



### Focus

#### EU—CHINA TEXTILE AGREEMENT

The EU and China have agreed a deal that will manage the growth of Chinese textile imports to the EU until 2008. The agreement on 10 product categories of concern limits the rate of imports while allowing fair and reasonable growth for Chinese exports. By finding a wide and balanced agreement, the EU and China ensure a period of adjustment textile industries in the EU and developing countries, provide greater predictability for importers and retailers, and preserve the prize of market liberalization for China.



#### The agreement

The European Commission and the Ministry of Commerce of the People's Republic of China, pursuant to the WTO principle of encouraging its Members to settle their differences by way of consultation, engaged in consultations on the export of certain Chinese textile and clothing products to the European Union until the end of the year 2008 in Shanghai, China on June 10, 2005. They reached the following understanding:

- Chinese textile exports to the EU in 10 categories of concern will be limited to agreed growth levels until the end of 2007.
- This agreement will cover 10 of the 35 categories of Chinese imports liberalized on 1 January 2005: pull-overs, men's trousers, blouses, t-shirts, dresses, bras, flax yarn, cotton fabrics, bed linen, table and kitchen linen. It covers the categories of serious concern, including most of the categories identified by the European Textile Association Euratex and the two categories for which the EU had already launched formal WTO consultations with the Chinese: t-shirts and flax yarn.

- The EU agrees to end the ongoing investigations concerning these product categories.
- The agreement limits growth in imports in the 10 categories to between 8 and 12.5% per year for 2005, 2006 and 2007. These levels will be calculated on a base that includes either two or three months of post-quota trade levels. In those categories for which growth is initially set at 8%, agreed growth rates will rise over the three year period.
- Quantitative levels will apply from 11 June 2005. Both sides will at once put in place the necessary administrative arrangements for the management of agreed import levels.
- In categories not covered by the agreement, and for 2008, the European Union will undertake to exercise restraint in the application of its rights under Article 242 of China's Protocol of Accession to the WTO.
- The two sides stand ready to discuss promptly any aspect regarding the implementation of this agreement.
- This agreement takes the form of a Memorandum of Understanding between the European Commission and the Chinese Ministry of Commerce. It will now be submitted to Member States and the competent authorities in China for endorsement or approval

#### What the agreement achieves

The agreement reached with China represents a common, broad and forward-looking strategy for dealing with textile imports from China.

- Whereas EU unilateral safeguards under the Textiles Specific Safeguard Clause in China's WTO Accession Protocol would have provided limited protection in some categories only until the end of the year, this agreement gives wider coverage over a longer period. It gives the EU textile industry three years in which to adapt to changed market conditions.
- The agreement's limits on growth for Chinese exports



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are higher than the 7.5% growth that would have been permitted under safeguard measures. This reflects the fact that they were reached by agreement. They allow China fair and reasonable growth, at levels which in some cases increase over the three year period.

- The agreement allows importers and retailers to plan and purchase in China in conditions of maximum predictability and minimum market distortion.
- The agreement preserves the strong and constructive wider trading relationship that Europe prizes with China. It preserves the prospect of market opening in China for EU businesses. It is a strong signal that China takes its international trading responsibilities seriously – and that Europe respects China's right to benefit from trade liberalization.
- The agreement also provides a window for adaptation for producers in developing countries whose textiles exports to the EU were being displaced by a surge in imports from China. This is particularly important for textile industries in the EU's Mediterranean neighbors.

### Context

With the expiry of the WTO Agreement on Textiles and Clothing on 1 January 2005, all WTO members were required to lift their remaining quotas on textiles trade. The Uruguay Round provided for the gradual liberalization of this trade over a period of ten years from 1 January 1995 to 31 December 2004, allowing time for adjustment.



The European Commission believes that the removal of quotas in global textile trade is an important prize for progressive trade liberalization. Free trade in textiles will provide global competitive disciplines that will improve productivity and lower prices for consumers.

