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Summary

Georgia 'preparing terrorist acts in Russia'

Foreign instructors are preparing terrorist groups to launch attacks in Russia, an Interior Ministry official said .

Russian rescuers arrive in Haiti to join quake-relief effort

The first two Russian Il-76 transport planes have landed in the Dominican Republic delivering rescue workers, supplies and heavy equipment to help the earthquake-stricken Haiti

Russian military lays hope on new Angara carrier rockets

Russia will use extensively the new Angara class carrier rockets to deliver military satellites into orbit, the commander of Russia's Space Forces has said.

Signs of Truce Stir Georgian Hopes

When Estonia relocated a Soviet war memorial three years ago, pro-Kremlin youth activists held raucous protests in Moscow, mysterious cyber attacks hit Estonian web sites, and tensions ratcheted up to new heights between Russia and the Baltic state.

New Work Permits to Be Offered To Migrants

Millions of illegal migrants working in private households across Russia will get a chance to legalize their employment under new legislation regulating the legal status of foreign guest workers.

Sheremetyevo Airport Beset by Delays

Snowfall, skis and holiday crowds resulted in hours-long delays at Sheremetyevo Airport in recent days, and a conflict between Aeroflot and the airport over a new terminal threatens to make poor service a year-round issue.

Moscow approves direct flights from Tbilisi: ministry

Russia has authorised the first direct flights from the Georgian capital of Tbilisi since the two countries' brief war in August 2008, the transport ministry said, Russian news agencies reported."The decision was taken to authorise Georgian Airways ...

Border with Russia to reopen, Georgian foreign ministry says

Georgia and Russia have agreed to re-open the only land border crossing between the two countries which does not go through Georgia's Russian-backed rebel regions of South Ossetia and Abkhazia, Georgia's foreign ministry has announced.

Putin Wants Poultry Supply Secure by '15

Russia may stop importing poultry by 2015, Prime Minister Vladimir Putin said Thursday, backing a ban imposed on U.S. chicken imports at the beginning of the year.

Car Sales Sink 49%, Seen Level This Year

The Russian car market sunk by 49 percent last year, with annual sales falling to 1.47 million and expected to stay roughly the same in 2010, the Association of European Businesses said Thursday.

Russia warns of oil supply cut-off through Ukraine, says Slovakia

Slovakia said on Monday that Russia had warned it may halt oil supplies through Ukraine to Slovakia, Hungary and the Czech Republic over a price dispute.

Government denies being unable to pay gas bill

Ukraine on Saturday said there was no truth to claims by Russian gas giant Gazprom that Ukraine would not be able to pay its energy bill for the month.

Stocks and Ruble Soar As Markets Reopen

Russian stocks opened the trading year in Moscow with a bang Monday and the ruble rocketed to its biggest one-day gain against the dollar in a decade, driven by \$80 oil, positive economic news and investor enthusiasm for global markets.

Promising Economic Start to a New Decade

The past decade has been a roller-coaster ride for the Russian economy. From the depths of its 1998 financial crisis, which tested the proverbial patience of the Russian people, to the credit-fed boom of 2007 to the seeming meltdown of the economy just a year ago to its still seemingly unbelievable rebound as we start the new year, one learns to expect the unexpected when it comes to Russia. This zigzag pattern was not a spontaneous occurrence, nor does it have to continue.

Moscow officials vow probe of traffic-stopping porno clip

The showing of a two-minute hardcore porno clip on an outdoor advertising screen in Moscow will be investigated, city officials said.

Russia declares war on alcoholism

Prime Minister Vladimir Putin has approved a national plan that envisions criminal punishment for illegal production and sale of alcohol, restrictions on advertising, and efforts to promote a healthy lifestyle, the government said on its website on Wednesday.

Putin Aims to Halve Drinking in 10 Years

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

Anti-Smoking Drive Targets Herbs

Novosibirsk investigators have opened Russia's first criminal case into the sale of aromatic herbs for smoking amid a new national anti-tobacco campaign.

Orthodox Church to Get Novodevichy in 2010

Prime Minister Vladimir Putin has signed an order transferring ownership of the 500-year-old Novodevichy Convent to the Russian Orthodox Church.

A hard day's night for Russian sex films

Russia's adult film industry is losing its mojo in the economic crisis, due to a combination of increasing competition from online pirates and accusations of pornography.

Normally, Russian adult films are very low-budget, but now they're being cut even further - to the bare basics.

Detail:

Political:

Georgia 'preparing terrorist acts in Russia'

"Terrorist groups are being trained by foreign instructors at military bases in Georgia to carry out terrorist acts in Russia," Deputy Interior Minister Arkady Yedelev said.

He added that the regions being targeted for "destabilization" were the North Caucasus and the south of Russia.

Yedelev added that he believed that Islamic clerics who spoke out against the rise of religious extremism were also likely to be targeted.

Russia and Georgia fought a five-day war over South Ossetia in August 2008.

Russia's North Caucasus, in particular the volatile Muslim republics of Ingushetia, Chechnya and Dagestan, have seen a rise in violence, with frequent attacks on official and police.

Russian rescuers arrive in Haiti to join quake-relief effort

According to Salavat Mingaleyev, the head of the Russian rescue mission, the rescue teams will leave Santo Domingo for Port-au-Prince on Friday afternoon at the earliest.

"The landing in Santo Domingo is not the best option for us. The rescuers will have to travel about 280 kilometers [174 miles] to reach the destroyed Port-au-Prince," Mingaleyev said.

"Every minute counts now, but it could take up to eight hours to get there," he added.

The Russian planes have been diverted to the neighboring Dominican Republic after the Haitian government said there was no more room for planes to unload their cargo at Toussaint L'Ouverture International Airport in Port-au-Prince.

Russia has sent a total of four Il-76 planes to Haiti. The remaining two planes, carrying additional rescue teams, a mobile hospital, supplies and equipment, are still on route to Haiti.

A 7.0-magnitude earthquake, which hit Haiti on Tuesday, destroyed many buildings, including the presidential palace and the headquarters of the UN peacekeeping mission.

