

Business and Politics in the Muslim World

Weekly Report on Russia

Report # 137

From 11sep. to 18 Sep. 2010

Presentation 21 Sep. 2010

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Summary of the Report

Political Issues

Moscow's mayor gets timeout to think over next moves say analysts

NTV television, which initiated the smear campaign by airing a program accusing Luzhkov of corruption Sept. 10, suggested in its "Russian Sensations" program on Saturday that City Hall was "living off the hand of" businessman Telman Ismailov, owner of closed Cherkizovsky Market, and said Inteko, the construction company owned by Luzhkov's billionaire wife, Yelena Baturina, "began its ascension" after Luzhkov became mayor in 1992.

Luzhkov Talks Tough – and Goes on Vacation

Moscow's Mayor Yuri Luzhkov, whose possible dismissal has lately been in the center of Russian media attention, has received a timeout to figure out his next moves, political analysts have commented on the situation.

Russia's modernization needs innovation strategy - Rosnano chief

The economic modernization in Russia substantively shifts the characteristics of the country's foreign relations, so a long-term state innovation strategy should be established, the head of Russia's hi-tech government corporation Rosnano said. "We see that the modernization priorities shift the characteristics of our foreign relations, particularly with our major partners - the United States and Israel. And this is a very positive fact," Anatoly Chubais said at the Perm Economic Forum.

Russia, Canada back science to resolve dispute over Arctic claims (Update 1)

Scientific evidence should resolve the dispute between Russia and Canada over the Lomonosov Ridge under the Arctic Ocean, both countries' foreign ministers said on Thursday.

Russian opposition coalition to register as party for 2011 vote

A coalition of Russian opposition groups plans to fight for official registration as a political party in order to compete in the 2011 parliamentary elections, a coalition leader said.

Georgia looks to replace Russian with English

The initiative, "Teach and Learn with Georgia," is the brainchild of Georgia's staunchly pro-Western president, Mikheil Saakashvili, who announced in August an ambitious program to have every Georgian schoolchild speaking English in the next four years.

English language and computer skills are essential to Georgia's economic and technological development, he said.

Economic Issues

Putin Welcomes Arab Cash in Sochi

Foreign investors on Friday lauded Russia's stability and openness at an economic forum headlined by Prime Minister Vladimir Putin, who oversaw the signing of deals to attract \$800 million of investment from the United Arab Emirates. Last week, state-run Transneft and a partner announced plans to acquire the Novorossiisk oil port. If approved, the deal would give the investors — who also own the Baltic port of Primorsk — control of most oil loaded for export in European Russia.

Transcontainer Aims for \$412M IPO

Russian Railways unit Transcontainer said Friday that it is planning to float 5.6 million shares, or 40 percent of the company, at no less than 2,311 rubles each. This would raise 12.8 billion rubles (\$412 million). The total value of the company would then be more than 32.1 billion rubles.

Putin Pledges Cooperation With OPEC

Instead, the country's output has risen to records of more than 10 million barrels per day, taking it above that of OPEC's largest producer Saudi Arabia, which is producing below capacity following OPEC supply curbs.

Russia considering foreign participation in domestic banks – Putin

We have nothing against respectable financial institutions from the United States or our European partners acquiring stakes in our major banking groups, Putin said at the Sochi 2010 forum.

Russian Technologies, Boeing sign 50-plane, \$3.7bln deal

State-owned hi-tech corporation Russian Technologies signed an agreement on Friday with the U.S. jet maker Boeing for 50 Boeing-737 Next Generation airliners worth \$3.7 billion, the companies said in a joint statement.

Putin urges investors to build export-oriented ventures in Russia

Investors in Russia should build companies that produce goods for export, not just for the domestic market, Prime Minister Vladimir Putin said Friday.

Russia to pursue 'positively conservative' macroeconomic policy

The Russian government will continue a balanced macroeconomic policy, Prime Minister Vladimir Putin said on Friday.

Social Issues

Russians Embrace Yoga, if They Have the Money

One hallmark of the yuppie lifestyle adopted by Russians lucky or talented enough to afford it is a fondness for yoga and many things Indian. For this crowd, Goa is a popular vacation spot, and Indian clothes, furniture and food are necessary accoutrements.

Gay Activist Says He Was Seized by Agents

A prominent gay rights activist who vanished from a Moscow airport last week said he is back in the capital after being held for more than two days by men he believes were state security agents.

Single-Industry Towns Pledged Support

Russia has about 460 single-industry towns, a product of Stalinist industrialization and urban planning. Ranging from 5,000 to 700,000 people, they tend to be far away from Moscow and St. Petersburg, where the recent economic recovery has been felt most strongly.

Over 40 delegations to visit South Ossetia to mark national holiday

Over forty delegations are to visit South Ossetia on September 20 to celebrate the 20th anniversary of the republic's declaration of independence. "We expect many guests to come, more than forty delegations," Kokoity said.

Russia's Orthodox Church priests to appear in Russian army and navy

Russia's Orthodox Church priests will soon appear in the Russian army and navy to serve as military chaplains as Russian servicemen especially need spiritual support, Patriarch Kirill of Moscow and All Russia said on Sunday.

Moscow city urges U.S. Embassy to stop illegal parking

The Moscow city transportation department has asked Russia's Foreign Ministry to help stop illegal parking practices outside the U.S. Embassy, department head Vasily Kichedzhi said on Friday.

Terrorists blew up Russian furniture market

Russian furniture making sector is in a protracted deep crisis. Experts predict a positive dynamic in the market no sooner than in 2012. Officials are advising the producers to change product range and adopt western technologies. The RusBusinessNews observer established, however, that consumers have no certainty in what tomorrow will bring and therefore hold on to the money. The growth of political and economic threats in Russia is putting off the recovery of the furniture market for an indefinite time.

Who let drug addicts into the Evraz Group's mines?

Once again, people have died in the Estyuninskaya mine owned by Evraz Group. Union leaders claim that these tragedies will continue as long as Russian businesses pay more attention to battling government oversight of hazardous facilities than to technology and discipline. As a columnist for RusBusinessNews has explained, the claims made by Russian oligarchs that the mine inspectors' demands cause delays and prevent them from competing on the global market do not correspond to reality. Major Russian mining holding companies are twice as profitable as similar businesses in China or the US.

The Iron Ceiling: Sexism Still Strong In Russia

The explosion of women drivers on the streets reflects a seismic shift in lifestyles since Russians threw off communism two decades ago. Increasing numbers of women are

occupying top jobs in areas previously seen as male domains. But although there are more women lawyers, businesspeople, and other professionals than ever, not everyone's happy about it.

Food/ Energy & Environment

Ukraine pledges food aid to Georgia, Armenia, hit by Russian grain ban

Despite low harvest, Ukraine is ready to render food aid to Georgia and Armenia, who were affected by Russia's grain export ban, the country's prime minister said.

Labor migrants "debouch economy" - Moscow's mayor

Labor migration debouches economy, but attempts to restrict the number of migrant workers in Moscow are insufficient and ineffective, Moscow's Mayor Yuri Luzhkov said on Saturday. "Migrants mean debouch for the economic system. We annually cut the quota [for foreign workers] by some 70,000-100,000 people," Luzhkov said at a meeting of the general council of the Federation of Independent Trade Unions of Russia.

Israel was offered to raise turkeys in Russia

The Sverdlovsk Oblast authorities offered Israeli businessmen to take part in the turkey meat production. The project worth about 24 million Euro has been presented at the Russian-Israeli business forum.

China will build two power generating units with Russian fast neutron reactors

Specialists from Beloyarsk Nuclear Power Station will take part in the construction of power generating units with fast neutron reactors in China. The authorities of the Celestial Empire are planning to build two power generating units BN-800 with the new generation reactors made in Russia.

Russian bacteria will teach people how to live a long time

The microbiota being studied by scientists in Tyumen are capable of extending human life. A message from the ancient past was discovered six years ago in Yakutia - centuries-old bacteria. In an interview with RusBusinessNews, Yuri Sukhovei, the director of the scientific and educational center known as The Biotic and Abiotic Systems of the Earth's Cryosphere (part of the Tyumen State Oil and Gas University) spoke about what will be learned from studying how these bacteria survive under harsh conditions.

Geo-Strategic

Russian Aircraft Buzz U.S. Warship

Russian naval aircraft repeatedly buzzed a U.S. warship a week ago in a Cold War-style incident that U.S. Navy's chief of operations has raised with his Russian counterpart.

Russia and Norway Agree on Boundary

Russia and Norway resolved a long-running boundary dispute in the Arctic Ocean on Wednesday that may help open a portion of the frozen sea to offshore oil and gas development. The two countries have been negotiating their maritime boundary since 1970, dividing a vast watery realm that is pitch black in the wintertime and often covered

in ice but that has also become the focus recently of intense interest from oil and natural gas companies.

France Defends Possible Warship Sale to Russia

France's defense minister on Friday defended the possible sale of French Mistral helicopter carriers to Russia and dismissed concerns that it could undermine the security of Georgia. "Russia is no longer the U.S.S.R.," Herve Morin told reporters after meeting with Secretary-General Ban Ki-moon and other top UN officials.

Russia to honor deal to sell P-800 anti-ship missiles to Syria

The P-800 Yakhont missiles (known as P-800 Oniks in Russia) have a range of 300 kilometers, carry a 200-kilogram warhead and feature a unique ability to cruise several meters above the surface, making it difficult to detect and intercept them.

Russia, Croatia to jointly produce nuclear power plant equipment

Russia and Croatia signed on Friday intergovernmental agreements on cooperation in emergency situations and agreed to jointly produce equipment for nuclear power plants, a senior Russian Emergencies Ministry official said.