This competitive pressure is being driven chiefly by China, whose formidable production and export capacity will quickly reinforce its status as one of the world's largest producers and exporters of textile and clothing products.

Managing this transition presents a challenge both for China and its trading partners, many of whom have textile industries of their own. European textiles producers face tough competition from China. European industry has a huge capacity for innovation and adjustment, but a sudden, steep and sustained surge in Chinese textiles exports could be highly damaging.

The agreement between China and the EU reflects this by providing a three year breathing space where growth in Chinese imports in sensitive categories will be capped at reasonable levels. These caps will nevertheless be high enough to allow China to benefit from liberalization, as it has a right to expect. Commissioner Mandelson has described such measures as an attempt to "manage change and adjustment, rather than manage trade".

### EU-China textiles negotiations 2005

1 January 2005. With the end of the Multi-Fibre Arrangement all remaining quotas in international textile trade are lifted.

6 April 2005. The European Commission publishes guidelines for the use of the Textile Specific Safeguard Clause (TSSC) written into China's protocol of accession to the WTO. These guidelines set alert levels for categories of Chinese textiles imports beyond which the Commission will consider launching market disruption investigations that could ultimately lead to the use of temporary safeguards, as permitted by the TSSC.

24 April 2005. Presenting data showing substantial rises in exports in some liberalized categories for the first three months of 2005, the Commission launches investigations into 9 categories of textile imports from China: T-shirts, pullovers, blouses, stockings and socks, men's trousers, women's overcoats, brassieres, flax or ramie yarn and woven fabrics flax.

5 May 2005. Commissioner Mandelson meets Chinese Commerce Minister Bo Xilai in Paris.

17 May 2005. The Commission requests use of urgency procedure written into the Commission Guidelines on two categories of textile products: t-shirts and flax yarn. This allows the EU to request immediate formal consultations with China in these two categories.

23 May 2005. EU Member States approve urgency procedures in two categories of textile exports: t-shirts and flax yarn.

24 May 2005. Commissioner Mandelson and Vice Minister and Textile Negotiator Gao Hucheng meet in Brussels and agree to continue and intensify negotiations.

27 May 2005. European Commission requests formal consultations on two categories of Chinese textiles exports: t-shirts and flax yarn; under the terms of the TSSC China has 15 days to take action to restrain export growth in these two categories to the level of the first twelve of the previous fourteen months plus 7.5%. If China does not act, the EU is authorized to act to limit exports to the same effect. Negotiations with the Chinese continue and intensify.

10 June 2005. Peter Mandelson and Bo Xilai agree a deal that will manage the growth of Chinese textile imports to the EU until the end of 2008.

### The wider EU-China trading relationship

- China is the EU's second largest trading partner. Their trading relationship was worth 174 billion euro in 2004.
- China is the second largest exporter to the EU after the US. The EU imported more than 126 billion euros worth goods in 2004 – 12% of the EU import market. EU imports from China rose by 17% between 2002 and 2003 and 20% between 2003 and 2004.
- EU exports to China have also been growing. China is now the third export partner of the EU. In 2004 the EU exported 48 billion worth of goods to China – some 5% of all EU exports. This is an increase of 16% on 2003. It is estimated that in less than a decade the Chinese market for luxury European goods will have risen to about 250 million people.
- The EU is the world's second largest textiles exporter after China. In 2004 Europe exported 514 million euros worth of textiles to China. In the same year China exported 16 billion euros worth of textiles to Europe.
- The EU's main exports to China are non-electrical machinery, transport equipment and chemical products. China's main exports to the EU are office and telecommunications equipment and textiles and clothing.
- China is a large market for EU foreign investment: some 3.1 billion in 2003. With reform in the Chinese services sector and full implementation of WTO obligations this is a huge market for EU investors. ■

### EBRD LAUNCHES FIRST ROUBLE BOND ISSUE IN RUSSIA.

*Proceeds to provide long-term local currency financing for real economy.*

In an important development for its lending programme in its biggest country of operations, the European Bank for Reconstruction and Development (EBRD) has launched a landmark five-year rouble bond issue to raise local currency that will be used to provide long-term project loans without exchange risk to the real sector of the Russian economy.



