



RusCham

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RUSCHAM NEWSLETTER

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GAZPROM TO RISE PRICES IN EUROPE

Gazprom's plans to raise natural gas prices for Europe by at least 20 percent in 2008 could generate more cash for a faster development of its giant Arctic fields, but could easily cast a shadow over future demand on the market.



Meanwhile, extra revenues could lead to pressure on the Kremlin to put off raising gas prices for domestic industry, as the country faces rising inflation during a sensitive election period.

Gazprom deputy chief executive Alexander Medvedev told analysts this week that the company's European customers would have to pay from \$300 to \$400 per 1,000 cubic meters of gas next year.

Gazprom, which supplies more than one-quarter of Europe's gas needs, links its prices to those for oil products with a lag of six to nine months.

Oil prices have climbed above \$90 per barrel in recent weeks, at times stopping just a hair's breadth short of \$100.

Under long-term contracts that

Western consumers have with Gazprom, they agree to pay for a certain preset amount of gas even if they actually take less.

Demand will stay the same at least until 2015 because "so far nobody is building many coal and nuclear power stations," which take at least seven years to complete, said Jonathan Stern, director of gas research at Oxford Institute for Energy Studies.

"The question is, 'Will it rise?'"

"It is possible that some countries will build nuclear stations and some countries will build coal stations, but we will not see the effect of it until 2015 at the very earliest," Stern said.

Production of energy from environmentally friendly renewable sources such as solar and wind power could get a boost from the gas price hike, as they will need less or no subsidy from governments, Stern said.

Eurogas, a Brussels-based non-profit group representing European





gas companies, also warned that higher and more volatile gas prices would spell uncertainty for the fuel's longer-term demand.

"Only if natural gas can be supplied at competitive prices would it be in a position to expand its market share and its sales volumes at the expense of oil and coal," Eurogas president Domenico Dispenza, who is also chief operating officer at the gas and power division of Italian energy firm Eni, said at a gas industry conference in Moscow on Tuesday.

Gas-fired power stations -- seen as easy to construct and environmentally clean -- account for one-fifth of the electricity produced across the European Union.

Environmental risks have been a major obstacle in getting permission to build coal and nuclear energy plants.

Moscow-based brokerage Antanta Pioglobal estimated that Gazprom would charge an average price of \$320 per 1,000 cubic meters and earn \$38 billion next year. Exports to EU will total 163.8 billion cubic meters, said Timur Khairulin, an analyst at the brokerage.

But amid concerns about rising inflation, driven mainly by higher oil and food prices globally, the government could spoil the big picture for Gazprom by refusing to allow a planned 25 percent hike in regulated prices to Russian industry next year, analysts said. Gazprom currently loses money on such domestic supplies.

The government last year decided to gradually raise domestic prices for industry, bringing them to netback parity with European prices by 2011.

"Fears of inflation have left this

issue up in the air," said Konstantin Reznikov, an analyst at Dresdner Kleinwort in Moscow.

The inflation rate has consistently beat official targets since September, prompting the country's main food retailers and producers to heed government calls for price curbs on basic foodstuffs.

Oleg Popov, a spokesman for the Federal Tariffs Service, said he was unaware of any plans to rethink the domestic pricing strategy for gas. He didn't say when the service would make a decision, but last year the new prices were announced Dec. 5.

Gazprom's better financial footing next year could mean greater investment into its massive projects on the Yamal Peninsula in the Arctic, such as the development of the Bovanenkovo field, Reznikov said.

Gazprom plans to start production at the field in 2011 as part of an effort to replace dwindling production.

Royal Dutch Shell and its partners told President Vladimir Putin in a meeting earlier this month that developing other Arctic gas fields in Yamal and the Kara Sea may cost several hundred billion dollars.

Yamal fields alone are estimated to hold 50 trillion cubic meters of gas, more than Gazprom's existing proved reserves, Gazprom said.

Gazprom could also use the extra revenues to buy minority stakes in electricity assets in Italy if its talks with Italy's energy companies Eni and Enel are successful, Reznikov said.

A Gazprom spokesman said the company would comment on the higher price for Europe and its spending plans after it approves its budget for next year. ■



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THE RUSSIAN FEDERAL PROPERTY FUND IS INFORMING ABOUT THE MAJOR AUCTION SALES IN THE FIRST PART OF 2008.