The quake's epicenter was 10 miles southwest of the Haitian capital Port-au-Prince, at a depth of 6 miles. It was followed by dozens of aftershocks, including two measuring 5.9 and 5.0.

Prime Minister Jean-Max Bellerive has said the death toll from the quake could reach "well over 100,000."

The Russian specialists have worked to help the victims of disasters both in Russia and around the world, including in Turkey, Afghanistan, Iran, Indonesia, Pakistan, Sri Lanka and South Ossetia.

Russian military lays hope on new Angara carrier rockets

The family of Angara rockets will complement, and eventually replace, the existing line of Rookot and Proton launch vehicles. It will be available in a range of configurations capable of lifting between from 2 to 24.5 metric tons into low-earth orbit, and its developers say it will have a low environment impact.

"In the future, light and heavy class Angara carrier rockets will form the core of the Russian fleet of delivery vehicles together with the medium class Soyuz-2 rockets. They will be used extensively to launch military satellites into orbit," Maj. Gen. Oleg Ostapenko said.

The Angara is intended mainly for launch from the Plesetsk space center to reduce Moscow's dependence on Kazakhstan's Baikonur, the main launch facility for the current generation of Russian rockets.

Meanwhile, Anatoly Perminov, the head of the Federal Space Agency Roscosmos, said last November that the maiden launch of the Angara carrier rocket could be postponed for at least one year due to shortage of funds allocated by the Defense Ministry on the construction of launch facilities.

The facilities were expected to be finished by 2010, and the first launch had been originally scheduled for 2011.

Russia's Khrunichev State Research and Production Space Center has recently asked the government to allocate an additional 10 billion rubles (about \$290 million) over the next three years to finish the development of the rocket.

Signs of Truce Stir Georgian Hopes

Last month, Georgia — which had already fought a brief war with Russia over its separatist region of South Ossetia — decided to take the bigger step of blowing up a similar war monument.

But the botched Dec. 19 blast of the Glory Memorial in Kutaisi, which killed two bystanders, triggered only mild criticism and a curious promise to rebuild the memorial in Moscow.

To the amazement of many, Prime Minister Vladimir Putin reacted by uttering possibly his friendliest remarks about Russian-Georgian relations in recent memory. “The relationship between our people ... has a solid, centuries-old foundation, and we are linked by thousands of invisible bonds of common interest and history,” he said at a Dec. 23 meeting with Zurab Nogaideli, a former Georgian prime minister-turned-opposition politician.

What followed was the first passenger flight between Tbilisi and Moscow since the 2008 war last week, and negotiations to open the only land border crossing between the two countries in March.

The rapprochement is raising hopes that relations will return to normal — despite Moscow’s repeated promises never to work with the government of President Mikheil Saakashvili.

“I am convinced that this process will go on,” said Mikhail Khubutia, who represents tens of thousands of Georgian workers in Russia as the head of the Union of Georgians in Russia.

The signs of reconciliation are all the more remarkable because Tbilisi’s uncompromising stance against Moscow has not changed, and all official contacts remain severed.

Saakashvili on Monday decorated U.S. Senator John McCain with the National Hero award, Georgia’s highest state honor. McCain, a Republican who unsuccessfully challenged Barack Obama for the U.S. presidency, is reviled in Moscow as a fervent Kremlin critic. He announced during the fighting in South Ossetia that “today, we are all Georgians.”

Saakashvili lashed out at “our enemy” — a thinly veiled reference to Russia — in a televised New Year’s address. “These days we had a chance to again see on TV screens our enemy’s mad ... face. It failed to understand why Georgia could not be brought down to its knees despite many tricks and provocations,” he said, according to a transcript on the Georgian presidential web site.

President Dmitry Medvedev has brandished Saakashvili as a war criminal and Putin once reportedly promised “to hang [him] by the balls.”

Tbilisi is also stepping up efforts to counter what it calls Moscow’s propaganda war by launching a new Russian-language television channel called First Caucasus.

But representatives of Russia’s large ethnic Georgian community have high hopes that ties will further improve and that a freeze in trade, effective since 2006, might soon be over.

Khubutia said 1.5 million Georgians live in Russia, including 500,000 who send \$500 million home to their families every year.

“This is very serious money,” he said.

A senior Federation Council senator cautioned, however, that Moscow would not initiate any further improvement in relations.

“Tbilisi is obviously not interested in better political relations ... and as long as these people remain in power, ties cannot be reestablished,” Vasily Likhachyov, deputy chairman of the Federation Council’s International Affairs Committee, told The Moscow Times.

Likhachyov said the latest steps were just “humanitarian gestures” despite Tbilisi’s anti-Russian policies.

He said it was up to the Georgian people to vote for a new government — a common argument by Moscow officials despite signs that Georgia’s opposition has little chance of toppling Saakashvili’s government.

Sergei Markedonov, a Caucasus expert at the Institute for Political and Military Analysis, said the first charter flights and the border opening showed that a minimum level of cooperation was necessary.

“Just look at Georgia on the geopolitical map,” he said.

The opening of the Upper Lars border post, which has been closed since 2006, would also help Armenia, traditionally Moscow’s closest ally in the South Caucasus. The landlocked country has been hit hard by Russian-Georgian tensions, and it had conducted practically all its Russian trade through Georgia after Turkey and Azerbaijan imposed a blockade following a conflict over the Nagorno-Karabakh region in the early 1990s.

Turkey and Armenia agreed last October to reopen their border, but the ratification of the agreement is up in the air because of strong domestic opposition in both countries.

New Work Permits to Be Offered To Migrants

The bill, proposed by the Federal Migration Service and submitted to the State Duma last week, will allow private employers to obtain one-month work permits for foreign workers for 1,000 rubles (\$34). The permits can be prolonged on a monthly basis.

“We are making the rules of the game very transparent, and employers will not experience problems if they follow them,” migration service spokesman Konstatin Poltoranin said Monday.

Violations will be punishable by fines of up to 5,000 rubles (\$150).

The legislation aims to regulate migrant workers employed in apartments or dachas illegally. Under the current law, the number of migrant workers in Russia is regulated by government quotas that are calculated annually on requests from businesses. Private individuals willing to employ migrants do not figure in the law.

