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## TIME TO REVISE IMPORTATION STRUCTURES

Given the current tendency towards economic growth and the increasing attractiveness of Russian businesses for foreign investments, the importance of regulating foreign economic activity in Russia is increasing. This is the reason for the significant changes that occurred in Russian customs regulations.



Customs legislation has been almost completely transformed over the last two years. The changes were made in an attempt to eliminate excessive administrative barriers impeding the development of foreign trade and simplify customs formalities for law-abiding importers as much as possible.

The administrative reform of the federal executive authorities had a major impact on the customs authorities. Initially both the Federal Customs Service (earlier the State Customs Committee of Russia) and the function of the subordinate legal regulation of customs relations were under the control of the Ministry of Economic Development and Trade. However, the independent status of the Federal Customs Service has been restored after a year and a half.

The reforms resulted in a major reshuffle of the customs personnel both at the top level and at the intermediate level for senior officers of the central and regional customs authorities.

The above mentioned changes to customs legislation and organizational structure were made to strengthen the fight against the unlawful movement of goods across the Russian customs border. A large-scale campaign to reveal “non-transparent” import channels and combat corruption has been initiated and is being carried out by the customs service and other law enforcement authorities, including the Ministry of Internal Affairs and the Prosecutor’s Office.

Import schemes used in Russia until recently were developed concurrently with customs’ legislative base and organizational structure and the market-oriented reforms of the last decade. Key features of the period were insufficient state control over enterprises’ economic activities, including customs control. Many Russian companies, whose primary activity was the resale of foreign goods in the Russian market, used

various import arrangements to illegally reduce customs duties owed to the federal budget.

However, customs authorities are now using their accumulated experience to detect such illegal import schemes. This is being supported by a political decision to terminate illegal imports carried out by both “small” and “large” companies that often own entire retail networks. Provisions of the new Russian Customs Code and Russian legislation on administrative liability impose liabilities for violating customs regulations even on those Russian companies initiating imports that use technical organizations specially established for the unlawful import arrangements. Thus, customs authorities may file claims against both importers and Russian legal entities that are not formally involved in the importation of goods and the purchase of foreign goods in the Russian market from Russian suppliers.

Thus, many entities participating in foreign economic activities now need to review their historical import schemes in order to bring them into compliance with new Russian customs legislation and eliminate -

or at least reduce – existing customs risks.

Increased interest of foreign companies in the rapidly growing Russian market is also emphasizing the new changes. For the purpose of re-allocating profits gained from sales in Russia, many are changing from their use of independent Russian partners as suppliers to establishing their own dealer networks.



If foreign companies are examining whether they should restructure their importing plans for Russia, they and their Russian contractors should analyze the following aspects:

Analysis of logistics used by a Russian partner for importing goods into Russia. Foreign producers and suppliers should bear in mind that a major portion of income from the sale of their products in Russia may be generated by so-called “non-transparent imports.” In this case, as a rule, the foreign seller transfers the goods outside Russia. Subsequently, such goods become subject to a number of formal sale and purchase transactions between technical foreign and Russian companies. Under one of these transactions, the goods are imported into Russia generally at a heavily understated price. In addition, during customs clearance, the goods may be declared using an improper classification code. Another scam involves indicating the incorrect quantity of the goods together with the understatement of the customs value or declaration of a portion of the goods at normal prices with the remainder of the consign-

ment imported without customs clearance.

“Historical” risks related to the import arrangements used earlier need to be assessed, as changes in import arrangements may alert customs authorities. When assessing historical risks it is necessary to consider the limitation periods for the enforced collection of outstanding customs payments, administrative and criminal liabilities prescribed by the Russian legislation

Development of an optimal supply structure model:

- Maintaining the current scheme involving a Russian distributor, changing the logistics of supplies (option 1)
- Creating a Russian subsidiary (option 2)
- Effecting supplies through a wholly-owned branch or a commercial representative office registered in Russia (option 3).