Russia, NATO should fully analyze missile threat to Europe – envoy

Russia believes that Moscow and NATO properly assess missile risks before starting on a missile defense plan for Europe, Russia's envoy to the military alliance said.

Medvedev looks to ease Russian-Ukrainian border controls

Russian President Dmitry Medvedev promised on Friday that Russia and Ukraine would work to ease border controls between the two Slavic neighbors.

Detailed Report

Political Issues

Luzhkov Talks Tough – and Goes on Vacation

Under the fire of a smear campaign, Mayor [Yury Luzhkov](#) lashed out at the federal authorities over migration laws, promised new metro stations and then announced that he was leaving for vacation in Austria.

An unidentified Kremlin official told RIA-Novosti that Luzhkov "needs time to think."

Luzhkov told reporters Saturday that he would leave for Austria this week for a family vacation and celebrate his 74th birthday there Friday. Luzhkov's birthday is on Sept. 21.

Luzhkov did not elaborate on the date of his departure or the duration of the vacation, but a source close to Luzhkov [told RIA-Novosti](#) on Sunday that Luzhkov was already in Austria, where he owns a chalet.

The Kremlin authorized Luzhkov to take a weeklong vacation, RIA-Novosti reported, citing a Kremlin source. "It is clear that Yury Mikhailovich is going through a difficult period in his life, and he certainly needs time to think," the source said.

Amid speculation that President [Dmitry Medvedev](#) was behind the smear campaign, State Duma Deputy [Viktor Ilyukhin](#) suggested that the instigator might instead be Prime Minister [Vladimir Putin](#)'s government.

"I don't think that these attacks are coming from Staraya Ploshchad but from the embankment," Ilyukhin, a Communist, told Svobodnaya Pressa, referring to the locations of the Kremlin offices and the White House. "It's there where all the contenders for the post of Moscow mayor work."

Meanwhile, Deputy Prime Minister [Sergei Ivanov](#), seen by some observers as a possible replacement for Luzhkov, denied speculation that he might become the next Moscow mayor.

"I am staying to work in the government," Ivanov said, RIA-Novosti [reported](#).

Luzhkov's council of elder statesmen, comprised of former city officials who advise the mayor on his policies, wrote an open letter Friday accusing national television channels of participating in the "unprecedented hounding" of Luzhkov, "evidently on the order of powerful forces," RIA-Novosti [reported](#).

Luzhkov struck a populist note during a trade union meeting Saturday, accusing the Federal Migration Service of impeding his plans to reduce the number of migrants in the city by allowing migrants to buy work licenses.

The migration service "doesn't give a damn about the quotas" that City Hall sets for migrant workers, Luzhkov told the Federation of Independent Professional Unions of Russia at a meeting also attended by Putin.

The work licenses were introduced by amendments to migration law that took effect in July.

Suggesting that migrants take jobs away from Muscovites, Luzhkov said City Hall every year reduces its quota for migrant workers by 70,000 to 100,000 people. He did not elaborate.

On the sidelines of the meeting, Luzhkov said several new metro stations would be constructed in Moscow's eastern Kozhukhovo and southeastern Zhulebino districts in the next few years.

He praised unions for contributing to "the lowest unemployment level" in Moscow, compared with the rest of Russia.

Luzhkov also suggested that the State Duma introduce quotas on disabled employees at factories.

Separately, a feud erupted between City Hall and the Duma on Friday when the Duma challenged a 40,000 ruble (\$1,300) fine for parking violations.

City Hall accuses the Duma of illegally cordoning off parking lots on Georgiyevsky Pereulok and Ulitsa Okhotny Ryad for Duma deputies.

Also Friday, Luzhkov took a step toward dealing with the city's traffic problem — a feature of the smear campaign — by submitting a bill to the City Duma that would allow municipal workers to evacuate cars parked on sidewalks, Interfax reported.

Moscow's mayor gets timeout to think over next moves say analysts

The mayor is on an agreed vacation in Austria and will return at the designated time to continue his work, spokesman for Luzhkov, Sergei Tsoi, said earlier.

The mayor's vacation has shown that the situation with his possible dismissal is unlikely to be resolved soon, Alexei Makarkin, First Vice President of the Center for Political Technologies told Ekho Moskvyy radio station. "This is a cooling-off period for all the persons, involved in this story," he said.

Luzhkov's vacation will allow him to avoid an information and political war, which he is incapable to win, Gleb Pavlovsky, President of the Foundation for Effective Politics, said. The mayor's vacation will reduce tensions in Moscow, Pavlovsky added.

Earlier, leader of the ultranationalist Liberal Democratic Party Vladimir Zhirinovskyy presumed that Luzhkov, who had taken a brief leave and left for abroad, might not return to Russia.

Zhirinovskyy said he is eager to become the new mayor of the Russian capital.

Luzhkov, who has been in office since 1992, is allegedly at odds with President Dmitry Medvedev. Their conflict is thought to have its roots in a September article by Luzhkov in the Rossiiskaya Gazeta government daily that hinted at criticism of the Medvedev-Putin tandem.

The mayor was recently accused of massive corruption by federal TV channels. Some media reports quoted sources in the presidential staff and the ruling United Russia party as saying that the long-serving Moscow mayor may be fired no later than December.

The Moscow mayor's term expires in the summer of 2011. He said he believed he would not be asked to leave the office before.

"I think this will definitely not take place, because our leaders are conscious people," Luzhkov said.

Earlier this month, a documentary aired by the NTV TV channel said Luzhkov's wife Yelena Baturina, the world's third richest woman, had used her husband's position to amass her wealth, reported by Forbes as \$2.9 billion.

Russia's modernization needs innovation strategy - Rosnano chief

However, "all the positive things that have happened over the last 1.5 years" have not formed an innovation strategy, he continued on.

"These [innovation measures taken by Russian authorities] are sensitive steps; however we are far from systematization...from drawing up a distinct innovation strategy of the country for the next 10 years," Chubais said.

Russian President Medvedev, who seeks to diversify the Russian economy by reducing its dependence on oil and gas exports, has made developing hi-tech sectors and encouraging research the focal point of his economic agenda.

The Russian government approved in March 2006 a program to create technoparks to incorporate high-tech enterprises in the sectors of nano- and bio-information, and other types of technology, as well as scientific research organizations, educational institutions and other related ventures.

Russia, Canada back science to resolve dispute over Arctic claims (Update 1)

The countries claim the ridge as a continuation of their continental shelves. Russia first laid claim to the territory in 2001, but the United Nations demanded more conclusive evidence.

Russia, the United States, Canada, Denmark and Norway are seeking to assert jurisdiction over parts of the Arctic, which is believed to contain rich oil and gas deposits. The vast hydrocarbon deposits will become more accessible as rising global temperatures lead to a reduction in sea ice.

"We will submit our data on the Lomonosov Ridge and we are confident that our case will prevail, backed by scientific evidence," Canadian Foreign Minister Lawrence Cannon said at a news conference after talks with his Russian counterpart, Sergei Lavrov. Lavrov said Russia is also working to submit additional data to persuade the UN to rule in favor of its claim.

Both ministers have reached an agreement to resolve the dispute over the Lomonosov Ridge in the Arctic Ocean based on the UN Convention on the Law of the Sea, which requires scientific proof. "We have reached an agreement with our Canadian colleagues to resolve these questions as well as similar issues based on the Convention on the Law of the Sea," Lavrov said.

"Everything must be based on scientifically proven facts that the commission will consider to decide who is right," he added.

In late July, the Russian research vessel Akademik Fedorov left Arkhangelsk for a three-month expedition to the Arctic to ascertain the borders of Russia's continental shelf.

Russia has said it will invest some 1.5 billion rubles (\$50 million) in defining the extent of its continental shelf in the Arctic in 2010.

Lavrov also reiterated Russia's concerns over NATO activities in the Arctic.

"We do not see what benefit NATO can bring to the Arctic," he said during talks with his Cannon. "I do not think NATO would be acting properly if it took upon itself the right to decide who should solve problems in the Arctic."

The Russian Geographical Society will host an International Arctic forum in Moscow on September 22-23. The forum will gather world's leading ecologists, experts and politicians to discuss the social, economic and environmental problems of the region.

Russian opposition coalition to register as party for 2011 vote

For Russia Without Lawlessness and Corruption aims to get itself established in time for the parties and movements involved to compete as one bloc in the 2011 State Duma elections. The group also hopes to nominate a single candidate for the 2012 presidential elections.

"We intend to submit documents to the Justice Ministry for registration," Vladimir Ryzhkov of the Republican Party of Russia told journalists.

In the past, the attempts of some opposition groups to register as political parties have been rejected on technicalities that supporters say are used by the Kremlin to stifle political debate.

"We will fight to be registered, including by organizing protest rallies... Everyone knows Article 31 and we will force everyone to learn Article 13 of the Constitution - the right of citizens to a multi-party system," Ryzhkov said.

Some small Russian opposition groups have been rallying on Triumphalnaya Square since July 31, 2009, on the last day of each month that has 31 days in defense of their right to freedom of assembly, as enshrined in Article 31 of the Russian Constitution.

Ryzhkov is joined on the new coalition's organizing committee by Boris Nemtsov, a co-founder of the opposition Solidarity movement, Mikhail Kasyanov, the head of the Russian People's Democratic Union, and Yabloko party youth wing leader Ilya Yashin.

The coalition's main goal is to fight "corruption and the dominance of both political and economic monopolies" in Russia, as well as the lack of democracy and free elections.