More than 1.32 million migrant workers were registered in Russia in 2009, according to the Federal Migration Service. There is no official data on migrants employed by private households, but migration officials estimate the number at 3 million to 4 million.

The migrants covered by the new legislation will be employed outside the existing quota system, and this is a positive move, said Oleg Shein, deputy head of the Duma’s Labor and Social Policy Committee.

“Those quotas are not worth anything because citizens of many former Soviet republics can travel to Russia freely,” he said.

Ukrainian citizens account for a majority of foreign guest workers, followed by migrants from Tajikistan and Uzbekistan, migration officials said. While many enter Russia legally and are given permission to work for 90 days, many end up illegally employed because their Russian employers are reluctant to sign contracts with them to avoid paying taxes.

The number of foreign migrants in Russia may amount to 7 million, according to some estimates.

Life can be particularly hard for migrants who work for private employers, who often refuse to pay them for their work and treat them cruelly, human rights groups say.

“Now they will be granted their rights and will not be kicked out into the street,” Shein said.

It was unclear Monday how officials would enforce the new legislation. A copy of the bill was not yet available in the Duma’s database of pending legislation.

The initiative has angered the Federation of Independent Trade Unions, which says it will encourage more foreign workers to travel to Russia and take away jobs from Russians.

“In a situation where the government is not strongly stimulating employers and not raising unemployment benefits, giving migrant workers more rights is not a good move,” union spokesman Alexander Shershukov said.

Sheremetyevo Airport Beset by Delays

Snowfall, skis and holiday crowds resulted in hours-long delays at Sheremetyevo Airport in recent days, and a conflict between Aeroflot and the airport over a new terminal threatens to make poor service a year-round issue.

Passengers who arrived on an Aeroflot flight from Los Angeles on Saturday had to wait for their baggage for three hours in an area with only one small, working restroom and no public phones.

One woman changed her baby’s diaper right on the conveyor belt because of a lack of benches. Exasperated passengers started taking swigs from their duty-free purchases and contemplated future lawsuits.

“Hundreds of frustrated passengers were crowded in a small space with nowhere to sit, while the people waiting for them outside had no idea what was going on,” said Alexandra Odynova, a Moscow Times reporter who was on the flight.

The appearance of baggage was met with applause.

Alexei Navalny, a minority shareholder rights campaigner, dedicated a long blog rant to Sheremetyevo after arriving on the same Aeroflot flight Sunday and waiting two hours and 20 minutes for his baggage.

“Sheremetyevo 2 is an ideal illustration of the fact that the country has no authorities despite the vast number of people in uniform,” he wrote on LiveJournal. “There is no vertical power, nor horizontal, nor any other kind.”

The situation is exacerbated by an apparent lack of preparation and personnel at the airport’s new Terminal D, which opened in mid-November. Aeroflot, the flagship airline and a key shareholder of the terminal, has delayed moving all of its international flights from Sheremetyevo 2 to the new terminal because of the difficulties.

Still, the airline said in a statement, the situation in Terminal D is “not comparable with problems encountered by some opening terminals in other countries” — an apparent

reference to thousands of bags that went missing in London's Heathrow Airport when it opened a new terminal in 2008.

Sheremetyevo's delays stem, in part, from a conflict between airport management and Aeroflot. The airline is in the process of moving its flights to its own terminal, Terminal D, which has a different ownership structure than the rest of the airport. "The airport wants to control all of the terminals," an industry source familiar with the situation said.

Asked whether Sheremetyevo was sabotaging Aeroflot's work, the source told *The Moscow Times*, "They service Terminal D only after all the others."

Sheremetyevo's press service did not respond to phone calls or e-mailed requests for comment Monday.

Aeroflot spokeswoman Irina Dannenberg said delays could be attributed to wintry weather, oversized baggage, and the fact that Aeroflot has to shuttle passengers and baggage to the main airport building from planes parked far away because of construction work.

Aircraft problems have also caused delays. A Delta Air Lines flight scheduled to depart for New York on Jan. 5 was delayed by 34 hours, with passengers boarding the plane twice and waiting for three hours each time, a passengers told RIA-Novosti. Delta spokeswoman Katie Hulme said the delay was caused by "aircraft maintenance."

Adding to the mess, many travelers going through Sheremetyevo are confused by a new naming scheme at the airport. The airport abandoned the old number-based system in November and renamed Sheremetyevo 2 as Terminal F. Sheremetyevo 1 will turn into Terminal B by the summer, and a new Terminal E will appear between Terminals D and F in the second quarter of 2010, according to Sheremetyevo's web site. Terminal A is described as the future "business aviation" terminal, but its location is not currently marked on the official map of the Sheremetyevo complex.

"Sheremetyevo — whatever letter you call it — is nothing but a nightmare and dementia," said Mikhail Fomenko, a blogger who traveled through Aeroflot's Terminal D over the holidays. "To register you have to go up to the third floor, to use the restroom you have to go down to the second floor," while the men's restrooms are designed so that "when you wash your hands and look in the mirror, you see the reflections of men using the urinals directly behind you," he said on his LiveJournal blog.

The swanky Terminal D, which was called Sheremetyevo 3 throughout its construction, has no rail connection to Moscow, even though trains started running between Sheremetyevo 2 and Savyolovsky Station in 2008. While free buses are provided between Sheremetyevo 2 and Terminal D, taxi drivers are preying on ignorance and confusion, charging people as much as 2,500 rubles (\$85) for the five-minute ride from one to the other, passengers said.

"I don't understand why having finally built the train, it's not walking distance to the new terminal," said a Moscow-based British journalist, who requested anonymity because he gave a bribe of 3,000 rubles at the airport after forgetting his Moscow registration card last month. "It came down to paying the bribe or missing the plane," he said, adding that it was the first time he had been asked for the registration card when going through security on a domestic flight. "The cop handed my passport back to me with the words, 'Zakon nelzya narushat,'" or "You shouldn't break the law."

Moscow approves direct flights from Tbilisi: ministry

Russia has authorised the first direct flights from the Georgian capital of Tbilisi since the two countries' brief war in August 2008, the transport ministry said, Russian news agencies reported.