Current Russian customs legislation allows the use of option 3 if the contract for the supply of such goods to the Russian buyer is not concluded at the moment the goods are imported into Russia. Theoretically, this option may be convenient in case it is necessary to build up stock in the territory of Russia for the timely provision of goods to Russian consumers. However option 3 should be carefully considered from a practical standpoint;

► In case of option 1, a change in the supplies’ logistics will probably require structural and organizational changes in a Russian company which may result in increased transportation costs and customs duties to be paid to the customs authorities

► Changes in approaches to customs clearance may result in the need for the Russian company to restructure its procedure of internal

tax calculation and payment, in particular, regarding the VAT and profit tax;

► In case of applying options 2 and 3, a foreign company will need to obtain information on the market for its products as a whole and specifically on the network created by the Russian distributor and its regular customers;

► Transition to a “transparent” customs clearance scheme may imply the need to provide information regarding the commercial value of the goods to the customs authorities, which may naturally involve the problem of confidentiality;

► Reputation risks are also an important issue: maintaining Russian customers’ and dealers’ confidence in the foreign company and its Russian partner;

► Maintaining the products’ competitiveness in the Russian market. This can be achieved in several ways: specifically, reaching an agreement with the majority of the other participants in the market (trading in similar goods) about the transition to “transparent” import schemes.



Based on the above, it is evident that restructuring import supplies is a complex multilevel task which can be addressed with the use of considerable organizational efforts and financial costs. At the same time, balancing the potential risks and proper planning can improve the sales of foreign goods in the Russian market with minimum losses. ■



## USE OF INDUSTRIAL LAND AS LOCATION FOR TRADE CENTERS

Construction of multifunctional trade centers has recently been on the upsurge in Russia. The following article examines specific aspects of locating a multi-functional trade center on a land plot classified as industrial land or land with another special designation



A multifunctional trade center may be located on an industrial land plot, provided an appropriate authorized use has been established in respect to this land.

The literal interpretation of Clause 2, Article 7; Sub-clause 2, Clause 1, Article 40 and Article 88 of the Land Code of the Russian Federation may prompt the conclusion that a multifunctional trade center is not an "industrial facility," so may not be located on any industrial land.

Such a point of view has, indubitably, the right to exist, because populated lands are the most convenient for locating trade facilities. On the other hand, systemic interpretation of the Russian Land Code, together with town planning regulations leads to the conclusion that, under certain conditions, trade facilities may also be located on industrial land outside populated areas.

In accordance with the Russian Land Code, "the legal treatment of land depends on the category to which it belongs and its authorized use in accordance with area zoning, whose general principles and procedure are established by federal laws

and special federal laws" (Clause 2, Article 7).

The Town Planning Code of the Russian Federation establishes, however, that the legal treatment of land plots shall be governed exclusively by town-planning regulations.

Thus, unlike the Russian Land Code, which makes the legal treatment of a land plot dependent on two aspects – its designation (land category) and its authorized use – the Town Planning Code attaches decisive importance to town planning regulations (authorized use). If this difference is classified as a contradiction between two federal laws, according to the general conflict of law rules, the Town Planning Code should prevail since it is the more recent.

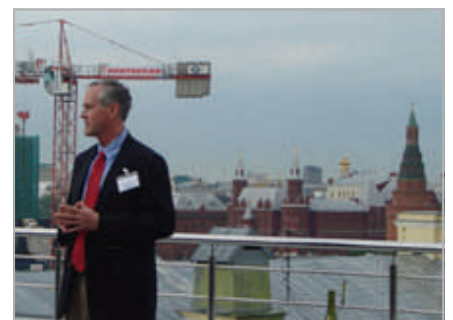
It should be pointed out here that the effective Russian Town Planning Code of 2004 allows for adoption of land use and development rules incorporating town planning regulations not only for populated areas, but also for land in between (outside) populated areas (Articles 31 and 36), including industrial land.

The town planning regulations are established during elaboration of the rules for use and development of land, which, in the case of land between populated areas, are approved by the relevant local government authorities of municipal districts (Articles 31 and 32 of the Russian Town Planning Code). In addition, as long as no rules for land use

and development have been adopted as prescribed by the Russian Town Planning Code, a decision to change the authorized use of a land plot or a construction facility may be made by the head of the local administration, based on the results of public hearings.