Georgia looks to replace Russian with English

TBILISI, Georgia — As part of a new nationwide initiative, 350 foreigners will descend this week on rural and impoverished Georgian public schools to teach English.

While few in Georgia disagree with the abstract goals of "Teach and Learn with Georgia" — which, according to Saakashvili's ambitious plans, will bring thousands of foreign English speakers to Georgian public schools in the next four years — the implementation of the program has been controversial since its inception last spring.

Many say the planning of the program, condensed to less than five months, was unnecessarily rushed and poorly executed. Others worry the program will be a catastrophic misuse of Georgia's already limited educational funds.

When Saakashvili first announced the program in April, he promised, like a modern day Herbert Hoover, not to put "a chicken in every pot," but to put an American in every classroom. The original goal was to place 1,000 Americans in public schools across

Georgia by mid-September, where they would both teach students and help Georgian-born English teachers improve their own language skills.

With the start of school, the program appears to be off to a slightly more modest start. Only 350 foreign teachers have been placed in Georgian classrooms so far — and they won't all be American. Still, Maia Sibrashvili-Lee, coordinator for "Teach and Learn with Georgia," says the program is already a success.

"We are still accepting applications and training new teachers every week, even after school starts," she said. Her office expects to admit more than 100 teachers per month through December. "We're just getting started."

"Teach and Learn with Georgia" is modeled after other government-funded English-language programs in Singapore, Hong Kong and Japan, where the goal is to "improve people-to-people communication, which aids in business and development," Sibrashvili-Lee said. "English language is vital for our country."

Similar initiatives that prioritize learning English — like Chile's 2003 program, "English Opens Doors," which made learning English mandatory for schoolchildren — have been successful models for Georgia. Saakashvili has called Georgia's "Teach and Learn with Georgia" program "a real educational revolution."

"It will give us an opportunity to make major progress and to make the largest breakthrough in next decades in the entire post-Soviet space and that's the greatest contribution we will make to the future development of our country," he said during a speech Aug. 15.

"Teach and Learn with Georgia" teachers are mostly in their 20s and hail from the United States, Canada, Australia, New Zealand, western and eastern Europe, Scandinavia — and in one instance — the Philippines. While a handful are retired or out-of-work educators in their home countries, most have never taught in a classroom. Each will be placed with a teaching partner at a public school, mostly in remote rural villages, Sibrashvili-Lee said. Is learning English the best way forward for Georgian children? Join the conversation in the comment section below.

Chris Walters, a former Peace Corps volunteer in Georgia and the current director of IREX, a Tbilisi-based international nonprofit that works on educational issues, said he thinks the program is a good idea, but emphasizes the importance of managing expectations, especially for idealistic young teachers who have never lived abroad and have no experience in often chaotic public schools.

"It can be like living in a fish bowl," he said. "You have to be 'on' all the time, and nothing happens like you expect it to."

Hannah Mintek, a former private English teacher in Tbilisi and a former U.S. Peace Corps volunteer in rural Georgia, worried that “Teach and Learn with Georgia” teachers have not receive adequate training.

Economic Issues

Putin Welcomes Arab Cash in Sochi

SOCHI — Officials and executives gathered in the Black Sea resort of Sochi for the fourth annual Sochi International Investment Forum in hopes of drawing new cash to the region and halting a slide in foreign direct investment.

The meeting is also Russia's second attempt this month to bolster its international profile, following a political forum in Yaroslavl hosted by President [Dmitry Medvedev](#).

The investment arm of [Russian Technologies](#), a state-run industrial conglomerate, signed agreements Friday with two companies from the United Arab Emirates: the ports and logistics unit of [Crescent Group](#) and real estate developer [Damac](#).

[Prominvest](#), a Russian Technologies subsidiary, and [Gulftainer](#), a Crescent Group unit, agreed to set up a \$500 million fund to acquire ports and logistics assets in Russia and in other former Soviet states.

"This is another major demonstration by the Crescent Group of its commitment to building strong economic ties with our Russian brothers," vice chairman Badr Jafar said in a statement.

Crescent Group has other business with Russia. Its energy arm, Crescent Petroleum, and state-run oil producer [Rosneft](#) jointly began developing an oil and gas field in the United Arab Emirates in June.

Under the other agreement signed Friday, luxury developer Damac will invest \$300 million in a joint real estate fund, whose projects will include facilities for the 2014 Winter Olympic Games in Sochi.

Hussain Sajwani, chairman of Damac Properties, said in a statement that his company had a "strong capital position" and was entering a market that features a "strong regulatory and transparency framework."

The praise came as Putin pledged to streamline obstacles to construction, which officials are regularly accused of using to draw bribes.

The Cabinet will issue a decree standardizing the contract for businesses to connect to electricity supplies to prevent arm-twisting by suppliers, Putin told the forum in his opening speech.

The government also decided that state agencies would eventually stop issuing compliance certificates for products and services, handing over the often business-unfriendly process to specially accredited private laboratories and experts, Putin said.

Assembled in the Winter Theater building on a hill above the Black Sea, forum guests were unable to see any of the major projects around the city, which has become Russia's largest construction site ahead of the Olympics.

But guests arriving by air were able to see the new Sochi airport, which [Oleg Deripaska's Basic Element](#) officially opened a day before the forum. Even a short tour around Sochi revealed work to build huge bridges, tunnels and overpasses — efforts that largely began after last year's forum.

Speaking at the forum, Jafar said the Gulftainer investment owed to Russia's lack of major political turbulence.

"Political stability in the country I think has been a major attraction for Middle Eastern countries," he said.

He also stressed that 80 percent of Russian exports leave through ports, and 50 percent of that is from just four of Russia's 41 ports, meaning that the others have a long way to go in developing. Great potential also lies in the handling of inland container traffic that is need of depots and logistics centers, he said.

Putin said creation of the fund showed how Russia is friendlier to Arab investment than the United States.

He specifically referred to Dubai Ports World's aborted attempt in 2006 to purchase a firm that manages six of the largest ports in the United States, including in New York, Miami and New Orleans. The deal was scrapped amid heavy political pressure in the United States.

"Incidentally, unlike other countries, say, the United States, we don't place any restrictions on attracting foreign capital in ports infrastructure," Putin said in response to comments at the forum. "We don't say we won't allow Arab capital there. Go ahead, please!"

The government does have restrictions on foreign investments in the many sectors and companies that it considers strategic. Companies seeking to acquire significant stakes in such companies must receive approval from a government commission chaired by Putin.

Foreign direct investment declined an annual 11 percent in the first half to \$5.4 billion, the State Statistics Service said last month. The continued decline came after FDI slid 41 percent last year to \$15.9 billion, although it was an improvement over the 18 percent drop in the first quarter.

Also at the forum, French builder [Vinci](#) made its first comment on the delayed construction of a politically contentious road from Moscow to St. Petersburg through the Khimki forest.

Yves-Thibault de Silguy, deputy chairman of Vinci, said the company considered it "normal" that the government wanted more studies of the environmental impact after a public outcry.

"We go along with the government in additional consultations with stakeholders," he said. "For us, Russia is a good opportunity."

Medvedev ordered a halt to work on the road for additional public discussion on alternate routes. Putin, who has backed the route through the forest, replied that he was "grateful" for the company's understanding.

"I hope we will, with our French partners, implement both this and other projects," he said. "It is the first transportation concession project. We, of course, would like it to be successful. But I'm sure it's not the last one."

During a panel discussion moderated by [Morgan Stanley](#) chairman Rair Simonyan, Putin quipped about a lack of democracy after being asked not to wait before jumping into the conversation.

Simonyan had noted the important role that the energy exports play in Russia and went on to list predictions for oil prices.

"May I not give you the floor, Vladimir Vladimirovich? The thing is....," he said before Putin sarcastically retorted, "Democracy! They invite me but don't give me the floor!"

It turned out Simonyan wanted [Royal Dutch Shell](#) chief Peter Vosner to speak first. Vosner, summing up his speech, joked that oil would fluctuate in a range "greater than zero but below a hundred" dollars per barrel, prompting loud laughter from the audience.

Putin later addressed his country's heavy dependence on energy, saying the country planned to reduce oil and gas revenues in the near term. He did not elaborate, but oil companies have pushed for lower taxes to enable investment in new, difficult fields.

In his opening speech, Putin also said visa restrictions were holding back human and business contacts between Russia and the European Union. He mentioned a new Russian rule for employing high-paid foreigners that was enacted earlier this year, immediately allowing them three-year visas, and the country's low 13 percent income tax.

"The next step ... is removing the visa regime for travel between Russia and the European Union," Putin said. "Russia is ready to move very quickly on its way toward abolishing visas. The matter depends on the political will of our European partners."

[Transcontainer Aims for \\$412M IPO](#)

Transcontainer hired five banks, including JPMorgan Chase, Morgan Stanley and Troika Dialog to organize its initial public offering.

Russian Railways, or RZD, also plans an IPO of freight division [Freight One](#). Transportation Minister [Igor Levitin](#) said Friday that the unit might be sold by April 2011.

For Transcontainer, RZD said it was considering London and Moscow for the float, indicating that it had shelved an earlier plan to follow RusAl to Hong Kong. The selling shareholders might be Transcontainer itself, RZD, and, possibly, minority shareholders [Moore Transcontainer](#) and [GLG Emerging Markets Special Situations Fund](#) or their affiliates. The [European Bank for Reconstruction and Development](#) purchased 15 percent of Transcontainer two years ago.