"The decision was taken to authorise Georgian Airways company charter flights on December 29 and 30," said a ministry statement cited by agencies.

The flights would serve Moscow and Saint Petersburg, it said.

Direct flights have been suspended since the two countries went to war over the Russian-backed separatist Georgian region of South Ossetia.

The ministry had also asked the Georgian airline about its transport needs for charter flights between January 5 and 10, which are public holidays in Russia.

But Georgian Airways, which last week had asked Russia to lift its flights embargo, said that no charter flights would be done on December 29 and 30.

"As we have obtained the authorization too late, we will not have the time to organise flights tomorrow and the day after tomorrow," Georgian Airways' spokeswoman Nino Girgobiani told AFP.

"The charter flights will be launched between January 6 and 25, from Tbilisi to Moscow and Saint-Petersburg," Girgobiani said.

But they had not received a Russian response concerning regular flights, she added.

Moscow's announcement was the latest sign of an easing of tension in relations between the two countries.

On Thursday, Georgia and Russia announced they had agreed to re-open their land border to traffic.

After mediation by Switzerland, they agreed to open the land crossing at Upper Lars -- the only one that does not pass through either South Ossetia or Abkhazia, the other separatist Georgian region.

Fighting erupted in August 2008, when Russian forces poured into Georgia to repel a Georgian military attempt to retake South Ossetia.

Russian forces later mostly withdrew to within South Ossetia and Abkhazia, both of which Moscow recognised as independent states, a move so far followed by only Nicaragua, Venezuela and the Pacific island state of Nauru.

Russian President Dmitry Medvedev hinted at a thaw in relations with Georgia this month, saying he saw "no obstacles" to opening the border crossing and resuming flights between Russia and Georgia.

Russia cut air links with Georgia during the war, only four months after they had resumed following an 18-month embargo.

Border with Russia to reopen, Georgian foreign ministry says
Georgia and Russia have agreed to re-open the only land border crossing between the two countries which does not go through Georgia's Russian-backed rebel regions of South Ossetia and Abkhazia, Georgia's foreign ministry has announced.

Economic:

Putin Wants Poultry Supply Secure by '15

The country plans to import a total of 780,000 metric tons of poultry in 2010 and gradually decrease the share of imports to 550,000 metric tons by 2012, according to a decree signed by the government in

Russia may stop importing poultry by 2015, Prime Minister Vladimir Putin said Thursday, backing a ban imposed on U.S. chicken imports at the beginning of the year.

“We haven’t seen any readiness to meet Russian standards on the part of some of our partners, mainly the companies from the United States,” he said, chairing a meeting on poultry production in Snegirevka, in the Leningrad region. “If our foreign suppliers are unable or reluctant to meet our security requirements, we will use other sources,” he said, Interfax reported.

Gennady Onishchenko, head of the Federal Consumer Protection Service, signed a decree in June 2008 outlawing the use of chlorine in poultry treatments used by some U.S. producers, but he later pushed back the measure’s starting date to Jan. 1, 2010.

Putin rejected suggestions that the ban was political in nature, saying Russia had simply adopted regulations that were already in effect throughout the European Union.

“One shouldn’t look for political background in this case, God forbid, no political background here!” he said, adding that Russia would gradually replace imported poultry with domestic production and could halt poultry imports altogether in “four or five years.”

The country plans to import a total of 780,000 metric tons of poultry in 2010 and gradually decrease the share of imports to 550,000 metric tons by 2012, according to a decree signed by the government in December.

The government cut the United States’ poultry quota for 2010 to 600,000 metric tons, or 20 percent of the poultry market, last December, down from 750,000 metric tons in 2009.

Putin also accused poultry wholesalers of spreading fears of increased prices and said producers should have invested more in domestic production.

If the proper investment had been made, “retailers that deal with [poultry] imports from abroad wouldn’t find it necessary to scare citizens with an unjustified price increase,” he said.

Wholesale prices for U.S.-imported poultry jumped to 70 rubles (\$2.4) per kilogram since the ban was introduced Jan. 1, up 20 percent from 58 rubles at the end of December, Yevgeny Kogan, chairman of the Food Trade Group, which supplies meat and produce to supermarkets, said Wednesday.

“Poultry used to be the cheapest protein in Russia, consumed mostly by low-income individuals. So any price increase could be harmful for sales volumes,” Kogan told Interfax. He added that domestic poultry prices had increased 15 percent since the beginning of the year.

Car Sales Sink 49%, Seen Level This Year

The Russian car market sunk by 49 percent last year, with annual sales falling to 1.47 million and expected to stay roughly the same in 2010, the Association of European Businesses said Thursday.

The industry had been booming before the economic crisis hit in the fall of 2008, even surpassing Germany as Europe’s largest car market in the first half of that year. But demand has since crumbled, and Russia’s largest carmakers are struggling to remain competitive against foreign brands.

AvtoVAZ retained its spot as the country’s best seller, with four of its Lada models taking the top four spots for a combined 22 percent of the market. Renault’s Logan was the most popular foreign brand, taking fifth place overall, AEB said in a report.

Nine of the 10 best sellers were made domestically. The Uzbek-made Daewoo Nexia was the only exception, placing eighth.

Even with government efforts to stimulate demand, Russia’s car market performed worse than those of other countries, with year-on-year declines of up to 60 percent in some months, David Thomas, head of the AEB’s auto committee, said in the report.

The government raised import tariffs in early 2009, particularly for used cars, which had competed with some new Russian models in the budget segment. In addition, the government introduced a subsidized loan program for Russian-made cars and is planning to start an experimental “cash-for-clunkers” program on March 8, Industry and Trade Minister Viktor Khristenko said Monday.

Sales fell by 44 percent at AvtoVAZ, Russia’s largest automaker, and by 56 percent at GAZ Group, the country’s No. 2 producer. Popular foreign brands were also all down, with drops ranging from Hyundai’s 61 percent to 20 percent for KIA.

Luxury brands performed better than average, with BMW sales dropping by 11 percent, Audi by 12 percent and Mercedes by 28 percent.