Thus, the Russian town planning legislation presently in effect does not exclude the possibility of introducing a town planning regulation stipulating "location of a multifunctional trade center" among the authorized uses for land plots qualifying as industrial land.

Such an approach would be fully in line with one of the main principles of the land legislation, which is defined in Article 1 of the Land Code as "a differentiated approach to legal treatment of land, in consideration of the natural, social, economic and other factors taken into account in determining their legal treatment."



Indeed, a situation in which, under sanitary, environmental, technical and other norms, a plot is fit to accommodate a trade center and the only obstacle is the lack of a populated community in its proximity can hardly be explained reasonably.

The Russian Land Code allows for locating "alien" facilities on certain categories of land, such as industrial facilities on populated area land (Clause 7, Article 85) or in national parks (Clause 6, Article 95). This confirms that a land category is not of absolute significance for determining the possibility of building certain facilities on a particular plot. What is crucial is the absence of a negative impact exerted on either the land in question or the facilities, as well as respect for the rights and legal interests of individuals and legal entities.

Analysis of non-regulatory documents adopted at the federal and regional level, as well as of case law, also confirms the above conclusions.

In the Moscow region, for example, it is common practice for agricultural land to be reclassified as industrial and then allocated for construction of trade facilities.

Similar examples exist with respect to warehouses and filling stations. These, like trade centers, are not industrial facilities and are not expressly specified on the list in Article 88 of the Russian Land Code. Yet there are numerous resolutions by the government of the Russian Federation reclassifying forest land as industrial for subsequent location of warehouses or construction of filling stations.



The matter in question has been referred on several occasions to arbitration courts of the Moscow region. As follows from one court ruling, the administration of the Odintsovo District of Moscow Oblast denied a land plot owner its

approval for building a multi-functional family trade and leisure center, specifying among its reasons that the plot was classified as industrial land. The owner appealed in court against the denial and its claims were allowed.



The cassation court upheld the ruling of the court and the resolution of the appeals, pointing out in particular that, "As appears from the circumstances of the case, [the plaintiff] owns land plots located near the village of Skolkovo of the Novoivankovsky village council, Odintsovo District. The land plots are classified as industrial land and land for other special designation, the authorized use being specified as construction of industrial facilities, trade and leisure complex and warehouses.

In accordance with article 40 of the of the Russian Land Code, an owner of a land plot may build residential, industrial, social, cultural and other buildings, structures and facilities on the land plot, subject to its designation and authorized use, as well as to the town planning regulations, construction, environmental, sanitary, fire safety and other rules and regulations. The title deeds to the land plots attached to the case records indicate that the land plots are designated for construction, among other things, of a trade and leisure complex and warehouses. The company had all the approvals necessary for the owner of the land plot to obtain permission from the district administration for location of the intended facility as envisaged in Article 40 of the Russian Land Code.

The argument set forth in the complaint, to the effect that industrial land cannot be used for construction of a culture and recreation complex, is not based on the circumstances of the case, since the land plot has construction of a trade and leisure center as its designation and authorized use, as specified in the title deeds."

Henceforth, the possibility of locating a multi-functional trade complex on an industrial land plot will hinge primarily on the authorized use of the plot. At the same time, given that the contradictory provisions of the Russian Land and Town Planning Codes allow for an ambiguous interpretation, it is crucial in the described situation to abide strictly by the sanitary and environmental legislation, in particular, to obtain all the necessary sanitary opinions and environmental assessment reports. ■



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## 9<sup>TH</sup> EU-RUSSIA

### INDUSTRIALISTS ROUND TABLE

October 25<sup>TH</sup> 2007, Lisbon

#### 9th General Meeting of the EU-Russia Industrialists' Round Table "Business to seize new Opportunities - Politics to secure them"



LISBOA CONGRESS CENTRE, Lisbon, Portugal - October 25, 2007

The 9th General Meeting of the EU-Russia **Industrialists' Round Table (IRT)** will take place in **Lisbon on October 25, 2007**. By tradition this special one-day event is scheduled to take place on the eve of the EU-Russia Summit.