The much-anticipated float of Transcontainer has been planned since the beginning of the year as part of a multibillion-dollar fund-raising program by the rail monopoly to update its aging infrastructure. Transcontainer currently manages 60,000 containers and 20,000 rail cars.

Another IPO may come from technology group [Monocrystal](#), which is looking to raise \$250 million in a Moscow float, sources told Reuters. Monocrystal makes synthetic sapphire for energy-saving products like solar cells and is based in southern Russia.

The burst of IPO activity will come as welcome news to Russia's investment community, which has seen capital markets activity all but dry up since \$21 billion was raised in 2007.

A number of companies canceled or postponed IPOs earlier this year as markets took a tumble, and a revival was not expected until 2011.

[Putin Pledges Cooperation With OPEC](#)

SOCHI — Russia, currently the world's biggest oil producer, will work more closely with the Organization of the Petroleum Exporting Countries, Prime Minister [Vladimir Putin](#) said Friday.

"OPEC is sometimes irritated by us as we, not being a member of the organization, produce more oil, which influences international crude oil prices," he told a conference in Sochi.

"But we will coordinate our work with OPEC," he said, adding that Russia would also work with the Gas Exporting Countries Forum, which brings together leading gas exporters.

He did not specify how Russia would collaborate or whether it planned to attend OPEC's next meeting.

OPEC ministers have voiced exasperation with Russia as it has pumped to full capacity, while leaving the work of supporting oil prices by reducing output to members of OPEC.

It sent high-level delegations to attend OPEC meetings as observers when the oil price was crashing to just above \$30 a barrel in late 2008, but has not joined in with production cuts. Deputy Prime Minister [Igor Sechin](#) said last year that Russia would cooperate more closely with the bloc to support prices.

OPEC's compliance with its output goals has slipped, but only after the market rallied to the roughly \$70 to \$80 a barrel range that its members have said is acceptable for consumers and producers.

Given the resilience of the oil price, analysts do not expect OPEC to change its supply policy when it next meets in Vienna on Oct. 14.

Russia considering foreign participation in domestic banks - Putin

Moscow is considering the possibility of foreign banks buying into Russian banks, Prime Minister Vladimir Putin told an international investment forum on Friday.

"We are studying such a possibility; there is nothing unusual about that and we are ready to work with our partners along these lines."

It was reported several days ago that a pool of about 40 foreign investors led by TPG Capital, one of the largest private equity investment firms globally, could acquire a 10% stake in VTB, Russia's second largest state-controlled bank.

Russian Technologies, Boeing sign 50-plane, \$3.7bln deal

The Russian Technologies Supervisory Board will consider the agreement in October. James Albaugh, a Boeing executive vice president, told journalists after the signing of the agreement that the jets would be supplied in 2013-2016. The deal includes an option to buy 35 more of the planes.

In August 2009, Russian Technologies announced an open tender for the supply of medium-range narrow-bodied planes for state-owned airlines. Russia's United Aircraft Corporation (UAC), Boeing and Airbus all submitted bids and Boeing was chosen in May this year.

Originally, the planes were meant for Rosavia, an airline created by the Russian Technologies, but the government later decided to transfer the assets of the invalid company and the shipment of the jets to the Russian flagship carrier Aeroflot.

Putin urges investors to build export-oriented ventures in Russia

Investors in Russia should build companies that produce goods for export, not just for the domestic market, Prime Minister Vladimir Putin said Friday.

"Russia is integrating into world trade, although it is not yet a World Trade Organization member, and I would like to appeal to our potential investors: you should use this time to work on the domestic market," he said at the Sochi 2010 investment forum in southern Russia.

"But you should not just count on the internal market, but manufacture goods that would be competitive on any world market," Putin said, adding that Russia was leading the CIS in integration processes.

"We have concrete plans and roadmaps to deepen cooperation with our partners in the former Soviet Union and with other countries," Putin said.

"If you expand production in Russia, it should be competitive on world markets, and not designed for domestic consumption only," the prime minister said.

Russia to pursue 'positively conservative' macroeconomic policy

He also said it would remain conservative "in the good sense of the word."

"Hundreds and even thousands of projects are carried out each year. Investment runs into tens of billions of dollars," he told an international investment forum, Sochi 2010.

"Nevertheless, the Russian economy has not been spoiled by the excessive attention of investors - neither foreign nor our own."

The business environment in Russia is often criticized - sometimes justifiably, sometimes not, Putin said.

"We are very well aware of our own problems and will work constantly to resolve them."

Social / Humanitarian Issues

Russians Embrace Yoga, if They Have the Money

MOSCOW — This week, which has been designated Yoga Week in the country, Russians also got a guru: Sri Sri Ravi Shankar, who went on a whirlwind tour visiting St. Petersburg; Moscow; Kazan; Irkutsk; Sochi and the site of a new ashram in nearby Tuapse.

The confluence of Mr. Shankar's philosophy and Russian society turned up some incongruities. At a seminar called "Ethics in Business" at the Ritz-Carlton, among Moscow's most expensive hotels, Mr. Shankar told a ballroom full of well-dressed people, who paid 5,000 rubles, or close to \$200, a ticket, about Vedic philosophy and the spiritual subtext of corruption.

"Corruption begins outside the purview of belongingness," he said, in response to a question about how to battle corruption, so endemic in [Russia](#) that President [Dmitri Medvedev](#) and Patriarch Kirill of the [Russian Orthodox Church](#) regularly inveigh against it.

The only way to overcome corruption, he said, was "to reorient people, educate them," adding "the governments, religious bodies, NGO's, business, all of them have to work together."

Yoga, which was officially taboo in Soviet times but retained an underground following, has been embraced by Russia's elite. In 2007, shortly before he became president, Mr. Medvedev told Itogi magazine that he was "mastering yoga," as one activity that helps him deal with the stress of political obligations.

That immediately led to speculation that yoga would become a national pastime, as judo has under [Vladimir Putin](#), a black belt in the sport who is regularly photographed displaying his mastery.

Mr. Medvedev has not been photographed in the lotus position. But, in Moscow at least, yoga studios have become almost as ubiquitous as coffee shops and sushi bars, and yoga is an essential part of elite [health clubs](#).

Mr. Shankar's Art of Living Foundation, which was started with the vision of creating a stress-free society, has its Russian headquarters in a Moscow business center. The organization, saying it sought to help to alleviate stress, sent instructors to North Ossetia to work with victims of the school hostage-taking in Beslan in 2002, and to Tskhinvali in South Ossetia after Russia's war with Georgia in 2008, and it has also worked with the Russian military.

On Sunday, Mr. Shankar drew about 1,000 people to Luzhniki Stadium for a meditation session. It did not compare to the tens of thousands who came to see [Bono](#) and [U2](#) recently at the same venue, but the attendance was sizable for a rainy September morning, with tickets ranging from 1,500 to 3,000 rubles.

Retirees and students got a 50 percent discount, but there were also Louis Vuitton bags and Burberry blankets among the yoga mats. Followers were offered the opportunity to join Mr. Shankar for a river cruise in the evening, at 5,000 rubles for a full-price ticket.

Some forms of yoga are regarded as dangerous sects by the Russian Orthodox church, which also warns that sects hide behind good deeds, but there were no widely publicized protests over Mr. Shankar's tour from either the church or Muslim leaders in Kazan, capital of Tatarstan in central Russia. Vissarion, a Siberian cult leader who was once a traffic policeman but now calls himself Jesus Christ, was welcomed by Mr. Shankar at his ashram near Bangalore, India in 2008, which was noted with concern by cult watchers in Russia.

At Luzhniki Stadium, Lena Savina, a 27-year-old hairdresser, said she had changed for the better since she took up yoga 18 months ago, following her mother's example.

"Those around me really feel and see this," she said. "It helps at work, in the family, in relations with friends. It teaches such discipline, to control emotions. We are very subject to emotions."

Ms. Savina said it helped people avoid misunderstandings at work. "You need to breathe, calm down, and move on, so this doesn't happen."

Of Mr. Shankar, she said: "It is rare for such an enlightened person to visit Russia."

Margarita Zakarina, 47, from the city of Ufa in Bashkortostan, said the Art of Living movement saved her after a fire destroyed her apartment and killed her husband. “I didn’t want to live,” she said. “After the course, I understood that life is given once.”

Stanislav Vintslav, 49, a lawyer, took up yoga a year ago and credited it for being able to [quit smoking](#). He bought a discounted ticket to the Luzhniki event at the recommendation of his instructor, but was angry that Mr. Shankar made only a 45-minute appearance, and doubts that yoga or [deep breathing](#) could cure Russia’s larger ills. “I don’t have illusions,” he said.

Mr. Shankar also cut short his visit to Y Club, a new yoga and lifestyle center opened by his followers in a basement in one of central Moscow’s most fashionable areas. He raced through the grunge-chic basement, with exposed brick walls, dim lighting, Indian music and scattered rose petals, cringing visibly when asked by Tatiana Gevorkian, a former Russian [MTV](#) host who was the emcee for the event, about being rated as one of the five most influential people in India, by Forbes magazine. (Russians are obsessed with the Forbes billionaire rankings, which are filled with Russian oligarchs.) “Love is the greatest wealth,” Mr. Shankar said, before leaving because of an allergic reaction to construction dust as final touches are added to the new center, according to Natalia Sukhomlinova, who handles public relations for the Y Club.

Gay Activist Says He Was Seized by Agents

The disappearance of [Nikolai Alexeyev](#) from Domodedovo Airport sparked concern in Western Europe, with the French Foreign Ministry publicly calling on Russia to respect his freedom of movement and a German lawmaker saying that country’s diplomats were working for his release.

