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focus: stages of russia's wto accession negotiations



MAIN STAGES OF RUSSIA'S WTO ACCESSION NEGOTIATIONS

Pursuant to the established procedure, Russia's WTO accession negotiations are held by a specially designated Working Party (WP) comprising WTO Member Countries. The Russian Working Party's agenda, which is standard for all acceding countries, provides for: "examining the Russian Federation Government's application for accession to the World Trade Organization subject to Article XII and submitting recommendations, which may include the draft Protocol of accession, to the General Council"

The first meeting of the Working Party on Russia's WTO accession was held in Geneva on July 17-19, 1995. The focus of the meeting was the "Memorandum on Foreign Trade Regime", (the L/7410 document) submitted by Russia in March 1994, and written answers to the Memorandum-related questions put by the Members. At the first session, members of the Russian delegation answered new questions put by the Members and produced additional information concerning the so-called "traditional"

GATT issues (related to trade in goods).

In September 1995, the Russian Federation Government held a meeting to discuss the progress of Russia's GATT/WTO accession negotiations. The discussion resulted in a number of decisions designated to support further negotiations with respect to Russia's accession to the WTO.

The second meeting of the Working Party on Russia's WTO accession was held on December 4-6, 1995. For this meeting the Russian side submitted supplements to the Memorandum, encompassing the so-called "new" areas: trade in services, trade related intellectual property rights, trade related investment measures, as well as answers to 495 new questions from the Members.

The second meeting focused mainly on finalizing the Memorandum discussions. Also, a discussion on newly presented additional documents and Memorandum supplements concerning the "new" areas was launched.

The third meeting of the Working Party was held on May 28-31, 1996. It specifically addressed Russian documents related to the "new" issues, i.e. services, trade related intellectual property rights and investment measures protection, as well as 394 answers to the Members' additional questions.

The third meeting resulted in the Working Party's resolution to adopt the Russian Memorandum on Foreign Trade Regime in its first reading and proceed to specific issues believed by the Working Party to require additional attention. The issues suggested for discussion at the fourth meeting included non-tariff regulation, customs

valuation, agriculture, and review of legislative developments in the economy and trade.

The fourth meeting of the Working Party was held on October 15-16, 1996. The public meeting on October 15 scrutinized the non-tariff regulation, customs valuation, and legislative developments review. The informal meeting on October 16 focused on the problems in Russian agriculture in the light of the accession negotiations.

The results of the fourth meeting were summarized in a brief informal Aide-Memoire drafted by the WTO Secretariat on the instructions of the Working Party.

The fifth meeting of the Working Party took place on April 15-16, 1997. Its agenda included issues of government trade and trade related intellectual property rights. Also, the Working Party continued the discussion on agricultural issues (which started in an informal setting at the previous meeting). The progress of bilateral consultations was also discussed.

On the same dates, bilateral consultations with the USA, EC, Japan, Switzerland, Norway, Poland, Thailand, South Korea, and Mexico were held.

The results of the fifth meeting were also summarized by the WTO Secretariat in an Aide-Memoire. All these documents will be used to prepare the draft Protocol of Accession.

The sixth meeting of the Working Party, held informally on July 22-23, 1997 reviewed Russia's legislation development, including laws on procurement, technical barriers to trade, sanitary and phytosanitary measures, and



agriculture. Besides, a whole number of bilateral consultations with interested countries were conducted to discuss the items on the agenda. The results of the discussion concerning technical barriers to trade and sanitary and phytosanitary measures were also summarized by the WTO Secretariat in an Aide-Memoire.

The seventh meeting of the Working Party (December 9 and 11, 1997) was held in a formal setting and addressed (a) Russia's legislation development, (b) industrial subsidies, (c) trade related investment measures (TRIMS), and (d) preferential trade agreements.

The formal meeting was followed by an informal exchange of opinions regarding regulation of the Russian agricultural sector. Besides, the Russian delegation had a number of bilateral consultations with the interested countries with the focus on the agenda and technical barriers to trade.

In February 1998, Russia finalized its tariff proposals and informed the WTO Members, via the WTO Secretariat, that it was ready for market access negotiations. Following respective requests from the Working Party Members, Russia's tariff proposals were submitted to approximately thirty countries including EC, USA, Canada, and Japan.

The eighth meeting of the Working Party took place on July 29-30, 1998. The agenda comprised (a) review of the bilateral negotiations progress; (b) Russia's legislation development, including that pertaining to investments; (c) technical barriers to trade and sanitary and phytosanitary measures; (d) industrial subsidies and (e) customs valuation procedures. Simultaneously with the Working Party meeting, a number of bilateral consultations were conducted to address certain agenda items. Also, on July 27-31, 1998, negotiations on tariff concessions were held with Thailand, the Czech Republic, Slovakia, the Philippines, Sri Lanka, Turkey, Columbia, Hungary, Australia, and Switzerland. Similarly, the tariff issues were touched upon in the course of consultations with Japan and EC.

The ninth meeting of the Working Party was held on December 16-17, 1998. The agenda included (a) review of the latest developments in legisla-

tion; (b) trade related intellectual property rights; (c) agriculture. Besides, the meeting addressed the Russian party's answers to the questions posed throughout the previous meeting discussions and the progress of the bilateral tariff negotiations. Concurrently with the Working Party meeting, a number of bilateral consultations with interested countries were held.