The EBRD's inaugural RUR 5 billion (equivalent to EUR 140 million) floating-rate issue breaks new ground as the first placed in Russia by an international financial institution. The EBRD enjoys an AAA/Aaa rating from international rating agencies.

The proceeds from the EBRD's rouble bond will be used to meet growing funding needs for the renewal of Russia's municipal infrastructure, as well as the financing of typical clients such as small and medium-sized enterprises (SMEs) and other Russian borrowers with no or limited foreign currency income.

The bond issue is being launched under local regulations and is destined for domestic investors. The issue's floating-rate coupon is linked to the recently created Moscow Prime Offered Rate, a new money-market index launched under the auspices of Russia's National Currency Association (NCA). This index is designed to serve as a transparent benchmark for top-rated financial institutions wanting to raise funding in rubles.

Application will be made for the prospectus of the issue to be registered with the Federal Financial Markets Service (FFMS). The EBRD's decision to issue the bond was registered by the FFMS on May 13.

Upon registration of the prospectus, the EBRD will apply for its bonds to be listed and traded on the government bond section of the Moscow Interbank Currency Exchange (MICEX) and for the Central Bank of the Russian Federation to include them in its Lombard list. Inclusion in this list would allow EBRD bonds to be used by bank investors for repo transactions with the Central Bank.

**RUSSIA - EUROPE 2005 TRAINING SEMINAR**  
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Citigroup and ZAO Raiffeisenbank Austria are the Joint Lead Arrangers of the primary placement, with 10 other Russian and international banks participating in the underwriting syndicate. Senior co-lead managers are ING, International Moscow Bank and Vneshtorgbank; co-lead managers are Commerzbank, West LB, ABN Amro, Gazprombank and HSBC; and co-managers are Deutsche Bank and JP Morgan.

Eight banks will be contributing quotes to the new MosPrime Rate. These are ABN Amro, ZAO Citibank, Gazprombank, International Moscow Bank, Raiffeisenbank, Sberbank, Vneshtorgbank and WestLB. This rate is set daily and gives the rates at which contributor banks are prepared to lend money to top-rated financial institutions for periods of up to three months.



The Calculation Agent for the issue, ING, will on a quarterly basis determine the coupon rate for the EBRD bond. The coupon rate for the first three-month period has been determined at 4.04 per cent per annum (Reuters page EBRDRUBFRNRATE) and will be reset every three months in line with the then prevailing MosPrime offered rates.

In order to ensure the consistency and credibility of the rate, the contributing banks have agreed with the EBRD to quote firm rates - with their bids not wider than 50 basis points below their offered rate quotations. MosPrime rates are displayed daily on Reuters (page MOSPRIME1) and the NCA website [www.nva.ru](http://www.nva.ru). The National Depository Centre (NDC) will act as the sole depository for the issue.

This is an important milestone in our efforts to provide financing for key projects which cannot rely on export revenues to repay foreign currency loans, said Steven Kaempfer, the EBRD's Vice President, Finance, at a Moscow news conference called to mark the bond's launch.

The EBRD has been tapping the local currency market in Russia for short-term promissory note issues for some years but we have long been working with the government and market authorities in Russia, especially the FFMS, Central Bank and MICEX, to prepare

access for foreign issuers including international financial institutions to the longer-term rouble resources that the bond market can provide, Mr. Kaempfer added.

We believe that this issue and the introduction of the new MosPrime rate have the potential to make a major contribution to the development of Russia's capital markets, Mr Kaempfer said.