Alexeyev said by telephone Saturday that he was heading to board a Geneva-bound plane on Wednesday, but was stopped by airport officials after passing through passport and security control and told his baggage needed further inspection. He said he was taken to a small office and that the officials told a Swiss Airlines representative to offload Alexeyev’s checked baggage.

Swiss spokeswoman Andrea Kreuzer said the company was informed that Alexeyev had not properly passed security checks. Domodedovo officials have said Alexeyev was detained after refusing to remove his footwear at the security check.

Thereafter, he said, he was spirited out of the airport by four men who were not in uniform and didn’t identify themselves and was driven to a police station in the city of Kashira, about 40 kilometers from the airport.

Once there, the men insulted him, using “all the slang words for homosexuals in the dictionary” and demanded he withdraw suits he had filed with the European Court of Human Rights protesting Moscow’s banning of gay rights rallies.

The men also confiscated his cellular telephone, he said.

Interfax on Friday reported that it had received text messages from Alexeyev's phone claiming that he was seeking political asylum in Belarus and withdrawing the European court suits. Alexeyev said the texts were sent after his phone was seized.

The next night he was taken to Tula, some 200 kilometers south of Moscow, and by this time "I really thought something bad was going to happen; it was really frightening," he said.

But the men took him to the outskirts of the city around dawn on Saturday and released him, after which he made his way by bus to Moscow.

Alexeyev is widely known in the international gay rights movement for his repeated efforts to organize parades in Moscow. Mayor [Yury Luzhkov](#) has publicly called homosexuals "satanic" and routinely bans the gatherings, most of which are harshly dispersed by police within minutes.

Gay activists have announced plans to rally outside the Mayor's Office on Tuesday to protest his recent use of the word "fag," which a court subsequently ruled could not be deemed offensive.

Single-Industry Towns Pledged Support

The government has pledged not to abandon its Soviet-era single industry towns, despite warnings from economists that many of the blighted cities are a drag on the country's economic growth.

"The question of supporting monogorods is important and pressing," Deputy Finance Minister [Anton Siluanov](#) told reporters Thursday. "When the [global economic] crisis hit, the monogorods lost the most."

Although the 2011 budget does not envision any specific funds, fiscally conservative Finance Minister [Alexei Kudrin](#) admitted last week that the pre-presidential election year might bring a "desire to solve certain social issues."

Public discontent that flared up in single-industry towns last year could revive if their economies deteriorate.

Prime Minister [Vladimir Putin](#), who frequently visits crisis-hit areas, last week pledged to continue to prop up the country's industrial base.

Earlier this year, he ordered the allocation of 27 billion rubles (\$875 million) from the federal budget to cash-strapped towns.

Vedomosti reflected the tensions Thursday with the headline "Dumped Again" after Kudrin said no federal money would go to the cities next year. The Finance Ministry was quick to "correct" the statement.

"Yes, it is true we're not planning any money for monogorods for the next year, but that does not exclude support in future years," Siluanov told reporters. "The situation in our monogorods is very sensitive and it is constantly monitored by our authorities: the prime minister and the president."

The problem gained prominence in 2009 after a strike in Pikalyovo, in the Leningrad region. The town of 22,000 is almost entirely dependent on a cement-producing complex, part of which is owned by billionaire [Oleg Deripaska](#).

Putin chastised Deripaska last year and ordered him to restart his 50-year-old factory along with other related enterprises in the town.

But economists argue that Russia is hampering its economic growth by channeling funds to towns that have long since lost their competitive advantage.

"Last year's fiscal stimulus contained a healthy dose of poorly targeted, populist measures, for example, propping up grossly inefficient one-industry towns through state subsidies," said Neil Shearing at Capital Economics in London.

Russia is aiming for a 4 percent increase in its gross domestic product this year.

This is less than half of what is forecast for China and even below the 6 percent or higher expected in Turkey, which has not benefited from factors such as high oil prices and a fiscal stimulus package that are lifting the Russian economy.

"Russia is probably now going to struggle to get anywhere near the earlier official projection of 4 percent plus growth for the full year in 2010," Timothy Ash at the Royal Bank of Scotland wrote in a note.

"Considering the 7.9 percent real GDP contraction in 2009, the likely 2010 out-turn would be disappointing," he wrote.

Over 40 delegations to visit South Ossetia to mark national holiday

Russian Federation Council Speaker Sergei Mironov, State Duma deputies, representatives of Russian regions, heads of Russia's North Caucasus republics, Abkhazian President Sergei Bagapsh, the Transdnestr parliament speaker as well as a delegation from Nicaragua will arrive in Tskhinvali on Monday.

Nicaragua and the former Georgian republic of South Ossetia signed in April an agreement on the establishment of bilateral diplomatic relations.

South Ossetia has good prospects for future cooperation with Nicaragua and Venezuela, Kokoity said.

Russia recognized South Ossetia and another former Georgian republic, Abkhazia, two weeks after a five-day war with Georgia in August 2008. The war began when Georgian forces attacked South Ossetia in an attempt to bring it back under central control.

Since then, Russia has deployed thousands of troops and border guards to the tiny countries, which Georgia considers part of its sovereign territory.

Nicaragua, Venezuela and the tiny island nation of Nauru are the only other countries to have recognized the republics.

Russia's Orthodox Church priests to appear in Russian army and navy

By decision of the Russian president, the institution of military clergy is beginning to develop in Russia. So far we are making the first steps... But since a legal foundation has been laid, I hope that priests will soon appear in the army and the navy, Patriarch Kirill said.

The patriarch met on Sunday with the personnel of the 16th squadron of Pacific Fleet submarines in Kamchatka in the Russian Far East.

According to the patriarch, servicemen need spiritual support.

"This is because risks linked with military service are so great that they cannot be compensated by any material benefits," he said.

According to the Russian defense ministry, two thirds of the country's servicemen consider themselves religious. Some 83% of them are Orthodox Christians, about 8% are Muslims, and 9% represent other confessions.

Moscow city urges U.S. Embassy to stop illegal parking

The Moscow city transportation department has asked Russia's Foreign Ministry to help stop illegal parking practices outside the U.S. Embassy, department head Vasily Kichedzhi said on Friday.

There have been numerous violations of parking rules on Maly Konyushkovskiy Lane by cars with diplomatic license plates.

"The traffic situation on this street is very complicated."

Traffic jams in the area have become a regular affair, he said.

Parking in downtown Moscow is a perennial problem, with many drivers leaving their cars wherever they can find space. Parking on the sidewalk is common and double parking on some streets can mean there is only space for one car to travel along a four-lane road.

Terrorists blew up Russian furniture market

The Urals Furniture Makers Association announced the opening of yet another furniture supermarket occupying 2,000 square metres in Ekaterinburg. New branded furniture shops are going to come in the nearest future too. Having taken the sales of good in their own hands the producers are planning to reduce the prices by almost a quarter. Using this simple measure furniture makers are trying to overcome the negative trends in the marketplace.

According to the data provided by *Yulia Reshetnyak, the Executive Director of the Urals Furniture Makers Association*, the drop in sales of the elite class furniture has amounted to 60-70% during the crisis. Sales of economy class furniture have been 12-15% lower which, incidentally, has caused manufacturers considerable pain as the profit margin is minimal in this segment. The biggest drop in sales happened to soft furniture and amounted to 45-50% in all segments.

The expert believes that the market has been affected by the mass layoffs of staff at the Urals enterprises and the universal neurosis. Banks have stopped issuing targeted loans to private individuals; the market had been growing thanks to this kind of loans for the previous ten years. As soon as these loans have gone the sales crashed too. The negative trend cannot be overcome even by the resumed issuing of these loans - demand for elite class furniture is recovering very slowly as people's demands have decreased.

The Russian Association of Enterprises of Furniture Making and Timber Processing Sector blames not so much the banks but the conservative pricing policies of manufacturers: the furniture price index, crisis notwithstanding, is growing by 7-8% per year. This lack of flexibility of furniture makers has led to the situation where the rouble devaluing has not helped them with competing against imports and they even have lost some of it to the competition: the share of foreign furniture in the Russian market in 2009 has increased by 3.3%.

Serghey Trubinov, the Sales Department Manager at Kvinta Furniture Factory Ltd., reckons that it is all the fault of the Chinese and Belarusians who make furniture very cheap. For instance, the difference in the medium price segment between a Russian and a Byelorussian cabinet is 20% taking the customs duties into account. According to Kvinta's representative the difference exists due to cheap labour and timber in Belarus, for instance. Due to this fact Russians see the growth in sales only together with the development of the construction market.

Ekaterinburg's Deputy Mayor Victor Konteyev has not said anything encouraging to the domestic furniture makers, according to him, the amount of commissioned housing is reducing for the second year running. In 2010 the fall in the amount of housing commissioned in the Urals Federal District regions will amount to at least 100 thousand square metres. The official reckons, correspondingly, that the hopes for the growth in sales should be tied in the furniture makers' minds with the second-hand housing market, expanding the product range and perfecting the promotion techniques. According to *Mr Konteyev* they have to carry out a competent advertising campaign and go to export markets.

Aleksandr Masurskiy, a representative of the Gomeldrev furniture factory, confirms that the Ekaterinburg official is right; according to him Belarusian manufacturers are managing to export not due to low wages but thanks to the promotion of their goods. The Belarusian Government has divided foreign markets into zones and the members of the cabinet are personally responsible each for a particular region. This practice, according to

Mr Masurskiy, results in personal interest of officials in the promotion of Belarusian products in export markets.