On October 26-28, 1999, a series of multilateral and bilateral consultations took place. During the informal multilateral consultations held by the Working Party on October 27, 1999 Russia formally presented to the WP Members its proposals regarding domestic services market access, which were approved by the RF Government on September 16, 1999 and a draft document on regional industrial subsidies. On the same dates, interim consultations with four countries addressed the issues in the field of services. Simultaneously, continuing bilateral tariff negotiations resulted in a de-facto adoption in the first reading of Russia's tariff proposals submitted to WTO in February 1998, which made it possible to proceed to drafting adjusted tariff proposals. Russia's new tariff proposals were distributed among the WP Members in March 2000.



A total of about 30 WP Members were involved in bilateral meetings with the focus on Russia's original tariff proposals. Besides, during the multilateral consultations on agriculture, Russia passed around adjusted proposals concerning the level of internal support, as well as detailed lists of Russia's existing agricultural subsidies programs.

The formal tenth meeting of the Working Party took place on May 25-26, 2000. The agenda included (a) review of Russia's legislation development; (b) services; (c) industrial subsidies; (d) customs valuation; (e) technical barriers and sanitary and phytosanitary norms; (f) review of bilateral

negotiations and (g) the future agenda of the Working Party. Also, on May 22-26, a number of bilateral negotiations with 16 countries, including "quadro" countries, focusing on Russia's goods and services markets access were held.

The eleventh meeting of the Working Party took place on December 18-19, 2000. The agenda included (a) review of Russia's legislation development; (b) trade related intellectual property rights (TRIPS); (c) preferential trade agreements and (d) bilateral negotiations progress review. Timed to the WP meeting, were a number of bilateral negotiations on goods, held by 28 countries on December 12-20, 2000. The negotiations with 16 countries on Russia's services market access showed that the opportunities for further negotiations on the basis of the original services-related commitments were exhausted and new commitments had to be developed.

The WP reached an agreement whereby the Russian Party undertook to present new draft proposals on tariffs and services and an updated approach to the negotiations on agriculture in February 2001, as well as to submit a summary of the results of all principal negotiations to the WTO Secretariat. All that was done as planned. Upon the examination by the WP Members of the said documents, informal WP consultations are scheduled to take place.

On March 1, 2001, WP Members held informal consultations with the Russian delegation, where Russia presented its new proposals on tariffs and services, submitted in February. The WP agreed on a schedule of negotiations for the forthcoming months. After bilateral negotiations were held on April 26, 2001, another series of WP informal consultations took place.

An ad hoc agricultural session involving 20 countries began to scrutinize Russia's current agricultural policy and its future prospects, in order to be better prepared to discuss Russia's commitments with respect to the government support and agricultural export subsidies.

The twelfth formal meeting of the Working Party took place on June 26-27, 2001. The agenda included Russia's legislation development, discussions on the submitted Russia's updated Trade Policy Review (a document describing

the existing trade regime) which might become the focus of the WP Report, and a multilateral meeting on agriculture.

Agenda of **the thirteenth session** of the Working Party (January 23-24, 2002) included:

Assessment of the state of bilateral negotiations (tariffs and services), negotiations on agriculture; work on bringing Russian legislation in compliance with WTO norms and rules (Russia has submitted the document RUS/45.Rev.1);

Continuation of discussions on Russian trade-political regime on the basis of revised Russian document (WT/ACC/SPEC/RUS/20.Rev.1, SPEC/RUS/21.Rev.1) and consolidated collections of comments to it, worked out by WTO Secretariat proceeding from remarks of the countries-WP members (WT/ACC/SPEC/RUS/22);

Setting forth further steps in the negotiating process.

A decision has been taken on transition to the new stage in the negotiations on Russia's WTO accession – WTO Secretariat's preparation of the first draft of the Working Party report by the end of March, 2002. The first consideration of the draft was scheduled for April 2002 and continuation in a more detailed format is scheduled for the next session of the WP in the middle of June 2002.

In the course of the session multilateral negotiations were held on agricultural and telecommunication services issues.

Further work on negotiations in the area of state support and export subsidies to agriculture was agreed upon. The Russian side will prepare a summing up review on the basis of which next multilateral consultations are to be held.

Fourteenth session of the Working Party took place in Geneva in April

24-25. The first reading of the Working Party's Report on WTO accession was held at this session. A decision was taken on continuation of the discussions on this report at the fifteenth session of the WP in June 19-20, 2002. By this time Russia will submit additional information, which has been requested during the session from the countries-members of the Working Party.

The next session will be dedicated to the article-after-article discussions on the draft Report, multilateral consultations on agriculture and TBT/SPS issues will be held.

The fifteenth Working Party session was held in Geneva on June 19-20, 2002. In parallel and in the framework of the session, between June 17 and 21, there were more than 20 bilateral talks on goods and services market access, three multilateral meetings on agricultural problems, and systemic issues discussions.

A certain progress in the goods market access issue was noted.

In late July, the Russian party intends to give answers to the questions raised by its counterparts during the talks. Earlier in July, there will be bilateral talks with the US, Canada, and the European Union.

A number of discussions on technical barriers in trade, sanitary and phytosanitary rules, agriculture and intellectual property are scheduled for September and October.

WTP Director General Mike Moore ordered a second draft of the Working Party report on Russia's accession. The draft will be discussed in late 2002.

The sixteenth meeting of the Working Party (December 16-18, 2002) had an item-by-item discussion of the Working Party's final report on Russian accession to the WTO (the core element of the total final package of an acceding country).