Among the major auctions, which the Russian Federal Property Fund is going to hold in the first part of 2008, the sales of the following state shareholdings: Open Corporation "Murmansk Sea Fish Port", Open Corporation "Federal Project Financing Center", Open Corporation "The Ural Plant of Rubber Technical Articles" (Open Corporation "The Ural Plant RTI") and Open Corporation "Schetmash-info"

OPEN CORPORATION "MURMANSK SEA FISH PORT"

The ground for sale – the decision about the conditions of the privatization of the shares of the Open Corporation "Murmansk Sea Fish Port", taken by the Federal Agency of Property Management and adopted by the decree as of December 29, 2007 No 4243-p.

The auction, open in terms of the composition of the participants and the form of submitting the property price offers.

The auction displays 4 752 760 registered equities, comprising 100% of the authorized capital.

The initial price of the shares is 3 190 332 000 (three billion one hundred and ninety million three hundred and thirty two thousand) rubles.

The auction step (the amount of the increase of the initial price) is 100 000 000 (one hundred million) rubles.

The applications are accepted – from December 29, 2007, to May 26, 2008, on working days from 10.00 a.m. to 5 p.m., Moscow time, address: Moscow, 9 Leninskiy prospect,

Preliminary registration
tel.number -(495) 781-18-28

The auction will take place on June 3, 2008 at 1.00 p.m., Moscow time, address: Moscow, 9 Leninskiy prospect.

Open Corporation "Murmansk Sea Fish Port" is located at the address: 183001, Murmansk, 12 Tralovaya Str.

The list of the main manufactured produce (work, services):

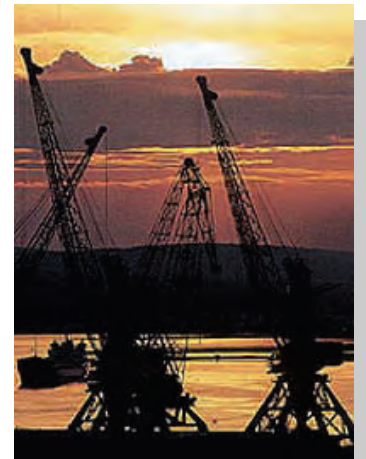
- Handling in sea ports;
- Transport handling;
- Sea port activity; freight storage and warehousing; railway transport activity; thermal power supply, steam, cold and hot water supply; public utilities, sport complex, camp, etc.

OPEN CORPORATION "FEDERAL PROJECT FINANCING CENTER"

The ground for sale – the decision about the conditions of the privatization of the shares of the Open Corporation "Federal Project Financing Center", taken by the Federal Agency of Property Management and adopted by the decree as



Specialized state establishment
of the Russian Federation Government
**RUSSIAN FEDERAL
PROPERTY FUND**



of December 29, 2007 No 4217-p.

The auction, open in terms of the composition of the participants and the form of submitting the property price offers.

The auction displays 27 800 registered equities, comprising 100% of the authorized capital.

The initial price of the shares is 1 093 260 000 (one billion ninety three million two hundred and sixty thousand) rubles.

The auction step (the amount of the increase of the initial price) is 10 000 000 (ten million) rubles.

The applications are accepted – from December 29, 2007, to May 12, 2008, on working days from 10.00 a.m. to 5 p.m., Moscow time, address: Moscow, 9 Leninskiy prospect,

Preliminary registration
tel.number -(495) 781-18-28

The auction will take place on May 20, 2008 at 1.00 p.m., Moscow time, address: Moscow, 9 Leninskiy prospect.

Open Corporation “Federal Project Financing Center” is located at the address: 119121, Moscow, 3/5, building 1Smolenskiy boulevard.

The list of the main manufactured produce (work, services):

- Monitoring of the formation and sales of the projects portfolio, financed on the account of loans, provided by the Russian Federation via international financing organizations and preparation of the corresponding analytical materials and offers for the federal executive bodies;
- Management of the projects, financed from the federal

budget and budgets of the subjects of the Russian Federation and international financing organizations;

- Preparation and expertise of investment projects, pretending to receive the state support;
- Participation in realization of guarantee operations of international financing organizations in the position of the agent of the Government of the Russian Federation, monitoring and managing non-commercial risks;
- Publishing (bulletin “Konkursnye Torgi” – an official printing of the Russian Federation, publishing the information about the placed orders to deliver goods, fulfillment of work, rendering services for the Federal State Needs in accordance with the decree of the Government of the Russian Federation as of February 14, 2006)

OPEN CORPORATION “THE URAL PLANT OF RUBBER TECHNICAL ARTICLES”

The ground for sale – the decision about the conditions of the privatization of the shares of the Open Corporation “The Ural Plant of Rubber Technical Articles”, taken by the Federal Agency of Property Management and adopted by the decree as of December 29, 2007 No 4246-p.