Yulia Reshetnyak points out that Belarus has a less tough customs regime which enables manufacturers to import not only fittings, fabric, and foam, but also the front parts of furniture. The Chinese, the expert claims, simply copy Italian and German models and sell them cheaper. The Urals manufacturers cannot use either of these ways due to being situated far from borders and lacking high quality basis and well trained specialists. Consumer surveys demonstrate that they are not happy with the design of furniture made domestically; furniture makers just replicate the uniform models. The attempts to attract Ekaterinburg designers into the sector have not changed the situation - the originality and price of new designs so far do not match each other very well. The "fine tuning" will take at least 10-15 years, according to the expert.

In the nearest future nothing much will change in the furniture making sector. In 2010, according to forecasts by the experts of the Russian Association of Enterprises of Furniture Making and Timber Processing Sector, the furniture market will drop by another 10%. Starting in 2010 it will begin a slow recovery, most of all through the deferred demand; people in Russia have about 2.5 times less furniture than people in the developed countries.

Equipment suppliers to the furniture making sector hope for a small growth starting this year. *According to Yuri Sobin, the Director General of KAMI-Ural Ltd.*, leasing and credit organisations have started to actively offer their programmes and this is reflected in equipment sales. The expert, however, refused to name the percent of the growth compared to 2009, pointing out that the company will reach the 2008 levels only in 2012. *Research Techart* analysts make a forecast which is even more cautious: the market will return to the levels of 2008, when 160 billion roubles worth of furniture had been sold, no sooner than in 2014.

Mikhail Trofimov, the Senior Manager of the Shipment and Wholesale Department at the Miass Furniture Trade House Ltd., does not dare predict when the market recovers the sale volumes of 2007 and early 2008. During the crisis the Miass company has broadened the products range, diversify the colouring and the quality of upholstery but all this has had very little effect on demand. "I do not know when we will reach the pre-crisis level," stressed *Mr Trofimov*, "Everything depends on the political situation and oil prices." Events in the country and in the world, terrorist attacks for instance, do very much affect sales. Our consumers, the middle classes, feel uncertain about the future and thus prefer not to spend the money on consumer goods.

Who let drug addicts into the Evraz Group's mines?

Tragedies in the mines owned by Evraz Group occur with frightening regularity. An electrician and an explosives expert were killed in 2005 and 2007 inside Estyuninskaya, a worker at Magnetitovaya was run over by a train in 2008, dozens of workers were killed by an explosion at Estyuninskaya in 2009, and a worker at the Vysokogorsky mining and

processing enterprise was crushed by a piece of ore in June of 2010. And here's the latest death - a mining foreman fell into a stone crusher.

The Russian Union of Miners and Metallurgical Workers is extremely concerned about the situation in the mines owned by Evraz Group. According to *Ivan Duryagin, the technical labor inspector for the union's central board*, the industry has seen an increase in injuries in the past six months. Analysis of the situation inside the Estyuninskaya mine has shown that these casualties and deaths have several causes. During the economic crisis, many experts were let go and maintenance services were outsourced to organizations where the pay and benefits are significantly worse, which has an effect on the workers' attitudes toward their jobs. But the primary cause of the problems, believes Ivan Duryagin, is the obsolete equipment that the Evraz Group uses and weakened government oversight of hazardous workplaces.

State supervision deteriorated in the 2000's, when inspectors from Rostekhnadzor (the regulatory body responsible for ensuring compliance with all relevant legislation and technical standards) lost their right to halt dangerous production practices at a facility if they discovered gross violations of safety regulations. Then the list of activities requiring a state inspection permit was dramatically shortened. The owners of major Russian holding companies lobbied for this change. They believe that the regulatory framework that requires this technical oversight is an obstacle to the modernization of production, delays returns on investment projects, and increases the costs of production and corruption.

Experts in industrial safety reply that biggest projects in recent years (the Blue Stream pipeline, the Baltic Pipeline System, and the Eastern Siberia - Pacific Ocean oil pipeline) were all completed twice as fast as they would have been during Soviet times. Nor does government oversight hinder the modernization of production. The problem lies elsewhere - Russia spends only 1.2% of its gross domestic product on innovation, which is why industry uses mainly obsolete equipment. Which often breaks down. In the last ten years there have been 477 accidents and 1,125 fatalities involving ordinary hoisting equipment, according to data from the *Industrial Safety company group*.

Experts think that Russian holding companies like to plead poverty when they complain about the lack of money for new equipment. For example, Evraz Group claimed a net loss of \$270 million for the first half of 2010. But according to *Dmitry Smolin, an analyst at the financial corporation Uralsib*, this was mostly due to significant depreciation charges and non-cash losses from asset impairment. The company's revenue rose by 24% and its profitability rose by three points, reaching 18%.

Researchers from the Skolkovo Institute for Emerging Market Studies (SIEMS) argue that Russian companies are growing much faster and are far more profitable than is commonly believed. For example, Evraz Group had a 15% profit rate in 2009, a year that was still deep in the economic crisis. Of course, this cannot be compared to Gazprom's profit rate of 29% or Surgutneftegaz's 34%, but it is still impressive compared to the development of foreign companies.

According to data from experts at SIEMS, average profitability for a major company in the US is 5% and 4.7% in China. These figures are twice as high in Russia. The growth rate for Russian companies is almost four times the rate in the US. That's even ahead of the Chinese, although GDP for 2009 in the Middle Kingdom rose 9%, while falling by 7% in Russia.

It is clear that too much of the Russian economy is "in the shadows," which is why these paradoxes exist. For example, although the Evraz Group enjoys some of the lowest production costs in Russia for metallurgical production (meaning - excellent profits), the company is not trying to modernize and it operates mines in which half of the equipment is obsolete.

It seems that Russian entrepreneurs are not at all troubled by mining accidents. An initiative backed by the *Russian Union of Industrialists and Entrepreneurs* (which includes the owners of all major holding companies) is against the idea of liberalizing the laws any further. The RUIE is suggesting to *President Dmitry Medvedev*, first of all, that Rostekhnadzor's requirements for metallurgical and chemical production be limited, and secondly, that government oversight be replaced by independent inspection organizations.

The RUIE's initiative reminded experts of the recent proposal to forego police protection for the building housing the Investigative Committee of the Russian prosecutor general's office and to instead allow private security guards to protect the investigators' safes. There was a very interesting motivation behind this "reform." The police had slept through an armed raid on the prosecutor general's office, during which masked men had opened the safes that hold evidence from criminal investigations. So at that point, obviously, if there is an attack on a detention cell, then we should expect someone to suggest to the Ministry of Justice that the prisoners themselves be used to protect the prisons and detention cells.

The logic behind such initiatives is clear - if Russia's ruling class can just get rid of the state, they will be free to wring the last drops out of the country's industry. Bringing in independent inspectors, who will be under the oligarchs' control will probably lead to yet more accidents at hazardous facilities. A public hearing will probably end up on the wrong track. In fact, that's exactly what's happening today. Instead of informing the public about what may have caused the May accident in the Rospadskaya mine, the Evraz Group has begun to tell journalists that they are going to begin testing their workers for drugs and alcohol. In other words, they want the public to think that drug addicts blew up the mine.

Ruben Badalov, the first deputy chairman of the Coal Miners Union, says that some workers occasionally really did bring cigarettes and even drinks down into the mine. However, one should draw completely different conclusions from this fact than Evraz did. Instead of portraying the miners as lumpenproletariat, the company should be paying more attention to following the rules and procedures for using their equipment. Then they

won't have to go through their employees' pockets and accuse drug addicts of blowing up the mine.

The Iron Ceiling: Sexism Still Strong In Russia

It's one of the most visible changes on Moscow's streets. Twenty years ago, you could go weeks without seeing a single woman driver. Now it seems there's a woman behind the wheel of every second car.

One of them is Lera Labzina, who's been driving for two years and says that makes her "very, very happy."

"Driving represents another step toward women's independence," she says.

That includes Nikolai Mukhin, who says only men should be allowed to drive.

"When I'm waiting at a traffic light," he says, "I keep an eye on the light, but what do women do? They're putting on lipstick. For them it's normal to read a magazine at the wheel. It's a dangerous situation."

That's a common view in what's still a highly paternalistic society. Even many women drivers say they can't drive well. Women may be more emancipated than at any time in Russian history, but general attitudes toward the role they play in society remain positively medieval.

Patriarchal

Society

Gender studies scholar Elena Zdravomyslova says even as Russia's capitalist boom is enabling women to make their own decisions about where to work and when, if ever, to marry and raise families, there's a growing disparity between reality and deep-rooted sexist attitudes.

"Women work in traditionally male professions," she says. "They drive cars, take part in business, but the public discourse is still about how women have different brains and that their psychological differences from men prevent them from taking an equal part in society."]

Tales of discrimination are legion.

Olga Allenova, a well-known correspondent for "Kommersant" newspaper who covers the volatile Caucasus Mountains region, says confronting sexism is an unavoidable part of her job reporting in conflict zones.

"I've been refused permission to join other journalists on press trips," she says, "or ride in military helicopters, on the principle that women simply aren't allowed. I've had to learn to deal with those situations."

Legacy

of

Patriarchalism

Attitudes about women today are a legacy of centuries of patriarchal rule in society, when the head of the household made decisions for everyone. Under the Soviet Union, the traditional image of women as subservient to men changed -- on the surface at least -- because of state ideology, which prescribed gender equality. The government used subsidies to encourage women to occupy the ideal, double role of working mother -- especially when a shortage of men, who died by the millions during World War II, meant women had to fill in working in factories, driving trams, and doing other blue-collar jobs.