Charlie Berman, Co-Head European Fixed Income Capital Markets at Citigroup, commented: "The EBRD has again demonstrated that it remains at the forefront of the development of the local currency markets in the region. This groundbreaking transaction in Russia has not only successfully opened the Russian capital markets for other international issuers but established a reliable money-market index in the domestic market, thus making another substantial contribution to the development of the Russian financial system. It is tangible proof of the Bank's commitment to Russia and the sophistication of its capital markets operations."

Michel Perhirin, Chairman of the Board of ZAO Raiffeisenbank Austria, stressed the importance of the introduction to the Russian market of the first floating rate bond issue linked to a money market rate. He said: "Establishment of the true rouble floater will further help the access of the Russian issuers to long-term funding at competitive rates. He added that the EBRD paves the way for many international and local issuers considering financing their investment projects through Russian capital markets."

Of the Bank's 27 countries of operation, Russia's is the single biggest target of EBRD funding. Since its inception in 1991, the Bank has committed EUR 5.87 billion to Russia in 212 stand-alone projects. As at the end of 2004, Russia represented 24 per cent of the EBRD's outstanding portfolio.

EBRD, provided loans worth U.S. \$2 billion to Russian SMEs in 2004 and plans to increase lending in the future, including in rubles, the EBRD's President Jean Lemierre said at the St. Petersburg International Economic Forum. He did not provide other figures.



**Jean Lemierre,**  
President of EBRD

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Lemierre said that the Russian economy has a good possibility for growth due to high oil and natural gas prices but it needs to diversify its economy using more innovative technologies. He also said that the Russian economy should develop not only by means of mineral resources and must "look for new approaches."

"It's necessary to create an environment conducive to investment in Russia," Lemierre said, continuing that this can be done by means of tax reforms and "innovation."

"Russia is moving forward, but must move faster," he added.

On May 18, the EBRD fully placed its 5 billion ruble five-year floating-rate note in a private offering, the bank said in a press release Wednesday. The EBRD plans to spend the funds raised through the offering on financing small- and medium-sized businesses and municipal governments.

In October 2004, Jean Lemierre said that the EBRD planned to increase investment in the Russian economy to \$1.2 -1.3 billion in 2005 from about \$1.0 billion expected in 2004. ■

**RUSSIA CAN HANDLE 15 PERCENT OF FREIGHT BETWEEN ASIA AND EUROPE.**

Russia can handle 10-15 percent of freight transportation between Europe and Asia, Viktor Ishayev, the governor of the Khabarovsk territory, told a news conference.

Referring to the assessments of the International Monetary Fund, he said that the volume of trade between Asia and Europe totals 600 billion dollars and will increase 50 percent before 2010. He said Russia is ready to offer profitable conditions for the transportation of container cargoes along the Trans-Siberian Railway.

While it takes up to 40 days to carry freight from Pusan to Finnish ports and the transportation of one container costs 1,250 dollars, the transportation along the Transsiberian Railway takes 18-19 days and the carriage of one container costs 1,050 dollars," Ishayev said.



Ishayev is chairman of the Russian National Committee for the Pacific Economic Cooperation and

led the Russian delegation to the 38th session of the Pacific Economic Council that was held in Xiangang (Hong Kong) from June 11-14.

Regarding prospects for the construction of an oil pipeline to stretch from Siberia to the Pacific, Ishayev said, A thread of the pipeline may be laid out to the Chinese city of Daqing." The governor said drawing Japanese and Chinese investment to the project would make for a more rapid development of the deposits of Siberia and the Far East. .

The feasibility report for the project will be ready by June 30. The construction is to start this year, and the first section of the pipeline is to go into operation in 2008, Ishayev said. He stressed those potential partners" showed interest in these plans at the session of the Pacific Economic Council. ■



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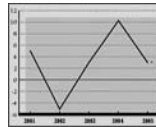
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## Market Analyses

### REVIEW OF THE RUSSIAN DARY MARKET

#### The research of company “Comcon SPb”

By the number of brands, intensity of advertising, presence of large players – generally, partners of European producers – as well as by the intensity of development the dairy market can be positively compared with the beer market. However, the beer market has been almost completely established and there can hardly occur any dramatic changes on it, while the dairy market possesses considerable reserves for further growth and development.