**Conference theme:** This year's IRT conference will focus on successful businesses seizing the opportunities in Russia and Europe, looking at pragmatic ways of strengthening EU-Russia business relations, especially through a more intensive and regular form of cooperation - stronger cooperation designed to consolidate the EU-Russia Common Economic Space. This should be helped by expected events such as the renewal of a long-term bilateral Agreement and Russia's WTO accession.

The EU-Russia Industrialists' Round Table (IRT) is a business-driven process founded and endorsed by the EU-Russia Summit in July 1997. Each year it brings together business leaders and key decision makers from Russia and Europe to discuss a broad range of issues related to core business and industrial areas.

IRT is co-chaired by Mr. Anatoly Chubais, CEO, RAO "United Energy Systems of Russia" and Mr. Nils S. Andersen, CEO, Carlsberg.

The principal objective of IRT is to provide a permanent forum for the open-minded discussion of critical issues in bilateral relations and formulation of joint recommendations of business community to the EU and Russia's political leadership on expanding trade, investment and industrial cooperation.

The proceedings of the IRT General meeting will take place in Congress Centre of Portugal in Lisbon and consist of a number of roundtable discussions on specific sectors and issues, as well as a high profile plenary session together with influential political leaders from the EU and Russia.

This year the company Kellen Europe was appointed to organize this top-tier event.

**General Contact information:**

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Avenue Marcel Thiry 204  
B1200 Brussels, Belgium  
Tel: +32 2 774 9606  
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E-mail: [IRT@kelleneurope.com](mailto:IRT@kelleneurope.com)

Please visit <http://www.irt2007.com/> for more information and registration for the event.



## EU-RUSSIA RELATIONS: OPINIONS AND ANALYSES

### RUSSIA CHALLENGES EU NOMINEE TO HEAD IMF

In apparent defiance of the traditional control held by Europeans in selecting the chief of the International Monetary Fund, Russia has nominated Czech former central bank chief, Josef Tosovsky, to stand against the EU's chosen candidate, Dominique Strauss-Kahn.

On 22 August 2007, the Russian finance ministry nominated Josef Tosovsky, the current chairman of the Financial Stability Institute in Switzerland, to succeed Spain's Rodrigo de Rato as managing director of the global lending institution from October onwards.

The move - which comes one month after EU finance ministers gave their backing to French former finance minister Dominique Strauss-Kahn as the European candidate to head the IMF (EurActiv 10/07/07) - came as a surprise. According to an unwritten international agreement, the IMF chief is traditionally selected by Europe, while America gets to choose the World Bank president.

Russia's nomination of Tosovsky could be viewed as a ploy to put an end to this duopolistic situation, in place since the end of World War II and criticised by Russian President Vladimir Putin as "archaic, undemocratic and inflexible". But Kremlin spokesman Dmitry Peskov denied any hidden political motivations, saying: "Tosovsky's candidacy, backed by a number of states, has been proposed for professional reasons."

"We have conducted wide consultations with colleagues from other countries and we are certain that the majority want a managing director to be chosen on a competitive basis for professional qualities...That is why we chose to put forward an alternative candidate," said the Russian finance ministry, which earlier this month criticised European countries for seeming "to have made their decision

before all the candidates have emerged".

Tosovsky has accepted the nomination, stating: "I am pleased that my proposed nomination received a positive reaction from finance ministers and governors of several countries from all regions." But the Czech government has not given him its support, saying it had already coordinated its position with other EU members and that it "wouldn't be proper to change that position".

Nevertheless, amid demands for a more transparent selection process from countries such as China, India and Brazil, and concerns about France leading the IMF, when it has already held this spot for half of the IMF's 61 years of existence and when Frenchmen also hold the top seats at the European Central Bank, the World Trade Organisation and the European Bank of Reconstruction and Development, Russia's candidate could win a fair amount of support.