One important result of the meeting was a tighter schedule of talks for the first four months of 2003.

Starting in late January, the plan is to have monthly negotiating sessions in the framework of the Working Party, with up to 50 or 60 bilateral rounds expected.



In January or February, multilateral discussions of agriculture, energy and phytosanitary rules are to take place and bilateral talks on goods and services to continue. In spring, the Russian legislation is expected to be completely in line with the WTO rules.

It has been decided to speed up work on the final Working Party report on Russia's accession to the WTO.

According to Maxim Medvedkov, the chief Russian negotiator in Geneva, the recent Working Party session and round of talks create a good foundation for further negotiation. In summarizing the results of the round, Mr. Medvedkov also noted the significant role played by Vice-premier Alexei Kudrin in the Working Party session and his meeting with Supachai Panitchpakdi, the Director General of the WTO.

The seventeenth session of the Working Party, held in a formal format in Geneva on January 30, 2003, summarized the results of the bilateral talks on goods and services market access and discussed Russia's legislative effort to bring the national legislation in line with the rules and principles of the WTO.



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It also specified and approved a plan of further action, namely a schedule of the February multilateral discussions of energy, agriculture, services, TBT/SPS (technical barriers in trade and sanitary and phytosanitary rules), and the dates for the next Working Party meeting (March 3 this year).

The session also completed the second item-by-item discussion of the Working Party report on Russia's accession, which took place on January 27.

The Working Party on Russia's accession to the WTO held its **eighteenth official meeting** in Geneva on March 6, 2003. During this round of talks, the Russian delegation and members of the WP concerned held multilateral consultations in the field of services, agriculture and the power sector. The Russian delegation also held bilateral talks on access to commodities markets with 14 countries and access to the service market with 10 countries. Multilateral consultations on technical barriers in trade and on sanitary and phyto-sanitary norms were scheduled to be held on March 18 and April 4, respectively, before the next round of talks starts in April this year.

The WP will continue discussing the final report on Russia's accession to the WTO which it started on March 6 in its third edition on June 6 this year.

The **ninetieth official meeting** of the Working Party on Russia's accession to the World Trade Organization (WTO) was held in Geneva on April 10, 2003. The gathering had been preceded by multilateral meetings on agriculture, services, sanitary and phytosanitary measures as well as a series of bilateral talks, that will last until April the 11th. The Working Party finished the discussion of the second draft of its Report on Russia's accession to the World Trade Organisation and decided to pass on to preparing the third draft. A revised edition of the Working Group's Report is to be distributed among the 67 members of the WTO Working Party by May 19, 2003.

The **twentieth formal meeting** of the Working Party for Russia's accession to the World Trade Organization (WTO) was held in Geneva on July 10 to discuss the third draft of the Party's

final Report on Russia's accession to the WTO. The official session had been preceded by informal discussions within the Working Party's framework.

The **twenty first official meeting** of the Working Party was held on October 30, 2003 in Geneva. For the regular meeting of the WP the Russian delegation prepared new suggestions on the text of the final report, including the ones referring to financial and currency policies, competition, division of authorities between the center and the subjects of the Federation and exemptions on certain tariffs. These suggestions formed the base for discussions on nine sections of the report adopted by the negotiators without serious objections.

The **twenty second formal meeting** of the Working Party was held in Geneva on February 5, 2004. The meeting continued discussing the Working Party's final Report. A discussion of ten more sections was completed. They include the procedure of levying excise taxes and the VAT on imported goods, export duties, government procurement, trade regulation in the process of transit, etc.

The **twenty third meeting** of the Working Party on Russia's WTO accession was held on April 1-2, 2004 in Geneva. The negotiating parties discussed ten sections of the Working Group's Final Report. A regular round of talks on Russia's accession to the WTO started on March 29 and ended on April 02. The Russian delegation conducted about 20 rounds of talks on access to the market of goods and 15 rounds of talks on access to the market of services.

The **twenty fourth WP meeting** was held on July 15-16, 2004 in Geneva. The WP members considered the last sections of the Party's draft report on Russia's accession to the WTO.

The Working Party held its **twenty fifth official meeting** in Geneva on November 18, 2004 to discuss the third edition of the Working Party's final report on Russia's accession to the WTO.

The Working Party for Russia's WTO accession held its **twenty sixth official meeting** in Geneva on February 17, 2005 to consider the remarks and commentaries that were prepared by the WTO Secretariat on the basis of

proposals, which Russia received from its partners after the Working Party discussed the draft of its report in November 2004.

The Working Party for Russia's WTO accession held its **twenty seventh official meeting** in Geneva on April 15-17, 2005 to consider the remarks and commentaries to the third version of the draft WP report.

The **twenty eighth regular session** of the Working Party on Russia's accession to the World Trade Organization (WTO) was held in Geneva on June 22-24, 2005 to continue its work on the third draft of the Report of the Working Party on Russia's accession to the WTO which is a key element in the final package of documents on the WTO accession.

The **twenty ninth regular session** of the Working Party on Russia's accession to the World Trade Organization (WTO) was held in Geneva on October 19, 2005 to continue its work on the third draft of the Report of the Working Party on Russia's accession to the WTO. Within the framework of the regular round of talks on Russia's accession to the WTO on October 14-21, 2005, the Russian delegation, in particular, conducted bilateral negotiations on access to the markets of goods and services with the United States, Australia, Canada and Brazil. Sessions of working groups on systemic issues – in particular, agriculture, veterinarian and phytosanitary measures – were simultaneously held in Geneva. Completion of talks with Brazil and Argentina was a key result of the round.