Industry experts do not expect any recovery in 2010, and AEB expects total annual sales of 1.4 million to 1.5 million cars and light trucks, with growth occurring in the second half of the year, Martin Jahn, the committee’s deputy chief, said in the report. “The prognosis is rather optimistic and counts on measures like subsidized loans and cash-for-clunkers initiatives to be effective,” he said.

Russian carmakers are not as pessimistic about 2010, with GAZ Group president Bo Andersson hoping for 13 percent growth, he told Reuters this week.

AvtoVAZ has said it hopes to sell 470,000 cars this year. If it maintains its total market share of 23.8 percent, that would imply a Russian car market of 1.97 million cars, a 34 percent increase from 2009.

Total auto production in Russia fell by 59.7 percent in 2009, ASM-Holding, which tracks the auto industry, said in a report Thursday. Passenger car output declined by 59.4 percent, to 596,857 units, of which 53 percent were Russian brands. Production of domestic brand cars fell by 63.9 percent, while production of foreign brands dropped 52.7 percent, the report said.

Russia warns of oil supply cut-off through Ukraine, says Slovakia

Slovakia said Monday that Russia had warned it might halt oil supplies through Ukraine to three European Union countries over a price dispute.

Quoting a letter from the European Commission -- the 27-nation EU's executive arm -- the government said Russia had announced "the possibility of suspending oil supplies to... Slovakia, Hungary and the Czech Republic."

"The reason is allegedly unresolved problems between the Russian Federation and Ukraine concerning oil transit," the government said.

Slovak Prime Minister Robert Fico has called an emergency meeting of his country's security cabinet, it added.

Government denies being unable to pay gas bill

Ukrainian Prime Minister Yulia Tymoshenko on Saturday denied accusations by Russian gas export giant Gazprom that Kiev may not be able to pay its energy bill this month due to a cash crunch.

"We -- Ukraine -- are clearly and confidently managing our financial life during the crisis," the Interfax news agency quoted her as saying.

Gazprom chief executive Alexei Miller said Friday that Ukraine had cut back on purchases of Russian gas since mid-December and appeared to be facing "serious problems with payment."

But the Ukrainian prime minister said: "Such statements have been made at the end of every month for at least the last year."

Ukraine has until January 11 to pay for gas, according to Gazprom, which has cut off supplies to the country over unpaid bills repeatedly in the past.

The International Monetary Fund extended a 16.4-billion-dollar credit in November 2008 to help Kiev cope with a severe slump amid the global financial crisis.

But the fund is withholding the next tranche of its stand by credit -- by far the country's biggest source of foreign income in 2009 -- due to concerns over political infighting in the run-up to the presidential election.

Last January, a gas pricing dispute between Russia and Ukraine led to a halt of Russian gas supplies across much of Europe for two weeks as severe winter temperatures plunged. Russian gas to Europe transits through Ukraine.

Russian Prime Minister Vladimir Putin has repeatedly said that Moscow will cut gas supplies to Ukraine again if the struggling ex-Soviet nation fails to pay for its energy supplies.

Last month, Putin and Tymoshenko vowed at a meeting in the Ukrainian resort town of Yalta that there would be no repeat of the gas crisis in 2010.

Ukraine has been hard hit by the global economic crisis which triggered a massive slump in its export-dependent heavy industrial sector.

Stocks and Ruble Soar As Markets Reopen

Russian stocks opened the trading year in Moscow with a bang Monday and the ruble rocketed to its biggest one-day gain against the dollar in a decade, driven by \$80 oil, positive economic news and investor enthusiasm for global markets.

The gains came as the opening bell rang, following a 5.3 percent increase for Russian Global Depository Receipts on the London Stock Exchange during the first 10 days of the year. The ruble-denominated MICEX Index jumped 5.5 percent, closing up 74.77 points at 1444.78, while the dollar-denominated RTS Index rose 7.5 percent, or 108.45 points, to 1553.06.

The high price of oil, the lifeblood of the Russian economy, drove Monday's rally, analysts said. Spot prices for Urals crude slid 0.7 percent on Monday, dipping to \$79.83, but were still 4.3 percent higher than on Dec. 31.

Increases in China's imports and exports, combined with demand for fuel in winter-bitten Europe and the United States, pushed oil to its highest price in months. The market has also been watching an uneasy standoff between Moscow and Minsk over a new oil supply contract for 2010.

The higher oil price "explains most of the strong openings" in the Russian bourses, said Elina Ribakova, chief economist at Citibank. "The stock market is beginning to price in the growth effect of the oil price" on the Russian economy, she said.

Those heightened expectations for the economy will mean "stronger performance" and higher numbers for the MICEX and RTS this year, she said.

Both bourses posted 52-week highs.

Demand for oil and other raw materials is good news for Russia's commodity-based economy, said Philip Townsend, head of research at Metropol. Monday's stock surge "is a correction" for Russian companies, he said.

The flow of investment into emerging and global markets in general also provided a boost to Russia's stocks. Following the contractions of 2008 and 2009, investors are putting money back into equities, said Vladimir Savov, head of research at Otkritie.

Investor sentiment appears to be bullish, with a prevailing sentiment "that 2009 is over, so 2010 must be, by definition, a bit better," he said, noting that companies listed in Russia were "catching up with what the stocks are already doing in New York and London."

And while oil was on analysts' minds, mining stocks put up most of the biggest gains. Severstal rose 19.9 percent and Norilsk Nickel gained 10.9 percent, helping push the

MICEX's index of 10 metals and mining stocks up 9.4 percent. The exchange's oil and gas index slightly lagged the market, rising 5 percent.

Meanwhile, the ruble put on no less of a show, increasing 3.1 percent to 29.3045 per dollar, its biggest one-day jump since March 1999, according to Bloomberg.

Townsend predicted the ruble would not advance much more against the dollar in 2010, saying the currency would hover at about 28 per dollar this year. A Vedomosti survey of 15 bankers and analysts conducted last month generated a median ruble/dollar rate prediction of 28.5, with a range of 26.2 to 33

Promising Economic Start to a New Decade

The key has been and will continue to be government policy. And for all the criticism that can be heaped on the authorities who could have done more or could have acted sooner, they do deserve some credit for reasonably good economic management. It didn't have to turn out as well as it has.