Even the UK stressed last month that it wished "to see what other candidates there may be put forward from other parts of the IMF" before granting its definite support to Strauss-Kahn.

So far, the two men are the only candidates for the top job, but the IMF has said that it will accept applications until 31 August and that the executive board will take a decision in September. ■



### EU MAY RESTRICT FOREIGN ACCESS TO ENERGY ASSETS

The Commission may seek to restrict third-country access to EU energy markets as part of its upcoming proposals on energy market liberalisation, according to the Financial Times. Press reports speculate the move is

targeted in particular at Russia.

A confidential Commission Working Paper, obtained by the FT, suggests that foreign firms may be faced with a series of measures designed to restrict their access to EU gas- and electricity-transmission networks.

Such restrictions could range from "thorough examinations" of a foreign firm's bid to an outright ban on most foreign bidders, based on the notion that the EU's energy sector is a "strategic industry" requiring protection.

A "reciprocity clause" that would restrict in particular those countries that deny full market access to European companies may also be included in the measures. Russia and Saudi Arabia, for example, impose severe restrictions on European companies that try to invest in energy-market assets on their territory.

Fears exist that further liberalisation of EU energy markets - in particular through "ownership unbundling" - will lead to foreign control not only over energy supply but also distribution networks.

A separate internal Commission working document obtained by FT Deutschland warns that if too many gas and electricity distribution assets are sold off to non-EU countries, the EU could become "vulnerable" to outside political leveraging or other non-economic moves.

Previous supply cuts by Russia's state-controlled energy giant Gazprom to the Ukraine were widely seen as a pressure tactic designed to affirm Russia's political influence on its western border. Gazprom has "intense ambitions" to expand its existing assets the EU's energy market, according to the FT.

The Commission is due to publish its proposals on further liberalisation of EU energy markets on 19 September. ■





**Russian Standard** is an authorized Comprehensive Certification Center based in the USA and Europe and specializing in all types of mandatory and voluntary Russian certification and state product registration, ranging from nutritional supplements and foods to medical and oil equipment.

We are here to help you with all your needs, and we do it in conformity to the US / EU legislation and business practices. We always scramble to decreasing the costs and process time to minimum.

## RUSSIAN / CIS CERTIFICATION & LICENSING

According to Russian Law, more than 60% of all products to be sold and/or used in the country require mandatory certification/licensing, i.e. they should be approved by relevant Russian authorities in terms of compliance to national standards. This concerns both locally produced and imported goods. Moreover, prior to construction of an industrial or civil site in the Russian territory, a number of approvals are required to undertake engineering, construction and other technical activities.

Below you will find the list of product and activity categories subject to mandatory Russian approval:

- Products, services and tools assuring safety for life and health of consumers (e.g. foodstuff, drugs, textiles, electrical appliances, related equipment etc);
- Alcoholic products and equipment for their production;
- Production sites;
- Technical installations at dangerous production sites (e.g. pressure vessels, lifting and hoisting machines, pumps, equipment for mining, petrochemical, oil & gas, metallurgical and other industries);
- Fire-related products;
- Livestock;
- Products assuring safety for life and health of animals (feed, vaccines etc);
- Pesticides and agrochemicals;
- Products and services containing results of genetic engineering activity;
- Energy-consuming products and energy resources;
- Telecommunication equipment, tools and services;
- Information systems, databases and tools to protect them;
- Transportation units, products and services;
- Aerospace machinery;
- Geodesic, cartographical and topographical products;
- Forestry raw materials;
- Gas and coal;
- Nuclear industry products and technologies;
- Arms.



**Russian Standard** will help you to obtain on of the following certificates:

- **Sanitary-Epidemiological Conclusion Certificate** (formerly known as Hygienic Certificate) for products in contact with human body;
- **GOST R Declaration of Conformity** for some consumer goods and industrial instrumentation;
- **Certificate of State Product Registration** for new foodstuff and some other goods presenting a potential danger for human beings;



- **GOST R Pattern Approval Certificate** for measuring instruments;
- **GOST R Ex-Proof Certificate** for explosion-proof equipment and materials;
- **Fire Safety Certificate** for flammable or fire extinguishing products;
- **Design Registration at Rostekhnadzor** for hazardous industrial sites
- **VNIIS Exemption Letter** for products that are not subject to mandatory GOST R certification. **Telecom Type Approval Certificate** for telecommunications equipment.