The Working Party (WP) on Russia's accession to the World Trade Organization (WTO) held its **30th meeting** on March 23, 2006. It continued its work on the third draft of the WP Report in the course of the session. Three more sections of the report were agreed upon. The Russian side is expected to submit proposals for concerting the rest of the sections. In the framework of the regular round of talks on Russia's accession to the WTO, held on March 20-26, 2006, the Russian delegation continued bilateral talks with the US on access to the markets of goods and services. Some controversial issues between Russia and Georgia were also considered in the course of the round. ■

interview: neelie kroes on european energy issues

Well-functioning and transparent energy markets are the best way to diversify EU energy supplies, Competition Commissioner Neelie Kroes said on a Spring European Summit dominated by energy issues – and controversial mergers.



Mrs Neelie Kroes is EU Commissioner responsible for competition policy

The preliminary findings of a Commission enquiry in the gas and electricity sector, published in February 2006, identified some "serious malfunctions" in the EU internal energy market. If they are confirmed, what steps will the Commission take?

The energy sector inquiry was launched in June 2005 under the Commission's competition powers. After having published some initial findings in an Issues Paper on 15 November, I presented the preliminary report on 16 February at an event well attended by the key energy actors. The report identifies serious shortcomings in the electricity and gas markets, which prevent them from functioning properly.

The Commission will now make its contribution to resolving these problems by pursuing cases based on competition law. However, competition law cannot open markets by itself, and we therefore need to complement our enforcement through improved application of the legal framework.

The enquiry identified the unbundling of networks and supply activities as a major outstanding issue. Do you plan to address this with further regulation (i.e. requesting ownership unbundling as well as legal and accounting unbundling)?

One of the issues of real concern is, indeed, a market structure with bundled infrastructure and supply

activities. This is a concern for all network industries where the underlying infrastructure is very costly to duplicate. Owners and operators of critical networks often compete with companies that need to have access to these same networks. Can we expect such integrated companies to treat competitors in a fully fair manner? Their own self-interest would suggest not.

This is why there are EU rules on third party access and legal/functional unbundling. However, the sector inquiry has shown that new entrants often lack effective access to networks, the operators of which are alleged to favour their own affiliates.

Is a third liberalisation directive being envisaged to tackle remaining issues and complement the existing gas and electricity directives? What will it take for the Commission to propose a third directive?

The provisions of the second electricity and gas Directives on unbundling need to be fully implemented, not just in their letter but also in their spirit. If real progress in this respect does not develop and a true level playing field result, we will have to consider further measures.

Personally, I very much welcome the moves towards full structural unbundling (i.e. separation of the supply and retail business from monopoly infrastructures) that have been made in a couple of Member States. I believe that this will allow a more efficient market, with an improved incentive structure, to develop. Regulation can then also be made less complex and more effective. Should the functioning of the market remain unsatisfactory, this is certainly an option we will have to consider carefully at EU level.

This, and other important issues that may require legislative changes, will continue to be subject to careful analysis during the year.

The sector inquiry is continuing, and the Final Report will be published at the end of 2006. I hope to receive numerous constructive responses during the ongoing consultation period, which can help us form a clear position on the exact needs.

Moreover, also during 2006, the Commission (under the responsibility of my colleague, Energy Commissioner Andris Piebalgs) will be conducting 'country-by-country' reviews of the effectiveness of legislative and regulatory measures.

All of this should enable us to have a clear picture by the end of the year, allowing us to draw conclusions on the need for any additional measures - both at Member State and Community levels - and also allowing for the possibility of submitting proposals in 2007.

Concerning the ongoing concentration movement in the energy sector, there was an approach which proved successful in the telecoms sector - the "conditional approval of mergers if the market opening commitments are strengthened". Could such an approach be envisaged in the energy sector as well?

Market concentration has been identified by the sector inquiry as a major problem, and this makes the Community's action under the merger regulation essential.



It must, however, be noted that merger control is by nature reactive, i.e. the Commission does not choose its cases. Nevertheless, remedies obtained in merger cases may under certain circumstances address general market dysfunction and thus directly or indirectly contribute to addressing the various problems identified in the inquiry. While each merger case is assessed according to its specific characteristics, the sector inquiry helps to identify the most relevant criteria and the most efficient remedies in the given market environment. Naturally,

such remedies can include various forms of market opening.

Big industrial electricity consumers, such as the metal industry, have complained about a lack of transparency that allows electricity producers to impose high wholesale prices that do not reflect their cost fundamentals. What do you think should be done about this?

The sector inquiry has established that there is a complete lack of timely and reliable information for both competitors and consumers. This causes both a barrier to entry for newcomers in the sector, undermines confidence in trading, and stops consumers from making informed choices. Therefore, in my view, this issue should be addressed by strengthening transparency obligations, be it through regulation or through the application of competition law.

Linked to this is the issue of price formation in the electricity market. A well-functioning and transparent market mechanism for setting prices is essential. Without it, energy markets will not function properly and will not deliver the advantages of efficiency and choice to the consumer. Price formation is, however, complex, and the sector inquiry noted that many consumers have limited trust in the price formation mechanisms.