An essential tendency on the Russian dary market is the growing share of packaged milk in the general structure of consumption. On the one hand, this is connected with the growth of the general culture of consumption, appearance of brands on the dairy market, growing confidence in certain producers, production of milk in a convenient and practical package.

However, the situation cannot be explained only by positive reasons. Milk is supplied to dairy plants by farming companies, state farms and dairy farms, most of them being in the situation of permanent struggle for survival. Therefore, they strive to establish regular cooperation with large dairy integrated plants, otherwise the ways of their products realization are somewhat spasmodic.

The third reason for the declining demand for unbottled milk is the position of trade outlets: it is much more lucrative and convenient for shops to buy goods of large producers, besides packaged dairy produce are less “fastidious” – they have a longer shelf life, they do not need a specially equipped counter etc. Unbottled milk is gradually disappearing from shops and the consumer has to choose from the available products. It is quite natural that unbottled milk should be consumed the least by residents of Moscow and St. Petersburg – about 33 and 42%, respectively, of all residents of the region and it should be consumed the most by residents of East Siberia – 70%, those of the Central region and Povolzhje – 63% each.

The appearance of a number of new products made on the milk basis, extension of the assortment range of already existing products as well as transition of a part of consumers to packaged milk have resulted in redistribution of the demand. According to experts,

milk consumption on the basis of quantities dropped noticeably in the period from 1999 to 2002. At the same time the share of cream consumers increased 6% over the same period, those of ryazhenka – by 11%, curdled milk – by 4%, condensed milk – by almost 12% and evaporated milk – by 3%. Thus, the changes on the dairy market can be described by the phrase “people have started buying less but more often and in a more varied way”.



However, it would be wrong to give a single-value estimate of the changes occurring on the dairy market. The situation on the market can be a vivid example of a collision of two economic systems – the socialist system and the capitalist one. The agricultural industry that completely declined during the years of the Soviet power is unable to provide dairy plants with the necessary volume of raw materials while the competition forces producers to keep expanding their assortment, develop new segments and increase production volumes. The problem of the raw materials deficit is currently solved by dairy companies by means of exclusive agreements concluded with the surviving state farms and collective farms. Certain companies, Parmalat, for example, consider it possible to solve this problem by creation of large holdings according to the scheme of “field – plant – shop”.

It is hard for dairy produce manufacturers to develop regional markets due to the short shelf-life period of milk and its derivatives, except for products of extended storage – certain varieties of yoghurts and evaporated milk. Therefore, producers either follow the way of creating regional branches, which requires large financial expenses, or strive to increase the output of products of high-temperature treatment (the so-called UHT-products).

However, evaporated milk (i.e. long shelf-life milk) is in much less demand than pasteurized milk. Although the share of its consumers has increased since 1999, it is still considerably lower than the number of those who prefer usual milk. Evaporated milk is a comparatively new product for the Russian market, therefore apart from its high price there is still lack of confi-

dence in the unknown product as well as some fear that it contains preservatives added to increase its shelf-life, because the wide layers of the population have formed a stereotype about the harm of various preservative additions. The only region where evaporated milk is obviously preferred to pasteurized milk is Moscow, where the share of its consumers is about 45% while pasteurized milk is consumed by about 29%.

Although the dairy market is extremely branded and most trademarks can be definitely considered to be all-Russian, each region has a leader being the products of a certain local producer.

The success of the local trademarks is explained by the aforesaid factors – the high price of products brought from other regions, suspicious attitude to the dairy products with a long shelf-life as well as confidence in local producers, most of which have been available on the market since the Soviet times.