In economics, it is rare to be able to conduct a controlled experiment in order to explore alternative hypotheses. But we do have history as a guide even if no two cases are exactly alike. In the run-up to the crisis, Russia, relative to spendthrift countries like Spain, Ireland or Ukraine, was running huge budget surpluses — thus, withdrawing stimulus that would have otherwise amplified the private sector's euphoria with a veritable explosion of aggregate demand. It also saved the oil windfall for the most part so that it had a comfortable cushion to soften the blow when the global crisis erupted in late 2008. Other countries like Bulgaria, Hungary and Serbia that had no choice but to turn to the International Monetary Fund for support surely wished that they had Russia's self-insured financial mattress to help survive the crisis.

Moreover, once the crisis emanating from the United States hit Russia, the policy response was adequate. Although too much public money was no doubt wasted on undeserving corporate bailouts, the brave decision was to devalue the ruble. This was not inevitable nor politically palatable. The ministeps to depreciate the currency between Nov. 11, 2008, and Jan. 22, 2009, took courage in view of both public opinion and powerful vested interests that owed considerable foreign currency denominated debt. The cushion of reserves meant that Russia had the luxury to soften the blow through a gradual adjustment that allowed time for worried residents and companies to switch into dollars and preserve their nest eggs or repay debt. Contrast this to poor Latvia, which hangs on to the overvalued lat while the real economy is ravaged with deflation.

At the outset of the new decade, Russia's economy is coming back. Even after what was spent to soften the impact of the devaluation, the country still has roughly \$450 billion in reserves — the third highest in the world after China and Japan. The RTS rose by almost 129 percent last year, more than markets in Brazil or China. For the first time in more than a generation, the population did not decline last year, and the inflation rate fell to 8.8

percent, the lowest since the emergence of Russia as an independent country in 1992. Despite the additional emergency crisis spending and revenue decline, the budget deficit was maintained at an estimated 6 percent of gross domestic product, which was readily financed without borrowing by drawing on the oil stabilization fund. And after its initial plunge in the first quarter of 2009, real GDP and industrial production have subsequently grown on a month-on-month basis. Year-on-year numbers will soon turn positive, and GDP is likely to grow by 5 percent or more in 2010.

Such results did not happen of their own accord. Whatever the faults of the Russian government in many areas, its handling of macroeconomic policy has been laudable. The international environment is filled with traps that have ensnared the sophisticated, such as Britain and Denmark, and the incautious, such as Iceland. Monetary and fiscal policies have been executed with alacrity, at least relative to many others.

The outcome is that Russia is well poised to recover even in the context of a feeble global economy and should be able to display impressive performance among the emerging market economies over the next couple of years. Good luck is not the main explanation. Of course, Russia is a country richly endowed with natural resources, but so are Venezuela and Nigeria.

Indeed, the critical point is that Russia — perhaps having learned the hard way about the folly of unmanageable debt in 1998 and guided by an economic team led by Finance Minister Alexei Kudrin and Central Bank Chairman Sergei Ignatyev seasoned by that ordeal — has avoided the pitfall of debt that has engulfed countries from the United States to the United Arab Emirates in a colossal balance sheet crisis. Highly indebted countries could face years of stagnation while paying down their debt burdens. It is likely that the future will be all about balance sheet deleveraging in the advanced economies, whereas most of the emerging market world will be largely unscathed by the scourge of debt — with the exception of a number of smaller, more distressed economies such as some on the fringe of Europe.

For Russia, as one of the larger, low-debt, resource-rich emerging market countries, its time may be at hand. Whether this opportunity is seized or squandered will depend on two key elements: government policy and the external environment.

As in the past, Russia — unlike China — is too small to have a major impact on the global economy. Oil prices may well not remain in the current \$80 per barrel range, and the dollar is subject to contradictory pressures as are the global markets in which Russia is enmeshed. Whatever it is, the external situation will be a given.

So the real issue is whether government policy can continue its reasonable job in riding herd on the crisis and confront what may lie ahead. Prospects are promising. With interest rates set to decline further and money supply and deposit growth in banks continuing to recover, banks are likely to start expanding credit in a “normal” economy where real interest rates are positive for the first time in years.

Large speculative capital inflows, as in many emerging markets, could present a challenge to avoid a monetary and credit surge. Lower nominal interest rates could help, and with stronger banks the Central Bank could use other steps to make foreign borrowing more expensive for Russian banks and companies. A tighter budget will also contribute to macroeconomic stability.

Post-Soviet Russia is not even a generation old. Some lessons have been learned the hard way since Yegor Gaidar launched Russia onto the path of a globalized market economy. Hopefully, those lessons will not be readily forgotten. A future fraught with uncertainty and volatility would be a challenge to any government, but in this new decade, where debt burdens could well be the decisive issue in determining the well-being of countries, Russia is well-placed.

Martin Gilman, former senior representative of the International Monetary Fund in Russia, is a professor at the Higher School of Economics.

Social:

Moscow officials vow probe of traffic-stopping porno clip

"We have received an inquiry and will look into it," a member of the city's advertising committee said, refusing further comment.

The brief screening caused a traffic jam on a section of the Garden Ring road in downtown Moscow at around midnight on Thursday. Eyewitnesses said motorists were "unable to believe their eyes" and slowed down or stopped their vehicles to watch.

There were no reports of any accidents caused by the screening of the clip.

The advertising firm that owns the billboard, 3Stars, said on Friday hackers were to blame for the "attack against our company."

"There was a hacker attack as a result of which a commercial was replaced with an obscene video in the control computer," commercial director Viktor Laptev said. "It is unclear whether it was an act of hooliganism or competitors' intrigues."

The deputy head of the advertising committee, Alexander Minchuk, said in a radio interview later on Friday that pornographic clips were shown not on one screen but two.

"They might be linked to competition on the market, but hooliganism is not ruled out either," he said.

Hackers usually make such "jokes" seeking to demonstrate their "professionalism" rather than commercial benefits. However, hooliganism charges in Russia envision from eight days to seven years in prison.

Russia declares war on alcoholism

Russia's government has launched a crusade against alcohol abuse, describing it as a "national disaster" and aiming to halve consumption by 2020 and root out illegal production and sales.