But men occupied the highest posts, and behind the propaganda, attitudes toward women remained far more traditional than in the West. Zdravomyslova says that's especially true today outside the capital, where very little has changed.

"Russians have much stricter limits in their perceptions about gender roles -- what's a man, what's a woman," she says. "Society restricts its discussions to those limits."

In the 1980s, Raisa Gorbacheva, the glamorous and independent-minded wife of Soviet leader Mikhail Gorbachev, provided a new role model for women by playing a prominent role in her husband's affairs. But she was widely disliked at the time, and Russian leaders' wives have since been much less visible in public.

Still, as women continue playing an ever-greater role in society, Zdravomyslova says in Moscow at least, perceptions are slowly changing, especially among younger men who tend to be more exposed to global culture.

'A Man's World'

But not all change is for the better when it comes to women's independence. Zdravomyslova says the new main roles offered up by popular culture today are as housewife and sex symbol.

A recent television commercial for lingerie shows long-legged women dressed only in stiletto heels and underwear, one of hundreds of such images bombarding Russians every day. Zdravomyslova says advertisements, television programs, and glossy magazines are "aggressively sexualizing" the common idea of women's roles in society, and reinforcing traditional attitudes.

It's those entrenched attitudes that are helping perpetuate one of Russia's darkest secrets: domestic violence that's so pervasive many see it as a normal part of everyday life, in a country where an old saying advises, "If he beats you, he loves you."

The government's own figures estimate 14,000 women die each year from domestic violence. That's the death of one woman at the hands of her husband or partner every hour. It's more than 10 times the number of deaths in the United States, which has twice Russia's population.

Larisa Ponarina of the Anna Center for Domestic Violence says it's impossible to tell exactly how many victims of domestic violence there are because the authorities aren't interested in the issue. She says no accurate statistics are kept, in a country whose legal system doesn't even provide restraining orders for victims of abuse.

"It's still a man's world," she says. "There's no conviction at the top of society that women should be advanced, and of course that influences society as a whole."

Slow

Change

Back on Moscow's streets, driver Lera Labzina says she believes some attitudes will never change.

"Men have never accepted women drivers," she says, "and I don't think they ever will."

Such problems can't be seen apart from much larger issues in social behavior, including a general lack of respect for rule of law and human rights, says Irina Mikhaylovskaya, editor of the Russian edition of "Forbes Style."

"We never thought about Russia as a country where women are oppressed," she says. "People are oppressed, not just women. That's true about Russia and the Soviet Union."

If change does come, Mikhaylovskaya says, it will be very slow.

"We're so far away from the West," she says, "it's not a question of some years or even a generation."

Food/ Energy & Environment

Ukraine pledges food aid to Georgia, Armenia, hit by Russian grain ban

Georgia imports 85% of all consumed grain, with 95% coming from Russia. Armenia also traditionally imports 300,000-400,000 metric tons of grain from Russia annually, with its own harvest usually enough to last for 2.5-3 months.

"Despite this year's harvest being lower than last year, we have enough [grain] not only for ourselves but also for helping Georgia, Armenia and other countries that sought our assistance," Mykola Azarov was quoted as saying by his press service.

Ukraine's agriculture ministry has again revised its grain harvest forecast from 42-43 million metric tons to 38 million metric tons. The figure stood at 46-48 million metric tons early this year.

The Kremlin banned grain exports until at least the end of the year following [this summer's severe drought and forest fires](#) that destroyed around 10.8 million hectares of crops and reduced harvest forecasts to as low as 60 million tons, 38 percent less than in 2009.

The ban has caused a steady rise in grain prices in Russia and around the world.

Labor migrants "debouch economy" - Moscow's mayor

However, these quotas are, so far, not working, as the Federal Migration Service gives all the migrants labor certificates.

More than 10 million foreigners entered Russia in 2010, according to official reports.

Luzhkov also offered to introduce quotas for the number of physically challenged persons that should work at every enterprise.

Relations between the long-serving Moscow mayor and Russian President Dmitry Medvedev are believed to have soured recently after an article by Luzhkov in the government daily Rossiiskaya Gazeta hinted at criticism of the Putin-Medvedev leadership tandem.

According to some media reports quoting sources in the presidential staff and the ruling United Russia party, Luzhkov may be fired two or three weeks after his birthday, September 21, when he turns 74, but no later than December.

The mayor said he would take a vacation in Austria the next week.

However, a number of Luzhkov followers have come out in his support. The Moscow City Duma on Wednesday issued a statement rejecting all allegations against the mayor.

According to some reports the Kremlin was angered by Luzhkov's opposition to Medvedev's decision to halt the construction of a controversial highway to St. Petersburg cutting through a forest north of Moscow.

Israel was offered to raise turkeys in Russia

The regional government informed RusBusinessNews that the project initiator - "The Urals Farmstead" Agroindustrial Complex Ltd. - has obtained land plots for the construction of several poultry-houses, slaughterhouse and processing workshop, and incubation facility. A granulated feed production line has been purchased from Amandus Kuhl (Germany). Up until now turkey meat has not been produced on industrial scale in the Sverdlovsk Oblast.

In 2009 Russia imported 53 thousand tons of turkey meat. Main supplier is France (44%). 17% of the total was supplied by Belgium, 16% - USA, 14.5% - Brazil.

China will build two power generating units with Russian fast neutron reactors

Nikolay Oshkanov, the Advisor to the Director General of the Rosenergoatom Corporation, said that the first experimental reactor has been installed in 409 kilometres from Peking by the joint effort of specialists from Russia and the Chinese National Nuclear Company (CNNC). India is showing considerable interest to the power generating units BN-800 as well; this country is planning to commission 275 million kilowatt of generating capacity within its territory.

In order to raise the commercial attraction to the Russian power generating units Rosenergoatom is prepared to involve foreign specialists in the creation of the BN-1200 power generating unit. The project worth 5.5 billion roubles for this unit is planned to be developed by 2017.

Beloyarsk Nuclear Power Station boasts the only industrial power generating unit in the world that runs on fast neutrons - BN-600. It is planned to start up the new BN-800 unit at the station in 2013. Moreover, in the future Beloyarsk Nuclear Power Station may become the site to use BN-1200.

Russian bacteria will teach people how to live a long time

- What is the importance of the Yakut microbiota for scientists?

- Bacteria were discovered long ago in the permafrost, very far down in a well in Antarctica. At the time, it was assumed that the bacteria could have frozen there millions of years ago, but then scientists from Pushchino found a large number of different bacteria in various samples of frozen rocks. At that point the hypothesis arose that perhaps the bacteria are not just being stored there, but were still living and reproducing.

Then Professor Anatoly Brushkov, the head the geocryology department at Moscow State University, discovered a bacillus on Mount Mamontova in Yakutia (with which he has been working for six years) that is assumed to be very ancient. That assumption, by the way, is key. One needs to be absolutely sure, that it is, in fact, very ancient. There have been a number of scientific conflicts about how to determine the bacteria's age. After experimenting, it was determined that bacteria from the distant past have a shorter genome than they do today. The reasoning is that since they lived for long periods under unchanging conditions, they did not need adaptive mechanisms.

- What are some of the characteristics of the bacteria?

- The main thing is that we have been given a unique opportunity to see the results of an experiment that is millions of years old and that was conducted by nature without human intervention. During this time, the bacteria learned to live under unchangingly harsh conditions - in fact, it was a natural incubator for them - and during that time they learned to adapt and survive, which is also the dream of mankind. Then a new idea arose, would it be possible to take these characteristics that enabled the bacteria to survive and transfer them to humans? These characteristics could be introduced in the form of substances that the bacteria naturally produce. Could there be some kind of adaptive substances, which, for the purposes of discussion, could be isolated from the bacteria and transferred to modern living organisms, including warm-blooded creatures?

Experiments helped to develop this hypothesis. For example, if the bacteria is incubated where it is warm, then a subgroup of bacteria appear, which, when transferred to warm-blooded cells, allow those cells to survive in a warm atmosphere. And if the bacteria is incubated in the cold, then a new subgroup emerges. When bacteria from that group are transferred into warm-blooded cells, they allow those cells to survive for a prolonged time period in cold temperatures. If this experiment is developed further, we will have a substance that might even help humans adapt to conditions of extreme heat or cold. And the source of these substances will be these same bacteria from the permafrost.

- What research will be done in the future and what are the questions that need to be answered?

- The bacteria will be identified and sequenced in Japan and Sweden. The primary task right now is to fully identify the entire line of subgroups and substances mentioned above. We need to determine their chemical structure and mechanisms. We are just now at the beginning of this very serious work. We need to get as much information as possible about the bacteria themselves. It's a very difficult task - but the results we have gotten have been very encouraging. Everything is possible if we can get funding. We have the scientific personnel and equipment.

- Where can the microbiota be used?

- The study's practical purpose is to develop a new generation of drugs that will be able to, if not prolong human life, then to noticeably improve it, especially for the elderly. But there is one big "however" to that. The purpose of science to obtain new knowledge and this is what we are actively doing. If someone is interested in these substances and an investor appears who will allow us to obtain industrial-scale amounts of these substances, then of course, a new pill or medicine will be much closer on the horizon. But if the project does not get the support it needs in Russia, then it will have to go abroad, into the hands of people who see a quick commercial profit in it. And we won't have time to say a word, just as when Sikorsky helicopters began flying under the American flag instead of the Russian one.

- What are the project's sources of financing?

- We have various sources of funding. Of course, ideally we would have one, dependable source of funding, so we wouldn't have to think about how to earn our daily bread but could just do our work. But unfortunately, right now, this is impossible in our country and for our case in particular.