The auction, open in terms of the composition of the participants and the form of submitting the property price offers.

The auction displays 204 665 registered equities, comprising 38% of the authorized capital.

The initial price of the shares is 677 000 000 (six hundred and seventy seven million) rubles.



The auction step (the amount of the increase of the initial price) is 3 000 000 (three million) rubles.

The applications are accepted – from December 29, 2007, to May 19, 2008, on working days from 10.00 a.m. to 5 p.m., Moscow time, address: Moscow, 9 Leninskiy prospect,

Preliminary registration tel.number -(495) 781-18-28

The auction will take place on May 27, 2008 at 11.00 a.m., Moscow time, address: Moscow, 9 Leninskiy prospect.

Open Corporation “The Ural Plant of Rubber Technical Articles” is located at the address: 620085, Ekaterinburg, 11 Titova Str..

The list of the main manufactured produce (work, services):

- Manufacture and sales of the rubber technical articles, ebonite materials and ware, plastic articles; development and production of rubber mixes and rubber technical articles for nuclear industry, military machinery and aircraft;
- Development and production of rubber mixes and rubber technical articles for specialized machinery, medical technology and food-stuffs;
- Production of electric power by means of thermal power stations, sales of the electric power;
- Steam and hot water (thermal energy) production.

**OPEN CORPORATION
“SCHETMASH-INFO”**

The ground for sale – the decision about the conditions of the privatization of the shares of the Open

Corporation “SCHETMASH-INFO”, taken by the Federal Agency of Property Management and adopted by the decree as of June 19, 2007 No 1910-p, as amended by the decree of the Federal Agency of Property Management as of December 29, 2007 No 4190-p.

The auction, open in terms of the composition of the participants and the form of submitting the property price offers.

The auction displays 1 008 700 registered equities, comprising 19.91% of the authorized capital.

The initial price of the shares is 601 727 000 (six hundred and one million seven hundred and twenty seven thousand) rubles.

The auction step (the amount of the increase of the initial price) is 10 000 000 (ten million) rubles.

The applications are accepted – from December 29, 2007, to May 4, 2008, on working days from 10.00 a.m. to 5 p.m., Moscow time, address: Moscow, 9 Leninskiy prospect,

Preliminary registration tel.number -(495) 781-18-28

The auction will take place on May 13, 2008 at 1.00 p.m., Moscow time, address: Moscow, 9 Leninskiy prospect.

Open Corporation “SCHETMASH-INFO” is located at the address: 115230, Moscow, 42 Varshavskoy Shosse.

The list of the main manufactured produce (work, services):

- Lease of own non-residential realty ■





DISCUSSION: EU IN THE 21ST CENTURY

Vienna theatre stages high-level discussion on Europe. Germany's former foreign minister, Joschka Fischer, and George Soros, financier and philanthropist, were among the speakers at a forum on "World disorder and the role of Europe" hosted in Vienna's oldest theatre.



Topics discussed ranged from the EU's ability to 'speak with one voice' on the world stage; EU-Russia relations; the US presidential elections; Turkey's EU accession process and the EU's neighbourhood policy, including Kosovo.

Among the speakers were:

Anne-Marie Slaughter, dean of the W. Wilson School for Public and International Relations at Princeton University, New Jersey.

George Soros, financier and philanthropist, founder and chairman of the Open Society Institute.

Joschka Fischer, former German foreign minister.

Karel Schwarzenberg, Czech foreign minister.

THE EU: A MODEL FOR THE 21ST CENTURY?

Opening the discussion, Anne-Marie Slaughter described the European Union as a political model for the 21st century. "Europe has found the formula for integration founded on three principles: social justice, sustainable development and tolerance," she said. However, she also tempered her otherwise upbeat assessment. "The EU is a unique platform for sovereign states, a model by which also Asia is inspired, but it does not under-

stand itself. It is not able to make compromises. It still thinks in 20th century terms."

Although levels of optimism differed as to the EU's ability to find a common voice among its member states, speakers were unanimous on the need for Europe to take a bigger leadership role on the world stage.

"The use of military power is the best way to lose a leadership position and that is exactly what the USA did," argued George Soros. "The EU should now re-create what used to be called the West and include democracies from Latin America, Asia and Africa," he added.

According to Joschka Fischer, the question is whether the EU's current model of integration, based on consensus between an ever-growing number of member states, can still work in the future. "We must integrate our foreign policies and that will happen, I am sorry to say that, via the big member states," Fischer said.