Intensive advertising of dairy products is mostly directed towards promotion of the trademark as such rather than promotion of the category of particular products. The exception can be only yoghurts. Such advertising policy may also appear to be a factor hindering promotion of well-known trademarks on the regional markets. Producers should probably pay more attention to advertising the categories of modern dairy produce, many of them being unknown to consumers, as, for example, the already mentioned evaporated milk.

The absolute leader of the Russian dairy market is “Vimm-Bill-Dann” company. The national brands of this producer are available in all market segments: it is BioMax and Neo in the high-price segment, “Domik v derevne” and “Milaya Mila” in the medium-price segment, “M” and “Veseliy molochnik” in the segment of inexpensive milk. The products of the integrated plant produced under these trademarks are well-known, but as we have already said the leadership by consumption still belongs to local regional producers. The major competitors of this producer on the local markets are “Ochakovskiy”, “Ostankinskiy”, “Voronezhskiy” and “Piskarevskiy” integrated dairy plants. International companies are represented by the products of “Campina” (TM “Stupinskoye”), “Ehrmann” (TM “Mozhaiskoye moloko”) and “Parmalat” (TM Parmalat and “Bely gorod”) concerns.

The only competitor of “Vimm-Bill-Dann” nationwide is “Unimilk” company integrating such plants as “Petmol”, “LipetskMoloko”, “Samaralacto” and “Milko”. The company’s short-range plans include output of products under “Prostokvashino” trademark belonging to “Petmol” plant at all the plants. One more leader is most likely to appear on the dairy market soon.

Among the national brands the leader is currently “Domik v derevne” – the number of people who know it is about 48%, the share of those who prefer milk of this trademark is about 18% of the total number of consumers. Besides, this very trademark has the largest number of loyal consumers – about 7%.

The share of people who know “Milaya Mila” trademark is about 43% while the number of its consumers is about 11%. For “Veseliy molochnik” trademark these indicators are 36 and 8%, respectively.

Flavored milk is a special category of dairy produce. It is quite natural that the greatest lovers of this drink should be children. The favorite tastes of flavored milk are strawberry and chocolate, the share of vanilla milk lovers is a bit less. The absolute trademarks-leaders of this segment are “Mazhitel”, “Chudo” (“Chudomoloko”, “Chudo-chocolate”, “Chudo-cocktail”), “Ryzhiy Ap” and Nesquik.



This market sector is developing in two directions: children-oriented produce – “Nesquik”, “Ryzhiy Ap”, “Chudo” and produce oriented to those keen on healthy way of life – the series of “Neo” produce – juice-containing drinks: “Mazhitel” and Joy-Fit.

Condensed milk is a product consumed by about half of Russian families. It would be an exaggeration to call the condensed milk trademarks currently available on the market strong or successful. When choosing milk consumers are oriented to the producer – condensed milk of “Korenkovskiy” dairy plant, condensed milk of the plant in the town of Alekseevka, “Belorussian condensed milk” and so on. Thus, consumers choose condensed milk by the name of the plants they know rather than by the trademark.

Besides, a factor affecting the condensed milk choice can also be the composition of the product – rather few people enjoy the condensed milk with additions of vegetable oils that has been recently produced by a number of enterprises, however its price is much lower than that of classical condensed milk. Therefore, it is this variety of condensed milk that is likely to be preferred by representatives of low-income layers of the population.

As far as the success of a certain brand is concerned, the highest demand is for “Glavproduct” condensed milk – in August 2003 the share of families consuming this product was about 35% of the total number of families consuming condensed dairy produce with sugar. However, this trademark is also most likely to be

associated with a particular producer that has been known since the Soviet times.

It is noteworthy that among the few brands of condensed dairy produce with sugar available on the Russian market the leader of the popularity rating is “Veseliy molochnik” trademark – the share of people who know it is about 64% of the number of all households consuming condensed milk. For comparison: “Glavproduct” trademark is known to 61% of the respondents.

Condensed milk is a family product; the share of households with children from 6 to 15 years is about 37% of the total number of consumers.