Prime Minister Vladimir Putin has approved a national plan that envisions criminal punishment for illegal production and sale of alcohol, restrictions on advertising, and efforts to promote a healthy lifestyle, the government said on its website on Wednesday.

Alcohol consumption in Russia began growing in the 1970s and surged after the Soviet breakup in the 1990s as Russians struggled to adapt to economic change, health experts said. Alcoholism has taken a heavy toll on Russians' health, fueling high levels of mortality, above all among working-age men.

Men in Russia have an average life expectancy of just 60 years, well below that of Western European countries where men have an average life span of 77 years, according to the World Health Organization.

"Alcohol consumption per capita is currently about 18 liters a year," which is double the critical norm set by WHO, the document's authors wrote, adding that much of the alcohol consumed was either homemade or non-beverage alcohols, such as perfume.

Official statistics in Russia show more than 23,000 people die of alcohol poisoning annually, while another 75,000 die of alcohol-related diseases. Russia's Public Chamber put the death toll taken by diseases, crimes and accidents due to alcohol at some 500,000 people last year.

Authorities plan drastic cuts and possibly a total ban on alcohol advertising, including for low-alcohol drinks that target young people. The health ministry was earlier reported to be mulling a ban on movie scenes involving alcohol.

As part of the campaign, Russia introduced on January 1 a minimum price of vodka in an effort to fight counterfeit alcohol production in the country.

The Russian government's earlier measures to tackle the health challenges related to alcohol included restrictions in 2006 on the sale of non-beverage alcohols.

The last Russian leader to try to cut alcohol consumption was Mikhail Gorbachev, who in May 1985 attempted to put an end to the rampant alcoholism that was already taking its toll on the Soviet Union's economy and health system.

His efforts were ultimately unsuccessful - the illicit production of moonshine, known as "samogon," rocketed, accompanied by a sudden rise in sales of medicinal and industrial spirits. The never-popular policy was later quietly dropped.

Putin Aims to Halve Drinking in 10 Years

Health advocates voiced doubt on whether the goal was realistic, pointing to the alcohol industry's vested interests and widespread illegal vodka production and distribution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A first step, he said, would be to curb the production of drinking alcohol. “There are about 500 factories that make ethanol, and there is no way to control them,” he said.

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

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

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

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

Anti-Smoking Drive Targets Herbs

The Novosibirsk regional branch of the Investigative Committee said Monday that two local residents are accused of illegally supplying aromatic herbs under the brand names GOAmix, Nirvana, GFJNIE and Spice Tropical Synergy to stores in the city of Novosibirsk.

The herbs were tested and found to be potentially dangerous to human health and life, investigators said in a statement.

The unidentified suspects face up to six years in prison if charged and convicted of selling illegal substances.

The criminal case comes after the Health and Social Development Ministry and Federal Consumer Protection Service announced last month a crackdown on the sale of aromatic herbs for smoking on the grounds that they can lead to smoking and drug addictions. The ministry has suggested that smoking herbs be included on a list of illegal drugs.

While there are no plans to include tobacco on the list, tobacco companies will have to redesign cigarette packs to contain larger warnings about the health risks of smoking by July, the Health and Social Development Ministry said while unveiling a five-year anti-smoking program late last month. Thirty percent of the surface of the front of cigarette packs will have to bear the warning, "Smoking kills," while 50 percent of the back will have to bear one of 12 approved warnings, such as "Smoking causes lung cancer" or "Smoking can cause impotency." Currently, packs are required to bear a warning covering 4 percent of the surface.

Some 60 percent to 70 percent of Russian men and 15 percent to 20 percent of Russian women smoke, while the country produces 400 billion cigarettes annually, Federal Consumer Protection Service chief Gennady Onishchenko said Monday in an interview with Ekho Moskvyy radio.

As a result, 400,000 people die of smoking and 75,000 to 80,000 of alcohol in Russia every year, he said.

Cigarette smoke accounts for about 17 percent of all deaths, Itar-Tass reported. About 80 percent of Russians are subject to passive smoking, the report said.

Despite the campaign, hookah smoking is still widely available in restaurants and cafes, and cigarette smoking is allowed in most public places.

Onishchenko said the law should be amended to ban smoking in the Army. He also said movie heroes should be barred from smoking on screen.

“Young people are taking a character who fights bandits and drinks alcohol as a role model,” Onishchenko said. “Let the villain smoke because no one likes him.”

Orthodox Church to Get Novodevichy in 2010

Novodevichy, which currently houses both a museum and the residence of Metropolitan Yuvenaly of Krutitsky and Kolomensky and is home to more than 12,000 works of art, will be handed over to the Russian Orthodox Church this year, Putin said at a meeting with Patriarch Kirill in Svyato-Danilovsky Monastery in Moscow last week.

Patriarch Kirill praised the decision, calling it “a very important event, taking into account the historic and the spiritual importance of Novodevichy Convent.” Culture Minister Alexander Avdeyev, who was also at the meeting, said the museum would keep its altar screen and would receive another in the future to fill the missing space in a separate church on its premises.

Avdeyev said he met Yuvenaly, the rector of the convent, and assured him that “everything will be all right” and that the convent would not lose any of its property.

Novodevichye Cemetery, which houses the remains of a number of famous Russians and is located nearby, will remain under the control of the city, Avdeyev said Sunday.

The division of responsibilities between the church and the museum administration and other terms of the transfer have not yet been decided on.

“It is premature to say for certain how the whole process of transition will be organized,” said a church spokesperson, who asked not to be named because of the sensitivity of the talks. “Prime Minister Putin announced this decision, and the implementation of these plans is currently being discussed.”

The convent will house a community of nuns, and both the church authorities and the State Historical Museum will cooperate to manage the exposition, said Vladimir Vigilyansky, a spokesperson for the Moscow Patriarchate, Kommersant reported Monday.

“The museum will not be removed. It will keep functioning,” he said. “The state is getting rid of its Soviet heritage in terms of confiscated church property. But it is not about restitution. It is a goodwill gesture.”

Novodevichy Convent, founded by Prince Vasily III in 1524, was confiscated by the Bolsheviks after they seized power in October 1917 and was turned into a museum in 1926. The convent has been managed by the State Historical Museum since 1934.