## Registration and Certification of medical equipment, devices and materials

As in most countries, in Russia a medical product can be admitted to the domestic market only when and if it has been found in conformity with technical and medical safety regulations pertaining to this particular product.

Assessment of conformity of medical equipment and products to existing safety standards is carried out by the Russian Health Ministry and Federal State Scientific Certification Center for Medical Products. If found in conformity, the product gets entered in the Federal Registry, and the applicant receives the "Registration" license.

Russian Standard Ltd. handles all interaction with the Russian authorities on behalf of the exporter/manufacturer of medical products, makes sure that the submitted dossiers are complete, and the processing is done without delays.

For medical devices and materials, along with the registration, Russian regulations require both GOST-R and Hygienic certification.

We also will help you with NUTRACEUTICALS, when in accordance with the Russian legislation, all food (nutritional, dietary) supplements, also known as biologically active supplements, are subject to mandatory State Registration by the Russian Ministry of Health.

We invite you visit our web site [www.rosstandard-europe.com](http://www.rosstandard-europe.com) for more information or contact us directly:

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[mail@rosstandard-europe.com](mailto:mail@rosstandard-europe.com) , [www.rosstandard-europe.com](http://www.rosstandard-europe.com)

We also invite you to attend IADSA workshop targets supplement market in Russia on 2007-08-10 organized International Alliance of Dietary Supplement-Food Associations (IADSA), where Gregory Temkin, President of Russian Standard Ltd. will explain how to master the regulatory process and avoid pitfalls. For more information about the workshop or to register for the event visit [www.iadsa.org](http://www.iadsa.org) or email [secretariat@iadsa.be](mailto:secretariat@iadsa.be)

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## CERTIFICATION F.A.Q.:

### **I have ISO 9000 Certificate or CE Sign - are they not enough?**

Unfortunately, not! Even if you have a translation of this Certificate into Russian, it is not valid in Russia. Here the only official Certificate is GOST-R, Hygienic Certificate and Fire Certificate. At the moment ISO 9000 is not known here very well, and it is almost not being asked by Russian customers at all.

For more information please visit [www.rosstandard-europe.com](http://www.rosstandard-europe.com)

## RUSCHAM NEWS

Russian – European Chamber of Commerce has opened a new representative office in Shanghai, China. **Mr. Kelvin Gao** has been appointed as head representative.



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## BUSINESS NEWS TICKER

The Moscow Arbitration Court Tuesday ruled to extend the bankruptcy proceedings of Russian oil company Yukos for three months. As of July 20, the creditors' list of Yukos included 123 claims from 50 creditors totaling 709.143 billion rubles. As of now, Yukos has paid out 400 billion rubles to creditors. Most of Yukos' assets were sold in a series of auctions earlier this year. The court declared Yukos bankrupt and introduced bankruptcy proceedings for a period of 1 year on August 1, 2006. Yukos has been crippled by multibillion-dollar back tax claims filed by Russian tax authorities since early 2004.

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Gazprom is seeking stakes in E.On power assets in Britain as part of a broader asset swap deal between the two firms, Vedomosti reported. Vedomosti quoted Gazprom sources as saying the request was made by Gazprom as the company is seeking to gain a bigger position in Britain and boost its power generation business. A spokeswoman for Gazprom confirmed that the company was looking to expand to supply directly West European consumers but

declined to confirm talks on British assets. Last year, state-controlled Gazprom said it was interested in bidding for the Britain's largest gas utility, Centrica, as part of this strategy. The comments prompted some British politicians to voice concerns about Kremlin influence over British energy supplies. Vedomosti said E.On controlled around 10 percent of electricity sales in Britain.