Therefore, in the final phase of the sector inquiry, which is now taking place, we are taking a closer look at the price-setting mechanisms on electricity wholesale markets, including power exchanges. Any further measures in this area will depend on the outcome of this exercise.

The European electricity market, currently leaves little room for smaller, 'green utilities' to compete on an equal footing with larger former monopolies (grid access and control on prices are mentioned as the biggest issues). How

do you think such environmental considerations could be addressed by competition policy? Should specific competition rules be defined to favour 'greener' utilities?

As regards support to "green electricity", there are clear rules set out in the Community guidelines on state aid for environmental protection. For example investments to promote renewable sources of energy can be supported by up to 40 % of eligible costs. These rules will be reviewed in the course of this year.

As regards new companies working in the energy sector, whether they deal with traditional electricity or could be considered as "green utilities", no particular support measures could be envisaged. However, it is the clear objective of the liberalisation process to ensure that new companies can enter and prosper on the market, in order to increase competition and to provide a greater choice for consumers, e.g. for "green" electricity.

In case such companies face obstacles connected to the legal implementation of the relevant Directives, these could be addressed through infringement procedures addressed to the Member State. If these companies face obstacles due to abuse of dominant positions of e.g. former monopolies, this problem could be addressed by application of the competition rules.

The recent Russia-Ukraine gas dispute involved Gazprom refusing to grant Turkemistan access to its pipeline network unless the gas was sold first to Gazprom [see related commentary from the Centre for European Policy Studies]. Could DG Competition consider taking action in this matter as the EU's jurisdiction extends beyond its frontier where trade with the EU is affected?

The external dimension of the EU's energy policy is of crucial impor-

tance, and we are heavily dependent on external suppliers for our energy needs. The Commission's Green Paper on Secure, Competitive and Sustainable Energy (adopted on 8 March) considers a coherent external energy policy as a priority area.

Russia is the EU's most important energy supplier. There is, therefore, a need for a true energy partnership with Russia, offering security and predictability for both sides, and paving the way for the necessary long-term investments in new capacity. It would also mean more open, forward-looking and predictable access to markets and infrastructure on a reciprocal basis. Such principles could be integrated into the legal framework of EU-Russia relations. Priority should also be given to rapid ratification by Russia of the Energy Charter Treaty and conclusion of negotiations on the Transit Protocol.

An enhanced security of energy supply in the EU also requires diversification of supply. The best way to achieve this diversification is through the establishment of a competitive internal market. Competition prompts innovative solutions, as well as investment in new infrastructure and research and development leading to new technologies. As competition develops, the number of upstream producers supplying EU gas markets will continue to increase, both as regards Liquefied Natural Gas (LNG) supplies and pipelines linking Europe with new supply regions.

I believe that the combination of a well-functioning internal market and the formation of fair partnerships with our main energy suppliers, is the best way to guarantee consumers a secure access to energy at a competitive price. Where necessary, the Commission will not hesitate to use its competition powers in order to guarantee a level-playing field. ■

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Gas monopoly Gazprom wants to boost its share of Europe's gas market to 30 percent from 25 percent by buying into gas storage, gas marketing and power firms. The target was cited in an export strategy document that management presented for approval at a meeting of Gazprom's state-controlled board.

A consortium of European investors is ready to invest in the construction of a railroad running to China and Korea, the economic development and trade minister German Gref said. The construction of the railroad had been discussed at trilateral talks in March, and that project could be launched as soon as North Korea had produced some necessary information. The mooted project will see a railroad constructed to link South and North Korea with Russia via China. Russian Railways has been negotiating the reconstruction of the eastern sector of the Trans-Korean Railroad and its linkup to the Trans-Siberian Railroad for the past few years.

Russia should invest its oil fund in foreign securities, as spending the money domestically may lead to a banking crisis, Finance Minister Alexei Kudrin said. The government has so far failed to reach an agreement on whether the fund, which stood at \$56 billion as of March 1, should be invested in corporate or state foreign securities. According to Kudrin, if Russia begins spending the fund's money, the inflation rate will rise to between 18 percent and 20 percent from 11 percent in 2005. Russia, the world's second-largest oil producer, is awash in cash from energy sales after the price of Urals crude, its main export blend, rose sixfold since 1998, making it harder for the government to restrict inflation.



Russian aluminium giant Rusal had bought a Chinese plant to reduce de-

pendence on outside suppliers of ore and products used in aluminium extraction. The facility, purchased from China's Hongyuan Carbon Plant Co., produces 15,000 metric tons of cathode blocks for alumina electrolysis, and will cover about 50% of Rusal's cathode needs.

Severstal-metiz, Russia's leading wire manufacturer, said it had acquired a 100% stake in Britain's Carrington Wire, Europe's leading wire producer. Severstal-metiz is a member of Severstal Group, a major Russian steel producer with assets in a wide range of industrial sectors, including mining, machinery and transportation. Carrington accounts for 30% of the UK's wire and wire products market, with customers in more than 50 countries.

Dutch companies have expressed an interest in developing the gas transportation system of the Netherlands through the North European gas pipeline project. Gazprom CEO Alexei Miller and the Dutch ambassador extraordinary and plenipotentiary in Russia, Jan-Paul Dirkse, met earlier to discuss cooperation in building the North-European gas pipeline. The North European gas pipeline, connecting Russia and Germany across the floor of the Baltic Sea, will create a direct route for natural gas deliveries from Russia to its biggest market in Western Europe and bypass transit countries such as Ukraine and Poland.