Thus, on the one hand, the quality of purchased products appears to be the determinant of the choice, but on the other hand, provided the promotion strategy has been properly chosen – emphasis on children audience, successful name of the brand, adequate advertisements, a bright attractive package, optimal price, convenient package – producers of condensed milk and cream have every opportunity to create a successful brand.

The market of milk and dairy produce is in its period of intensive development now. There are new trademarks and new varieties of products being developed and introduced on the market, assortment ranges are expanding. The real struggle on the dairy market is just beginning. In the next 2–3 years we should most likely expect appearance of new leaders, new successful trademarks. ■



## Business News Ticker

- Russia will allocate for investments RUR450bn (around USD16.07bn) in 2006 out of the federal budget, Russian finance minister Alexey Kudrin has told journalists at a government meeting. In 2007 this rate is to grow to RUR475bn (around USD16.96bn) and in 2008 it is to advance to RUR491bn (around USD17.53bn). However, Kudrin stressed that the government has made no decision on distribution of these fund for projects and federal programs. According to Kudrin in 2001-2004 Russians enjoyed the most significant increase in state investments. However, GDP growth is forecast to slow and state investments are unlikely to compensate this slowdown.
- Russia is pushing to complete World Trade Organi-

- zation membership requirements by the end of this year and hopes to formally join in 2006, but not at any cost, Finance Minister Alexei Kudrin said. A senior WTO official said that Russia, the biggest economy outside the trade body, was a long way from clearing all hurdles to membership.
- A group of four investors including China's First Automotive Works has started producing vehicles for the Russian market at a boiler factory in Biisk, a small town in eastern Russia, one of the investors said. The project aims to produce at least a thousand cars by the end of the year, said Valentin Vertiprakhov, general director of car dealership UralYuzhMash, one of three Russian investors.
  - The state-owned aircraft company MiG has won a contract worth several dozen million dollars from the Slovak air force to upgrade 12 fighter jets, the company said at the Paris Air Show. "The jets will be upgraded to NATO standards and delivered back to the customer in 2006," MiG spokeswoman Yelena Fyodorova said by telephone from Paris, declining to be more precise on how much the deal is worth.
  - Czech financial group PPF sees its Russian consumer lending business doubling this year and may raise capital for expansion in other less developed markets. The group, the largest Czech asset manager with \$7 billion, will look for either organic growth or acquisitions in Ukraine, Vietnam, Romania, Serbia, Kazakhstan and China, Jiri Smejck said.
  - The Swedish retail developer and consultancy Centrumutveckling is courting fashion chain Hennes & Mauritz in a bid to attract the retailer to the Russian market, Oleg Temirov, president of the developer's Russian arm, said. H&M operates approximately 1,100 stores in 21 countries, including Hungary and Poland, but it has been cautious about betting on Russia. By the end of next year, Centrum plans to finish construction of a retail complex in Kaluga, southwest of Moscow. It is also working on two retail complexes in the central city of Voronezh. In addition, major deals in Moscow and St. Petersburg are in the works, Temirov said.
  - The Russian government expects economic growth to double in July-December, as compared with January-June, Mikhail Kopeikin, deputy director of the government's administration, told an economic conference Monday. Kopeikin said the government expected the gross domestic product (GDP) to grow on average by 0.7% monthly in July-December compared with 0.3% monthly growth average seen in January-June. Russia's GDP grew at an annual rate of 5.4% in January-May, down from 7.5% in the same period of 2004, the Economic Development and Trade Ministry said earlier.
  - Russia has a right to expect more foreign investment because of its strong economy, the President Vladimir Putin said after the meeting with key world businessmen. "We are preparing additional, highly essential steps for institutional reform and lessening bureaucracy, strengthening the rights of proprietors, breaking up monopolies and also a clearer regulation of the work of tax bodies," Putin, quoted by the Reuters agency, said. He pointed to Russia's strong economic indicators such as an annual growth rate of around 5.5 percent, gold and foreign exchange reserves of \$150 billion and a significant cut in external debt since 1999, as reasons why his country should appear attractive to investors.
  - Government officials were out in force Monday, reassuring investors that Russia was on track to meet its inflation target for 2005, but they repeated that containing runaway prices depended on maintaining a strict hold on spending. Deputy Prime Minister Alexander Zhukov was upbeat on the economy, confident the 10 percent inflation target set for this year is secure. "Never in the history of Russia and of the U.S.S.R. has the country's financial position been so durable and stable," said Zhukov.
  - An extreme shortage of international-standard warehousing facilities in Moscow continues to spur developers to outdo each other in the size of their planned industrial projects. One of the latest additions to the city's growing stock of massive warehouse development projects - most of which are still in the pipeline - is the \$120 million, 211,000-square-meter Pushkino Logistics Park.
  - Slovenia's largest bank, Nova Ljubljanska Banka, has bought a 7.7 percent stake in the privately owned Russian bank Promsvyazbank in a move to expand its business in Russia, newspapers reported. "We think the Russian banking sector offers very good growth prospects," said Marija Petek, a spokeswoman for the Slovenian bank, part of NLB Group, Slovenia's largest banking and financial services company.
  - The inflation rate may exceed 11.5 percent this year, more than the government's 10 percent target, because food prices are rising faster than planned, Andrei Klepach, director of economic forecasting at the Economic Development and Trade Ministry, said in an interview with Interfax. "The weightiest factor in inflation is a high increase in food prices," Klepach said. The government wants to bring the inflation rate below 10 percent from 11.7 percent in 2004 and 12 percent in 2003 to sustain economic growth and boost living standards. The economy is expected to grow an annual 5.5 percent, less than the 6.5 percent initially planned, Economic Development and Trade Ministry said earlier.

