russians agree that their opinion has not changed in the last 10 years and another 16 percent demonstrate indifference. However, in the Far East the difference is much sharper: 36 percent of respondents say that their opinion of China has changed for the better, while 28 percent say their perception has worsened, compared with only 12 percent nationwide.

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"While the current attitude of Russians appears generally favorable, and even positive, this assessment cannot be taken as a prediction for the future. As China develops, negative perceptions already present in Siberia and the Far East may become more prevalent nationwide."



Dmitry Polikanov, PBN•Moscow's Director of Market and Opinion Research, oversees the firm's work on a range of research studies, including quantitative and qualitative opinion research and economic, social and political analyses. Dmitry previously served as the Director of International and Public Relations at the All-Russia Public Opinion Research Center (VTsIOM), Russia's largest and most prestigious opinion research center.

The Public Opinion Foundation (FOM) has compared statistics from 2006 with those from 2001 and found that the quantity of respondents who perceive China as a friendly state has decreased from 67 to 48 percent, while 30 percent think of it as hostile up from 18 percent five years ago. Twenty-two percent of Russians interviewed by VTsIOM expect Beijing to remain Russia's friend and ally throughout the 21st century, and another 26 percent hope for a future partnership. Nonetheless, nearly 27 percent (43 percent in the Far East and 36 percent in Siberia) fear that China may become a dangerous neighbor or even an enemy of Russia. FOM respondents are more explicit in their forecasts: 41 percent believe that the strengthening of China jeopardizes Russia's interests, while only 36 percent do not agree with this statement.

Part of the concern over China's growth can be explained by noting the positive attitude of Russians in general towards China's economic model. Sixty-seven percent of Russians asked by the Levada Center maintain that they have a favorable opinion of the Chinese economic system. Sixty-seven percent of FOM respondents believe that Russia's Eastern neighbor is developing more dynamically and successfully than Russia, and 47 percent agree that in the next 10 years China will take leading positions in world economics and politics, but that these positions will generally come at Russia's expense.

Economic Cooperation: Protectionism Prevails

Fifty-three percent of VTsIOM interviewees maintain that China benefits more from bilateral economic cooperation than Russia. In the Far East, this number grows to 75 percent. These numbers reflect Russians' awareness that the trade ties between the two countries are asymmetrical. China's rapid expansion into the Russian market damages indigenous industries, since it exports a variety of goods and boasts larger volumes, better quality and lower prices. Survey respondents also point out that while Chinese exports to Russia are diversified, Russia focuses more on natural resources.

Because many Russians, particularly in the Far East, fear the effect of Chinese imports on their jobs, they naturally want to restrict this economic expansion. Eighty-one percent of respondents in Siberia and the Far East believe that there is no need to attract Chinese companies and migrants to eastern Russia. Nationwide, these numbers go down but remain high. However, such nationalist sentiments also hold true with respect to other countries, even former Soviet republics like Ukraine and Belarus.

Russians also support the maintenance of Russia's territorial integrity. Seventy-six percent disagreed with the return of islands in the Amur River to China. Focus group participants argue that such a move would be bad for the image of the Russian state and a serious blow to the morale of the local

population. Again, territorial integrity is a fundamental position in general and applies to any territorial dispute, including Karelia, near the Finnish border, and the Kuril Islands, claimed by Japan.

China vs. USA: Russia's Search for Friends

Unlike the population in the 1960s and 1970s, today's Russians are not afraid of military aggression or direct military clashes with China. Forty-six percent of respondents in a survey conducted by the Levada Center believe that China will not use its military potential to threaten Russia. In contrast, 74 percent of respondents fear hostile military action from the United States. From these results, it is not surprising that Russians are very open toward joint military exercises with China: 51 percent of FOM respondents approve of them.

Military cooperation is not the only area in which Russians express more positive views about China than of the United States. Fifty-seven percent of Levada Center survey participants maintain that China has a positive influence on global affairs, while 20 percent disagree. In contrast, only 25 percent of Russians believe that the United States has a constructive impact on the world.