Fischer used Europe's tense relations with Russia as a way to illustrate his point. "The economic potential of the EU is 15 times bigger than that of Russia, our military power is bigger, but still, Russia is dividing the EU."

Karel Schwarzenberg, the only politician in office at the forum and a figure that many Austrians regard



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as a compatriot, had his own view about EU integration and relations with Russia. "We are not able to set the framework of things. We have achieved a lot, but we would have never been able to do that without Schicklgruber (surname of Hitler's paternal grandmother) and Josif Dzhugashvili (real name of J.V. Stalin)," he said, adding: "Putin will unite Europe again."

ENLARGEMENT AND NEIGHBORHOOD POLICY

For more than two hours, the debate moved around the issue of enlargement and the EU's so-called 'neighbourhood policy'.

On relations with Kosovo, Schwarzenberg said "there is no good solution". The best that can be done is to integrate the Balkans into EU and NATO as quickly as possible, he said.

On enlargement, both Fischer and Slaughter expressed their desire to see Turkey join the EU. A negative response to Turkey would be "a mistake," Fischer said. "Turkey is key to the region. If it is not us, Russia and Iran are waiting with open arms," he remarked.

US PRESIDENTIAL ELECTIONS

Moving to the US election, Slaughter predicted that, if the next president is a Democrat, there will be a substantial shift in US foreign policy. He or she will close Guantanamo and cooperate more with Europe, she argued, adding that any Democratic or Republican administration would try to persuade everyone they are not G.W. Bush.

However, Schwarzenberg questioned that view, saying that US foreign policy always shows a certain degree of consistency and stems from national interests. Therefore, he said he would not expect any dramatic changes.

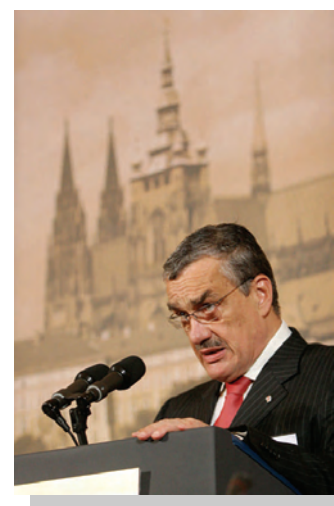
For his part, Fischer said the EU should take the opportunity presented by the US elections, and the following day should come up with concrete ideas for Washington about Afghanistan and other foreign policy issues. Otherwise, the EU will waste a unique opportunity to shape future developments on foreign relations, he warned.

Schwarzenberg, however, was less optimistic about the EU's ability to weigh in on world affairs. "By the year 2020, our role on the world stage will be diminished," he predicted, unless a major shock happens which forces the EU to cooperate further. "Europe is able to find common solutions only after big shocks," he said.

Joschka Fischer agreed with Schwarzenberg that Europe had always moved on after negative experiences. Common foreign policy was a result of what happened in the Balkans, he reminded. "The EU is potentially a big power, but the reality is different. We cannot overcome the 19th and early 20th century discrepancies," he said.

George Soros concluded with a mixed message: "If the EU still exists in 2020, it would certainly perform better." ■

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"If the EU still exists in 2020, it would certainly perform better."





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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.

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- 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.



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- **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.

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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.

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CERTIFICATION GLOSSARY.:

Certification Body: an organization accredited for providing certification services. The certification body is responsible for thorough and fare examination of a product, process, or service to assure its conformance to specific requirements in Russia.

Conformity Assessment: determination of whether a product, process, or service conforms to particular codes, standards, or specifications of the Russian Federation. Activities associated with conformity assessment may include testing, certification, accreditation, and registration of voluntary certification systems with the authoritative bodies.

Field Investigations: a procedure of investigating alleged failures of products under use conditions to determine the cause of failure and to suggest appropriate corrective action.



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The law office [ULC Čarnogurský](#) is one of the most dynamic and renowned offices in Bratislava. The office is part of the European organization of attorneys - DIRO. It has participated in several successful projects, thereby securing an excellent reputation in Slovakia. It provided legal advices for the privatization of the most significant Slovak companies. The magazine "The Slovak Spectator" ranked it within the top twelve most important law offices in Slovakia.

Since the launch of operations in February 2000, lawyers of ULC Čarnogurský have offered legal advice to key foreign investors with their entry to the Slovak market, as well as to Slovak client in their business activities. The international experience of ULC Čarnogurský, combined with an in-depth knowledge of the local environment, is one of the fundamental aspects for the successful attainment of clients' business goals.