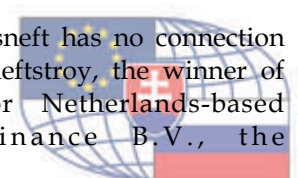
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Four state-controlled aircraft engine production holdings will be created in Russia, Vladislav Putilin, first deputy chairman of the government's defense industry commission, told reporters on August 11, following a meeting with President Vladimir Putin on the development of the aircraft engine production industry. One of the holdings will be created using

the resources of state-owned aircraft engine producer Salyut, Putin said on August 11, adding that he had signed a decree to set up this holding. The second holding will be created through the consolidation of St. Petersburg-based state-owned aircraft engine producer Klimov, the engine production assets of Russian Aircraft Corporation MiG and Moscow-based Chernyshyov Machine building Plant, Putilin said. The third holding will be established by consolidating the companies of the Samara aircraft building center - the Kuznetsov Plant, Metallist-Samara and Motorostroitel, Putilin said. The fourth holding will be established by consolidating the government's stakes in aircraft building companies based in the cities of Perm, Rybinsk and Ufa, Putilin said. The government's stake in the fourth holding will be transferred to state-controlled helicopter producer Oboronprom, Putilin said. This proposal was approved by the president, he added.

...

Russia's Rosneft has no connection with Promneftstroy, the winner of auction for Netherlands-based Yukos Finance B.V., the



international arm of bankrupt Russian oil company Yukos, Nikolai Manvelov, a spokesman for Rosneft said. Thus Manvelov denied earlier reports that Promneftstroy was affiliated with Rosneft. Promneftstroy offered 7.838 billion rubles for Yukos Finance B.V., six bidding increments above the starting price of 7.598 billion rubles. Yukos Finance's key asset is a 49% stake in Slovak crude oil pipeline operator Transpetrol. Transpetrol operates the stretch of the Druzhba oil pipeline running across the territory of Slovakia. The Slovak government holds a 51% stake in Transpetrol.

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Trade between Russia and India currently does not exceed \$4 billion a year, Kanwal Sibal, India's ambassador to Russia, told reporters. He noted that this was too little for two countries with rapidly growing economies. The Indian diplomat said Russia and India could cooperate in various sectors, including pharmaceuticals, car making, customer services and IT. He said India welcomed Gazprom's participation in the construction of a gas pipeline from Iran to Pakistan and India, expressing hope that Gazprom's experience will help ensure security of the pipeline project. Despite some problems in negotiations with Pakistan, India's government has decided to go ahead with the project, Sibal noted.

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Russia will tighten airport security measures starting August 27, according to a ruling issued by the Transportation Ministry, the government's official publication. Under the new rules, security screening will be more thorough and take longer. Passengers will not be allowed to have in their carry-on baggage more than a liter of liquids purchased outside duty-free stores,

according to the rules. They will also be forbidden from carrying liquids other than medicines and baby food in containers larger than 100 milliliters and will have to pack their containers in transparent plastic bags. Under the ruling, travelers will only be allowed to carry in their checked baggage alcoholic beverages with less than 70% ethanol content and with a volume of less than 5 liters.

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A top central bank official said that he was sure Russia's banking system was stable enough to withstand the current global liquidity crisis. The Central Bank of Russia's (CBR) U.S. \$415 billion foreign exchange and gold reserves are sufficient to maintain financial stability, Gennady Melikyan, deputy chairman of the CBR, said at a banking conference. The figure is four times the amount necessary to pay for imports for five months, he added. The statement comes amid a shortage of liquidity on global financial markets triggered by the current crisis on the U.S. subprime mortgage market.

•••

Russia could raise its oil export duty by \$25 to between \$248 and \$250 per tonne starting October 1, 2007, Alexander Sakovich, deputy head of the Finance Ministry's Customs Department, told RBC. The current oil export duty of \$223.9 was set by a government decree on August 1. In June and July, the export duty was \$200.6 per tonne. Sakovich said Russia's oil export duty could rise to its all-time high in 2007, beating the previous record of \$237.6 per tonne, which was registered on October 1, 2006.