Russia will only join the World Trade Organization on terms it considers favorable, a senior member of the lower house of parliament said Tuesday. "I believe that the process of Russia's accession to the WTO should be only favorable," State Duma speaker Boris Gryzlov said. "If [accession] conditions do not suit our country, than it [accession] will be delayed for a long period." Under WTO regulations, Russia must sign bilateral accession agreements with all members of the 58-nation WTO Working Party set up to negotiate its accession. Negotiations are still ongoing with the United

States, Colombia, and Australia. The main issue stalling Russia's accession to the WTO is American demands that Russia allow foreign banks to open branches in the country. Russian legislation currently prohibits foreign banks from opening branches in the country, although they may set up subsidiaries.

A top official from Georgia said that Moscow's ban of the country's wine exports meant there was little point in belonging to the Russia-led organization that groups ex-Soviet states. Nino Burjanadze, the parliament speaker and an ally of President Mikhail Saakashvili, said Russia should treat Georgia as an equal.

Only two Western investment banks out of the 14 that have been deemed eligible have submitted bids to advise the government on how to spend billions of oil dollars on infrastructure projects. UBS and ING Bank have expressed interest in assessing the projects that are competing for financing from the state investment fund, said Kristina Serpokrylenko, the official at the Economic Development and Trade Ministry who is in charge of monitoring the bids.

Russia will spend \$9 billion of its budget on developing agriculture as part of its bid to join the WTO. But Maxim Medvedkov, Russia's top negotiator at the WTO talks, said Russian agriculture was still unlikely to be globally competitive in the next decade. U.S. Senator Richard Burr said last week that Russia could join the WTO if it settled agricultural machinery problems, as well as issues of intellectual property rights protection and insurance policies.

Russia's industrial output rose 3% on the year in January-March, Russia's Federal Statistics Service said Tuesday. In March industrial output rose 4.1% on the year and 10.7% on the month, the statistics service said. In

January-March 2005 industrial output rose 3.2% on the year. In 2005, Russia's industrial output rose 4% on the year.

Italian luxury car-maker Automobili Lamborghini will open its first Russian outlet in a Moscow suburb. Lamborghini will sell made-to-order sedans



starting at \$258,000 in the Barvikha suburb, where many members of Russia's political and business elite have their country retreats. The Barvikha outlet will cover the entire Lamborghini model range, including the Gallardo, the Gallardo Spyder, the Murcielago Roadster, and the Murcielago LP 640. Lamborghini sold six cars to Russian customers in 2005, and expects its local sales to reach 20-25 units this year. Another Italian manufacturer of elite automobiles, Ferrari, also hopes its sales in Russia will increase to 30 cars in 2006, from 25 last year. Britain's Bentley, which sold 200 vehicles on the Russian market in 2005, is set to boost its sales to 300.

Finnish logistics and shipping company Containerships LTD OY will build a container terminal in north-western Russia under a deal signed with regional officials. Containerships CEO Kimmo Nordstrom and Valery Serdyukov, governor of the Leningrad Region, agreed on a five-year project to build a freight-processing complex at Yanino, a regional government spokesman said. Up to \$70 million could be invested in the project. In 2002, Containerships built a sea terminal in the St. Petersburg suburb of Kronstadt, on the Gulf of Finland. The facility's annual capacity could be increased to 500,000 TEUs of cargo per year from the current 75,000 TEUs when the Yanino terminal becomes operative, the source said. Under the new deal, Containerships will also start research into planned construction of a sea terminal near Primorsk.

On April 20, Head of Rospotrebnadzor (Russian Federal Consumer Rights Protection and Human Health Control Service) Gennady Onishchenko has proposed to suppliers and distributors of Georgian and Moldavian alcohol to

cease selling the wines and seize them from shops. As a statement on the site of Rospotrebnadzor says, from March 15 to April 15, Rospotrebnadzor pronounced 13.4 consignments of alcohol products as inconsistent with the requirements, 74% of them are of Moldavian origin, 21% are from Georgia. The ban on imports of alcohol products from Moldavia and Georgia in Russia was imposed in late March.

The Russian economy will grow 6% in 2006 and 5.8% in 2007, the IMF World Economic Outlook, which is published twice yearly, says. In its previous World Economic Outlook, the IMF forecast Russia's economic growth at 5.2% in 2006 and 5% in 2007. Economic growth in CIS countries is forecast at 6% in 2006 and 6.1% in 2007. The previous forecast was 5.7% and 5.5%, respectively. Russia's GDP increased 6.4% in 2005 (7.2% in 2004) and GDP in the CIS rose 6.5% (8.4%). The slower economic growth in the CIS in 2005 was largely due to a slump in the rate of Ukraine's GDP growth - to 2.6% from 12.1% in 2004. Low rates of growth in the electricity sector (Russia and Kazakhstan) and political and economic volatility, which affects investments, (Ukraine, Kyrgyzstan) also had a negative impact on the rate of growth. The IMF forecast puts inflation at 10.4% in 2006 and 9.5% in 2007 in Russia and 10.4% and 9.7%, respectively, in the CIS.

Lufthansa German Airlines has launched a project to organize air-taxi service between Russia and Europe. Wolfgang Schmidt, company's CIS director, said Germany's flagship carrier would provide point-to-point air-taxi flights between Russia and western Europe for passengers who want to avoid the inconvenience of crowded major airports. Travelers who need rapid connection to long-haul flights may also find the service helpful. He did not reveal the price of hiring personal aircraft, saying only that it would depend, among other factors, on the distance and the size of the plane. Lufthansa now operates air taxi services with Cessna Citation Excel and Bravo jets, seating seven to 10



passengers, but it may soon begin to employ 15-seaters as well.