- How would you evaluate the current state of Russian science?

- I am neither a complete pessimist nor a complete optimist. I think that science in Russia is still alive. All you have to do is go to Akademgorok to see that not all intellectual potential has been lost. It exists.

- And what about Russia's brain drain to foreign countries?

- The problem is that a person who discovers something new in our country does not have any right to his discovery. Even with a patent, anyone can take this discovery and use it and modify it. We do not have true protection of proprietary rights for scientists. So far, there's been nothing but talk on this subject, although musicians have some kind of protection for their authors' rights in Russia. As soon as there is a global system to provide something similar for scientists and it's no longer possible to steal a patent and funds are allocated for research, then the situation will be different. Do you know what

the biggest obstacle to our research is? The fact that funding for implementation and funding for research are completely separate. If scientists had a guarantee of proprietary rights, then they would understand what they're working for.

- What does science in Russia still need to progress and develop?

- We need a system to help provide the scientific community with a reasonable quality of life. I'm not talking about the managers at the highest levels - they're doing fine - I'm talking about what we call a "golden fund" for Russian science. We need a system that will support young scientists. For example, I have a problem with graduate students. These are talented, young people and I have to give them a salary and a place to live. But I can't, so what do I have to offer them? A nation's intellectual property should be an undisputed priority. Once we figure that out, everything will fall into place.

Geo-Strategic

Russian Aircraft Buzz U.S. Warship

WASHINGTON — The USS Taylor did not go on an alert over unusually close encounters on Sept. 10 and Sept. 11 in international waters of the Barents Sea, just off Russia.

"The ship did not take this as hostile," Colonel Dave Lapan said.

The U.S. warship had just completed a port visit to Murmansk to honor World War II veterans of both countries.

The next day, on Sept. 10, a Russian maritime patrol aircraft flew just 45 meters off the USS Taylor and only 30 meters above sea level — extremely close and low. It also flew directly over the ship but at an altitude of about 600 meters.

The next day, a Russian ship in the vicinity had one of its Helix helicopters fly by the USS Taylor, again just 45 meters off the U.S. warship and only 30 meters above sea level.

"Both sides are in discussions now to determine whether the proper protocols were followed," Lapan said. "This is a fairly rare occurrence."

The U.S. Navy's chief of operations, Admiral [Gary Roughead](#), raised the matter with his Russian counterpart, Admiral [Vladimir Vysotsky](#), during a visit on Wednesday by a Russian delegation led by Defense Minister [Anatoly Serdyukov](#) to the Pentagon.

"Admiral Roughead was satisfied after having this conversation with his counterpart," Lapan said, without elaboration.

A year ago, two nuclear-powered Russian submarines patrolled off the Eastern Seaboard in what U.S. officials speculated was an effort by Moscow to show a greater military presence.

Russia and Norway Agree on Boundary

MOSCOW — The disputed area between the Novaya Zemlya archipelago on the Russian side and the Svalbard archipelago on the Norwegian side is now seen as valuable territory in the rush to develop petroleum deposits under the Arctic Ocean. And with the polar ice cap receding as global temperatures rise, making development of the area seem far more feasible, this once-arcane dispute has taken on added urgency.

The treaty signed Wednesday by the Russian president, [Dmitri A. Medvedev](#), and Norway's prime minister, [Jens Stoltenberg](#), settles one of several disputes by the five countries with coasts along the Arctic — Canada, Denmark, Norway, Russia and the United States — and diplomats hailed it as a model for applying international law to the scramble for resources in the north.

“It is not a lawless area,” Rolf Einar Fife, the chief negotiator on the Norwegian side, said in a telephone interview. “Rules of the game apply. The point is, the existing rules should be applied, and that is what we did today.”

The resolution of the Russian-Norwegian boundary dispute, however, is unrelated to the central issues in the most contentious claim, a Russian staking out of territory that includes the North Pole. That is based on an assertion that an undersea mountain range forms part of Russia's continental shelf.

The agreement also governs drilling in any oil or gas fields that may be discovered straddling the new border; they would be developed jointly.

In negotiations that began in 1970, the Soviet Union had insisted on a line drawn directly north from the land border, following the meridian from the coast to the North Pole. Norway had maintained that the border should be drawn midway between the coastlines of two island chains of Svalbard, in Norway, and Novaya Zemlya, in Russia, as is typical practice in delineating maritime borders, though even the Norwegian diplomats conceded there were many exceptions.

The dispute left about 67,600 square miles of open sea, an area the size of Florida, contested for four decades. The Russian government has estimated that about 39 billion barrels of oil could lie under the disputed area.

The new boundary, one of the longest in what is still geographically part of Europe, roughly splits the difference between the countries' claims. Legally, it is based on a

calculation taking into consideration the longer Russian coastline, Mr. Fife, the Norwegian negotiator, said.

Because of indications of important petroleum reserves under the sea, he said, “we are well served in having clarity” on the boundary. It is also important for designating search-and-rescue operations, environmental rules and fishery regulation.

France Defends Possible Warship Sale to Russia

UNITED NATIONS —Morin said he had made those arguments to NATO members who voiced concern about the possible Mistral sale, making clear to them Paris' view that it was vital to have a "dialogue with Russia" — including dialogue on military and security issues.

"Furthermore, can we consider for even a moment that the sale of a few vessels can significantly change the balance of force and the strategic situation between Georgia and Russia? We need to be serious on this issue," he said through an interpreter.

Moscow wants Mistral class warships to modernize hardware exposed as outdated during its war against Georgia in 2008. Earlier this month, Foreign Minister [Sergei Lavrov](#) said Moscow was in exclusive talks with France on the matter.

The helicopter carriers are built by French naval shipyard [DCNS](#), owned by defense electronics group [Thales](#). French President Nicolas Sarkozy said in July that he was "certain" France would build the two ships.

Moscow has said that if it had had the Mistral during its 2008 war with the former Soviet republic Georgia, it would have achieved its military goal in 40 minutes instead of 26 hours.

However, the potential sale by France of one or more of the carriers, which cost 400 million to 500 million euros (\$488 million to \$600 million), has alarmed Washington and some East European NATO nations.

Russia to honor deal to sell P-800 anti-ship missiles to Syria

Russia will honor the contract to sell the P-800 Yakhont supersonic anti-ship cruise missiles to Syria, Russian Defense Minister Anatoly Serdyukov said.

"It is the 2007 contract. The issue of selling the missiles to Syria was raised during the talks with U.S. Defense Secretary Robert Gates... Undoubtedly, it [the contract] would be fulfilled by the Russian side," the Russian minister said.

Israeli media said in late August that the country was working to thwart Syria's plans to get the highly accurate missiles, which Israel considers a threat to its navy vessels in the Mediterranean Sea. Kremlin aide Sergei Prikhodko dismissed the media reports.

Russia, Croatia to jointly produce nuclear power plant equipment

The documents were signed after a meeting between Russian Emergencies Minister Sergei Shoigu and Croatian Prime Minister Jadranka Kosor in Zagreb.

A regular meeting of a Russian-Croatian intergovernmental commission on trade, economic and scientific cooperation also took place in the Croatian capital on Friday.

Yury Brazhnikov, who heads the Russian Emergency Situations Ministry's department for international activities, said the documents were a result of agreements reached during a meeting between Kosor and Russian Prime Minister Vladimir Putin in Russia in June.

"After a decline during the global economic crisis, cooperation between the two countries has become more active and is now on the rise," Brazhnikov said.

The parties have discussed all problematic issues of bilateral relations and found ways to resolve them, he said.

"They are related to the energy sphere... particularly, to energy equipment supplies to Croatia in line with Soviet obligations, a new long-term contract on gas supplies by Gazpromexport [the Russian energy giant's export arm], as well as to gas extraction in Croatia and other energy projects," the official said.

Russia, NATO should fully analyze missile threat to Europe - envoy

Russia believes that Moscow and NATO should properly assess missile risks before starting on a missile defense plan for Europe, Russia's envoy to the military alliance said on Friday.

"We continue to insist that, before discussing what may be meaningful in the framework of the possible European missile shield project and other serious projects, we need to carry out a serious analysis of missile threats," Dmitry Rogozin told RIA Novosti.

"To settle on guilty parties in this issue means to dodge a discussion of more serious issues," Rogozin said. "It is not only Iran that possesses missiles in Europe's southern 'underbelly,' but other countries as well, so if we are to start this analysis, we should analyze all those who possess this kind of technology."

Iran still poses a threat to Russia and NATO, the alliance's Secretary General Anders Fogh Rasmussen said earlier on Friday.

He reiterated calls for the creation of missile defenses in Europe, saying they would bring NATO and Russia closer.

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Medvedev looks to ease Russian-Ukrainian border controls

We will today...discuss how we take our friendship further, and for this we need normal communications - the possibility to quietly cross the border without stress, without rudeness, without problems," Medvedev said in the Ukrainian border town of Glukhov, where he and his Ukrainian counterpart Viktor Yanukovych arrived at the head of an international motor rally.

"We should make our borders as comfortable as possible for our citizens," Yanukovych said.

Medvedev said he would take Yanukovych back to Russia later in the day for talks on "the economy, the social sphere and humanitarian cooperation."

The presidents drove two vintage cars across the Russian-Ukrainian border when they took part in a 60 kilometer stage of an international motor rally to mark the 100th anniversary of the first Russian auto race, from the then-capital St. Petersburg to Kiev.

Russia-Ukraine ties have blossomed since [Yanukovych replaced the pro-Western Viktor Yushchenko](#) in February.