In a hypothetical conflict between China and the United States, 36 percent of VTsIOM respondents would support Beijing, while only 21 percent would support the United States. The Russians who would back China are largely based in Moscow and St. Petersburg (64 percent), followed by those living in European Russia (45 percent). This reaction could be a result of U.S. policies in Eastern Europe since the end of the Cold War, or a lack of first-hand experience with China, or a combination of both. In contrast, those Russians living in Siberia and the Far East, who have a greater fear of Chinese encroachment, would support the United States in a war, and encourage Moscow to join an alliance with Washington in order to stand up to Beijing.

While the current attitude of Russians appears generally favorable, and even positive, this assessment cannot be taken as a prediction for the future. As China develops, negative perceptions already present in Siberia and the Far East may become more prevalent nationwide.

It seems likely that Russians will continue to be supportive of the current political arrangement orienting Moscow and Beijing toward an alliance that would provide a counter-balance to American dominance. Russians mostly regard China as an ally. However, China can hardly become a vector for Russia's integration into the global economy. When it comes to economic links, access to Russian natural resources or labor market, survey respondents demonstrate significant restraint and do not seek further rapprochement.

While the majority of Russians hope for continued general cooperation with China, there remains some frustration and

envy of China's skyrocketing economic growth and its rapid progress toward establishing itself as a global power. These apprehensions may become aggravated should China stand in the way of Moscow's resurgent foreign policy.

It is important for Russia to avoid any policy that would render it a pawn in China's strategic aims, primarily as a counterbalance against the United States. Moscow must keep its independence in decision-making. Besides being good policy, that is what the public expects from the Kremlin.

Excerpted from article published in [Russia Profile](#) on September 28, 2006



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News from PBN Worldwide

Lotta... New Clients. Including Alcatel, Euroset, GlaxoSmithKline (Ukraine), GE Money, Independent Energy Company (Ukraine), Lafarge, Lufthansa for Russia, Ukraine and CIS, Lukoil, Merrill Lynch, Renaissance Capital Consumer Finance Group, Space Transport and Kyiv's Dnipro Riverfront Development. WOW! We're busy.

Email Peter: Peter.Necarsulmer@pbnco.com

New Veep. Artem Dovlatov recently joined the firm as Vice President for Financial Communication in the Moscow office. Artem is working with Tom Blackwell and Peter Necarsulmer to manage the firm's growing financial communications practice, including four client IPOs. He had previously been in charge of investor relations for Power Machines and Aeroflot. Keep up the great work, Artem!

Email Artem: Artem.Dovlatov@pbnco.com

Hello in DC. PBN•DC welcomes its newest Account Manager, Janel Causey. A former Deputy Press Secretary for U.S. Senator Ted Stevens (R-Alaska), Janel has worked overseas with numerous NGOs and international humanitarian groups from Russia to India to Thailand to Mexico. She was also an IREX Russian Young Leaders fellow from 2002-2003, during which time she studied and performed public service in Vladivostok and Moscow. Welcome, Janel!

Email Janel: Janel.Causey@pbnco.com

Pryvit in Kyiv. Welcome to PBN•Kyiv Account Manager Roman Ilto! Roman is an expert in the metals industry and, before joining PBN, served as part of the corporate and regulatory affairs team at British American Tobacco Ukraine and as a program manager for the U.N. Development Program in Ukraine. Another great addition to PBN•Kyiv's stellar team.

Email Roman: Roman.Ilto@pbnco.com

Return Engagements. Welcome back to Nastya Taratina, who returns as Director of Business Development to

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PBN•Moscow after a year of maternity leave. Another return engagement is Joanna "Anna" Kretchmer, who joins PBN's London office as Associate Account Manager and Office Manager. Anna, a US citizen and fluent Russian and Spanish speaker, was an intern in the firm's DC office for some months in 2005. Welcome back, Nastya and Anna!

Email Nastya or Anna: Nastya.Taratina@pbnco.com or Anna.Kretchmer@pbnco.com

Welcome to the PBN Family. Congratulations to PBN•DC Associate Account Manager Anna Balishina on the birth of her first child, Sophia. Anna and her husband, Oleg, welcomed their beautiful daughter on August 29. Congratulations, Anna and Oleg!

Email Anna: Anna.Balishina@pbnco.com



From top: Artem Dovlatov, PBN•Moscow Vice President for Financial Communications; Janel Causey, PBN•DC Account Manager; Roman Ilto, PBN•Riga Account Manager; Nastya Taratina, PBN•Moscow Director of Business Development; and Joanna Kretchmer, PBN•London Associate Account Manager.

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