•••

French President Nicolas Sarkozy warned Russia on Monday against exercising its energy resources with

"brutality" on the world stage, amid mounting concerns in Europe over future supplies of oil and gas. Sarkozy, in a sweeping speech to French ambassadors outlining French foreign policy, said, "Russia is imposing its return on the world scene by playing its assets, notably oil and gas, with a certain brutality." Sarkozy said Russia's resurgent global activity comes "while the world, particularly Europe, is hoping for an important and positive contribution from [Russia] toward settling the problems of our age." He added, in unscripted remarks, "When you are a great power, you should not use brutality." Since his election in May, the conservative Sarkozy has taken a harder line on Russia under President Vladimir Putin than his predecessor, Jacques Chirac.



•••

Magnit, the country's second-largest supermarket chain, said that first-half profit climbed 81 percent after expansion in smaller towns. Net income rose to \$38 million in the six months through June from \$20.9 million a year earlier, the company said in a statement. Sales increased 53 percent to \$1.64 billion. Magnit opened 116 outlets in the period, raising the total to 2,009. The company is adding discount food stores in towns with fewer than 500,000 inhabitants as personal incomes rise outside the country's largest cities.



## BALTICBUILD EXHIBITION

Russia, St. Petersburg  
12-15 September 2007



BalticBuild exhibition, famous earlier as Baltic Building Week and Batimat St.Petersburg, - is the second largest building & construction exhibition in Russia. The new title provides consistency with the other building exhibitions of the ITE Group in Moscow and CIS (MosBuild, KazBuild, Ba-kuBuild etc.).

The event has attracted much praise in recent years: it was twice the winner of the "Best International Project of the Year" (2001, 2002) contest as "The Best St. Petersburg Exhibition with most effective foreign participation".

In 2005 the exhibition was

granted the RUEF (Russian Union of Exhibitions and Fairs) and UFI logos, which are the signs of an exhibition high quality.

BalticBuild is the only exhibition in Russia to promote innovations within the field of building and construction. The 10th edition of the show was marked by a change in focus. Emphasis was placed firmly on the promotion of innovations amongst exhibitors. This new concept not only allows exhibitors to demonstrate recent developments within the field, monitor and analyse the market, but also encourages further development by stimulating companies to discover new creative solutions.

"This large forum has become a great tradition. We are aiming at

making this specialized construction exhibition reflect the development of new technologies, facilitate the establishment and maintenance of the international cooperation and support the advance of the professional level of the construction field workers. The BalticBuild is the great mean to present the trends named."

V.I.Matvienko, the Governor of St.Petersburg:

Dates: 12-15 September 2007

The venue: Exhibition Center Lenexpo, St.Petersburg, Russia  
(V.O. Bolshoy pr., 103, metro Primorskaya)

Pavilions: 3, 4, 6, 7 and Outdoor space

## GLOBAL BIOMETRICS SUMMIT 2007

Sheraton, Brussels, 18-19 September 2007



Global Biometrics Summit 2007, a world-class conference and networking event featuring the latest biometric developments from the government and business sectors.

Global Biometrics Summit brings together decision makers from various industry sectors to analyse, discuss and debate the business case and methodologies for identity management from "doorway to desktop" with case studies showcasing successful deployments across all rele-

vant sectors. Including pharmaceuticals, healthcare, financial services and government.

Including case studies on finance, airports, pharmaceutical, retail, healthcare, government, passport agencies and immigration.

Attend the Biometrics Summit 2007 to:

- Gain key insights from expert speakers into the trends and direction the biometric industry will be taking in the future
- Discover how to build a sound business case to achieve real ROI and make identity man-

agement a success

- Hear implementation experiences and lessons learnt from recent deployments across both government and industry
- Understand the key biometric technologies - how they work, the costs and benefits, strengths and weaknesses through real end user case study examples

For more information please visit  
<http://www.biometricsummit.com/>





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

Russian–European Chamber of Commerce 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.

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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.

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