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UPCOMING EVENTS:

- Feb 10-11:** Jordanian King Abdullah II to visit Russia
- Feb 11:** Iraqi Foreign Minister Hoshyar Zebari to visit Russia
- Feb 11-12:** Russian Foreign Minister Sergei Lavrov to attend Conference on Disarmament in Geneva
- Feb 12:** Ukrainian President Viktor Yushchenko to visit Russia
- Feb 14:** President Vladimir Putin to hold last annual presidential news conference
- Feb 21-22:** Ukrainian Prime Minister Yulia Timoshenko to visit Russia for natural gas talks
- Mar 2:** Presidential election



BUSINESS NEWS TICKER

The Russian Cabinet on backed further efforts to battle one of Russia's most unhealthy addictions -- smoking -- by giving the go-ahead to a total ban on tobacco advertising, promotion and sponsorships. The bill approved by the Cabinet in its Thursday session clears the way for Russia to join a UN tobacco control convention requiring members to take these steps within five years of signing on. Current laws forbid outdoor, radio and television advertising for tobacco, but major international firms that dominate the domestic market, such as British American Tobacco, run ads in glossy magazines, the metro and are heavily involved in sponsorships.

•••

The European Union said that it had cleared the final hurdles in talks about Ukraine's accession to the World Trade Organization after Kiev agreed to a deal on the duties it applies to exports. Ukraine is the biggest country besides Russia and Iran outside the 151-member WTO, which oversees global trade. At a meeting in London late Wednesday, EU Trade Commissioner Peter Mandelson and Ukrainian Deputy Prime Minister Hryhoriy Nemyrya "sealed the final terms of the agreement" clearing the way for Ukraine's entry into the WTO, Mandelson said in a statement. The EU was the last trade partner to have reservations about Ukraine's WTO membership.

•••

Russian companies plan to increase their investment in the Bulgarian economy, Russian President Vladimir Putin said during his talks with Bulgarian Prime Minister Sergey Stanishev. New joint projects

are possible in addition to existing ones, Putin said. Russia and Bulgaria struck a number of important cooperation deals, including agreements to build the South Stream natural gas pipeline and the Belene nuclear power plant in Bulgaria, as well as to launch railway and ferry transportation between the Russian port of Kavkaz and the Bulgarian port of Varna.

•••

Transneft agreed with Sovcomflot to develop new export routes and terminals, the country's largest shipowner said. The two state-controlled companies will cooperate on exports along planned routes such as the Burgas Alexandroupolis pipeline, which will carry Russian crude across Bulgaria to the Greek coast, a second Baltic oil pipeline and the East Siberian-Pacific Ocean link, Sovcomflot said.

•••

Russian Alcohol, the maker of Green Mark vodka, said that sales rose 40 percent in 2007 after it introduced a new brand and improved distribution and marketing. The distiller sold 11 million decaliters of spirits, deputy general director Vladimir Ivanov told reporters. Sales volume this year will rise by at least 20 percent, commercial director Vadim Kasyanov said. The country's vodka market, the second-largest after the United States, will expand 5.8 percent annually through 2011 as rising household incomes fuel demand for more expensive brands, according



to Renaissance Capital.

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The country's food retailers will extend an anti-inflationary price freeze on basic food products to May 1 after the current agreement expires on Jan. 31, the Agriculture Ministry said. The freeze on prices for bread, milk, sunflower oil and eggs is designed to rein in inflation, which rocketed beyond government targets to 11.9 percent last year. The extension was agreed to by several food producers and retail chains. The Economic Development and Trade Ministry revised upward the country's 2009 inflation corridor by 0.5 percent, but left the 2010 forecast unchanged, a ministry official said Monday, Interfax reported.

•••

The government has abolished for two years import duties and customs taxes for offshore drilling rigs temporarily imported for exploration work. The measure is the first step toward a long-discussed reduction of taxes for energy companies exploring offshore fields, which are expected to contain massive oil and gas reserves but are more expensive to develop than onshore fields. The government said it had canceled customs duties and taxes for offshore rigs to be rented by a Russian citizen from a foreign owner for five months. The government has also been discussing the idea of mineral resource tax breaks to develop offshore fields - a benefit similar to that introduced last year for eastern Siberia. Among the companies most interested in the benefits are state-controlled majors Rosneft and Gazprom, which are developing major projects off Sakhalin Island. ■



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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.

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, CIS and Europe. These members determine the overall strategy and policies of the organization.

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