Russian electricity monopoly Unified Energy System is negotiating the sale of large stakes in its generating companies with several European energy firms. Talks were being held as part of preparations for additional share issues in two of the generating companies formed through the restructuring of the power sector. UES generating assets have been consolidated into interregional companies of two types: generating companies for the wholesale market, and territorial generating companies. The seven wholesale generating companies comprise between four and six power plants situated in different regions of the country, to prevent possible monopoly abuse. Six WGCs contain major thermal power plants, whereas one is hydroelectric. The 14 territorial generating companies contain power plants not within WGCs, located in neighbouring districts. These are predominantly combined heat and power plants.

Kazakhstan is ready to open up its territory for the transit of Turkmen natural gas to China and to discuss a pipeline across the Caspian Sea floor, the country's foreign minister said. Kasymzhomart Tokayev said his country understood that energy-hungry China was interested in securing new energy sources and hoped that it would use his Central Asian republic as a transit country. In addition, Tokayev said Kazakhstan, which has been enjoying an economic boom thanks to its mineral wealth, was considering a project to build a gas pipeline across the Caspian Sea, which in some ways echoes an ambitious Russian energy project to supply Germany and western Europe with gas across the Baltic Sea.

No Russian oil companies will be nationalized but some will be privatized, Finance Minister Alexei Kudrin said. Kudrin admitted that the government views the outcomes of privatization of oil companies in Russia as negative.

The president of Russia's largest mobile handset retailer said the company

was planning to enter the European market with a store in Estonia in late spring. Chichvarkin said the company was also looking to expand in Central Asia by opening up in Uzbekistan, following the establishment of retail outlets in Kazakhstan and Kyrgyzstan. Founded in Moscow in 1997, Euroset later entered regional and international markets. It diversified into the non-mobile business by selling foreign-made electronics, including digital cameras, CD and MP3 players. Euroset reported revenues of about \$2.2 billion in 2005.

Finland's Sampo Bank plc is acquiring the Industry and Finances (Profibank) in St. Petersburg via its 100% subsidiary Sampo plc, Sampo Bank said in a statement for the Helsinki Stock Exchange. The parties have signed an agreement on the purchase. Hannu Vuola, the Sampo Group's PR manager said that the Finnish bank expected to receive permission from the regulatory bodies to close the deal in the next few months. Profibank was Russia's 1,170th biggest bank by assets at the end of 2005, according the Interfax-100 ranking of the country's biggest lending institutions, compiled by the Interfax Center for Economic Analysis.

Russian Standard Bank, one of Russia's leading financial institutions, said it had placed \$350 million in Eurobonds. The Eurobond issue, which matures in 2011 and has Deutsche Bank and Dresdner Kleinwort Wasserstein as its lead managers, carries a coupon interest of 8.625% per annum, the bank said. Russian Standard Finance, a Luxembourg-registered company, made the Regulation S/Rule 144A offering of Eurobonds under a \$1.5 billion program to disburse a loan to Russian Standard Bank by issuing loan participation notes.



Russia's pharmaceutical market grew 18.3% year-on-year to \$1.476 billion in the first quarter of 2006 in retail prices. Market volume totaled \$1.178 billion in wholesale prices, or 16.7% more year-on-year. There were 923.56 million packages on the market, or 0.32% more than in the same period in the previous year.

Russia's chief doctor has banned imports of Georgia's famous and popular sparkling mineral water Borjomi. The move comes six weeks after imports of Georgia wines were prohibited over concerns that they contained traces of pesticides and heavy metals. The ban extended to cognac and champagne days later. 191,000 bottles without proper documentation were confiscated and pledged to find out the source of counterfeit mineral water.

upcoming events

10TH UZBEKISTAN INTERNATIONAL OIL & GAS CONFERENCE

16 - 18 May 2006

The 10th Anniversary International Uzbekistan Oil & Gas Exhibition and Conference – OGU 2006 will be held 16-18 May 2006 in Tashkent, Uzbekistan. The exhibition will occupy again the Pavilion 1 of the Uzexpocentre and Conference will be held in the 5* Hotel Intercontinental. In its 10 year history OGU has achieved a status of one of the most important oil & gas events in the Central Asia. OGU 2006 is fully supported by the National Holding company Uzbekneftegaz and the Agency of Foreign Economic Relations. We are very happy to invite your company to join this very important event and see you in May in Tashkent.

Visit event's [website](#).

WORLD RUSSIAN FORUM

May 16-18, 2006 Washington, DC,
United States Congress

The main purpose of the Forum is to discuss and generate new ideas for the development and broad expansion of U.S.-Russia cooperation in global security, business and commerce, science and education, and other key areas. Among the Forum's distinguished participants are leading businessmen, political leaders, scholars, journalists, and foreign policy experts. Registration fee of \$250 includes Lunch in U.S. Senate and Russian Embassy Reception.

Visit event's [website](#).

BANKING ON RUSSIA 2006

23 May 2006, London Stock Exchange,
the UK

Banking on Russia is one of the most important gatherings in our successful "Banking On" series of conferences on the world's most dynamic emerging markets. The fourth annual Banking on Russia conference will gather together key decision-makers in business, financial institutions, leading corporations and government.