Alexander Shkurko, director of the State Historical Museum, told *The Moscow Times* that there was unlikely to be any major problems with the transition. As part of the deal, the museum will get additional properties on Izmailovsky Island, in northeastern Moscow, to house its restoration workshops and part of its collection, he said.

The process of transition has been ongoing for two years and the “only issues left to be solved are technical ones,” mostly the relocation and protection of the exhibits, he said.

Architecture preservationists, however, fear the church is ill equipped to provide proper storage conditions for ancient icons and other works of art.

“The use of ancient icons and other relics in religious rites should be prevented, as most of them are quite fragile and will not survive daily usage. Burning candles will do irreparable damage to them,” said Konstantin Mikhailov, a coordinator for Arkhnadzor, an independent preservationist organization. “Besides, the church should allow the public to see the relics, otherwise the citizens’ constitutional right for free access to the works of art will be violated.”

The church should act as a tenant and strictly observe legislation on cultural protection, he said, adding that the church had recently failed to observe certain laws.

A window trellis built in the 17th century was removed last summer in the Church of the Presentation of the Virgin Mary on Ulitsa Pokrovka in the center of Moscow and the entry gate built in the 19th century was replaced in the Church of Prophet Elijah in Cherkizovo in northeastern Moscow in 2008, according to Arkhnadzor.

The church couldn’t be reached for comment on these cases.

Shkurko rejected concerns that the building and its exhibits may be damaged under their new owner.

“We’ve known our colleagues from the Russian Orthodox Church for many years, and we know that they have an understanding of how important it is to protect our cultural heritage,” he said. “The icons will be protected under a separate agreement with the museum, while the Culture Ministry will oversee the historic monument.”

Shkurko did express fears, however, that public access to the museum’s exhibition could be limited after the transfer if certain compromises can’t be found.

“We voiced our concerns, and we hope that the new owner will sign a contract with the museum putting us in charge of bringing visitors to the convent,” he said.

A hard day's night for Russian sex films

"Because of the crisis, we've rejected all the complicated stuff, and now we stick to simple plotlines that have a lot of room for sex," said Sergei Loginov, head of Moscow-based production company Klubnichka, who said his company made 10 to 20 movies a year, with a budget each of just \$1,000.

The industry overall is feeling the whip of recession, with the country's legal adult film market now worth just 120 million roubles (\$4 billion) a year, said Loginov.

According to Sergei Pryanishnikov, the head of another adult film studio, St. Petersburg-based SP-Company, the legitimate industry has shrunk even further, as pirates account for 80 per cent of the industry's revenues. Pryanishnikov said his firm made 20 to 25 films a year, with an average budget of 10,000 to 15,000 euros.

Such companies also face legal difficulties over what does and does not constitute porn.

Klubnichka claims its films fall into the categories of "light erotica", "soft erotica" and "hard erotica", but not porn. On its web site the company claims that its charter allows it to "legally produce, distribute and advertise pornographic materials and items".

"I believe that some material needs to be restricted, while other material should be banned," said Pryanishnikov. "The criminal porn includes sex with minors, necrophilia, zoophilia and real, as opposed to imitated, rape."

Boris Reznik, deputy head of the State Duma's information policy committee, said it was "impossible to establish what erotica is and what pornography is under the law. It isn't done in any country. This is a debatable issue all over the world."

In this legal grey area, it's often left to the courts to decide which adult films can be legally distributed.

Pryanishnikov, in the style of pornographer and free-speech advocate Larry Flynt in the United States, has a long record defending his material in court. His most recent court case involved a movie called "Chapayev", set during the Reds-Whites Civil War, which was accused not of pornography, but "instigating violence" and "profanity," he said.

"In the film, there was the slogan 'Krasnym khuyem bei belykh!' ('Hit the Whites with a Red dick!'), which people at the Culture Ministry, who are in charge of issuing distribution licenses, didn't like," he said. "But the court ruled in our favour."

Although films released on DVDs by Klubnichka and SP-Company have distribution licenses, under the law they can only be sold at sex shops and by mail order, which substantially limits potential audiences. At the same time, distributors of adult content on the Internet seem to be doing pretty well, and most, if not all of them, operate illegally.

"Recently, the pirates have been moving online," Pryanishnikov said. "One hundred per cent [of adult content] on the Internet is pirated." He added that SP-Company has been trying to fight illegal online distribution of its film by telling prosecutors about companies pirating its films. "We have won three cases already," he said.

But competing with the Internet is a difficult, if not impossible task. "On the Internet, you can find lots of free [adult] videos as well as content you have to pay for by SMS," Loginov said. "We also tried to establish partnership agreements with some web sites, so that they would sell our content online, but it hasn't really worked out."

Loginov added that it was difficult to achieve much on the Internet "unless you've been there for years and know exactly how it operates. I still hope there'll be enough people who prefer a regular DVD to watching a movie online."

Finding actors able to rise to the occasion on a low budget is also a struggle, the filmmakers said.

"I only find people through acquaintances," Loginov said. "I know only two male actors in Moscow who can always get it up - even with Viagra - and I have them. That's the No. 1 quality for an adult film actor - plus acting skills, of course. Appearances are of lesser importance."

For actresses, "appearances are No. 1, and the ability and desire to have sex come next," he added.

The adult film industry is too small to provide regular employment, so most have a day job to make ends meet. "My main job is working as a stripper," Malik Amirkhanov said in a telephone interview. "Acting brings in an additional income, but the money is relatively insignificant."

The frequency of the work varies greatly, he said. "It's very unstable - you may get parts for a while and then nothing. I don't see any serious career prospects for a man in this kind of business."

Another downside of the job is having to have sex in very inconvenient positions, Alikhanov said. "The camera angle is always the priority, which means that sometimes you have to do it in a way that's quite uncomfortable."

Another problem is when female actresses are not that into having sex in front of the camera. "Fortunately, there aren't that many of them," he said. "But sometimes, [an actress] thinks all she has to do is get undressed, lie down and pick up her money afterwards. With them, there is no emotional response, no energy. Then, you're doing it only because you're on Viagra."