Visit event's [website](#).

EXPORT OF ALCOHOLIC BEVERAGES TO RUSSIA AND SLOVAKIA

May 31, SAS Radisson Carlton Hotel,
Bratislava, Slovakia

The Russian Chamber of Commerce in European Union invites you to attend a Training Seminar "Export of Alcoholic beverages to Russia and Slovakia", which will be held on May 31, 2006 in Bratislava, Slovakia at the

beautiful SAS Radisson Carlton Hotel. The seminar is specifically designed for producers of alcoholic beverages from Europe and will cover all topics that each exporter to Russia has to know. The topics of the seminar will be covered by the best experts in their fields and top managers from Russian and Slovak alcohol distributing companies.

Visit event's [website](#).

AUTORUSSIA 2006

May 31st - June 1st,
St Petersburg, Russia

The Russian automotive sector is experiencing unprecedented levels of growth. Most OEMs are currently working out strategies for producing in Russia. St Petersburg is one of the

hottest locations for companies to consider as production base. Join your competitors, clients and colleagues at AutoRussia 2006 conference on May 31st in St Petersburg and visit Ford's production facility on June 1st to take advantage of the latest opportunities in the Russian automotive sector. This conference will specifically address the latest automotive developments in the St Petersburg region. The one day conference is followed by an exclusive visit to the Ford plant near St Petersburg.

Visit event's [website](#).

EURASIAN BUSINESS SUMMIT 2006

June 5-11, France & Switzerland

Eurasian Business Summit is one of the most important platforms for in-

ternational dialogue between businessmen and politicians of the Eurasian area (CIS, Eastern Europe, Asia) on the one hand, and the EU, OECD countries on the other. Russian Chamber of Commerce in EU partners with LVA (UK) to support and promote that important annual event. The aim of the Eurasian Business Summit is to showcase the enormous investment opportunities present across Eurasia to the corporate world. Key decision makers, experts, dignitaries, and ambassadors, along with senior government officials of various countries will converge at the Summit to explore optimal opportunities and overcome difficulties in development and realization of investment projects.

Visit event's [website](#).

retrospective: russian economic forum 2006

This year's Russian Economic Forum once again hit a new high in delegate figures. More than 2300 participants came together in London to explore the growing impact of Russian business on the world economy, including leading captains of industry, investors, journalists, politicians and other key opinion formers from Russia, the UK, Continental Europe and the Americas.

Dominant themes for 2006 proved to be Russia's influence as an international energy supplier, and the emergence of a new generation of entrepreneurs who are driving innovation and growth in a number of new sectors.

The Forum has always served as a unique barometer of Russia's economic fortunes and this year it proved to be especially timely, coming at a time of unprecedented international activity by Russian companies. Russia has one of the world's fastest growing economies, and a remarkable run of international IPOs and major foreign acquisitions have helped to give Russian business a global profile that would have been unheard of just a few short years ago. This year's event also coincided with Russia's first ever term at the head of the G8.

An exhaustive programme of over 20 sessions and more than 150 speakers included many leading CEOs from Russian and international business, including Stephen Green of HSBC, Vladimir Yakunin of Russian Railways, Sergei Bogdanchikov of Rosneft and Anatoly Chubais of RAO UES. Other important names included UK Trade and Industry Minister Alan Johnson, Gazprom Deputy Chief Alexander Medvedev, Victor Vekselberg of TNK-BP and Simon Vainshtock of Transneft. Igor Shuvalov, Russia's G8 Sherpa, also took part.

Mr. Medvedev was interviewed by Stephen Sackur in a special edition of BBC HARDtalk, the first time that the programme had ever been filmed in front of an audience. Their encounter was recorded on Tuesday 25 April, the second day of the Forum, and aired on BBC World and BBC 24 on Monday 1 May.

The Forum was attended by over 300 Russian and international journalists, a number of whom appeared as panel moderators, including well known Russian TV presenter Vladimir Pozner, Stefan Wagstyl of the FT and Lisa Osetinskaia of Vedomosti. ■



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BECOME A MEMBER OF RUSSIAN CHAMBER OF COMMERCE IN EUROPE

In support of the RusCham's core activities, which actively work to improve the business environment for businesses in Russia and Europe, the Russian Chamber of Commerce in EU also provides valuable business networking opportunities for members.

Russian Chamber of Commerce in EU serves as a center for assistance and information, keeps members apprised of rapidly evolving government laws and regulations, and organizes meetings for representatives of member businesses.

RusCham is an information center that gives much-needed information and contacts to visiting delegations, fosters co-operation between potential investors and established businesses, and encourages businesses to take advantage of business opportunities in the Russian Federation or Europe.

Also RusCham is enabling business representatives to air their grievances

and create a common agenda of needs and concerns, to act as one voice in presenting that agenda to the governments and local business communities enable member businesses to collectively lobby for legislative and regulatory changes.

The Chamber's most important assets are its members. They are our clients, our workforce and our strength. Our mission is to promote the development of commercial relations between the Russian Federation, EU and the international community.

RusCham membership is made up of enterprises and entrepreneurs from the member states of the European Union (EU) and the Russian Federation, which have business activities with and in the Russian Federation, NIS and Europe. These members determine the overall strategy and policies of the organization.

To become a member of RusCham please send an e-mail to

membership@ruscham.com
or contact us at +421 55 728-9267

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