opment and Trade Minister German Gref said.

- Power monopoly United Energy Systems signed a landmark deal with the Danish government that will allow Denmark to emit more greenhouse gases in exchange for modernizing two UES power plants. The agreement, signed by the Danish Environmental Protection Agency under the Kyoto Protocol, may be the first of a series of lucrative deals that could help Russia raise cash for modernizing its aging industrial plants. "UES is already preparing about 30 more such deals for the near future," said Andrei Gorkov, general director of the Energy Carbon Fund, a non-profit organization set up by UES to take advantage of the terms of the Kyoto Protocol. The Kyoto Protocol, which came into effect last February, obliges signatories to reduce greenhouse gas emissions to agreed levels. But it allows them to sell extra emissions quotas or cut emissions in other countries and count the savings as their own.
- Russia needs independence from the foreign market but transition to it should be very careful, Russian President Vladimir Putin said at the meeting with agrarians in Kalmyk capital Elista (southern Russia). According to him, the state gives much attention to agricultural problems. Agricultural growth was 1.6% in 2004, Putin said.
- Land-locked Kazakhstan, emerging as an important oil producer but short of export outlets, said that it was interested in bringing Caspian oil to the Baltic Sea via a Polish-Ukrainian pipeline. Ukraine, seeking closer ties with the European Union and keen to cut its heavy dependence on Russian energy supplies, built the pipeline between the Black Sea port of Odessa to Brody on the Polish border. The Odessa-Brody pipeline had originally been planned to run further, to Poland's Baltic port of Gdansk, but under Russian pressure Ukraine reversed the planned oil flow.
- Ukraine's Deputy Prime Minister Oleh Rybachuk pledged that the government would make it easier for investors to form new businesses and reiterated plans for selling many state-owned assets to keep the economy growing. "We will offer for privatization everything besides really big strategic companies," Rybachuk said at an investment conference in Kiev, without naming any company. "And you all will have equal chances to buy them."
- New export customs duties on secondary aluminum alloys are to take effect starting July 28 under the relevant government ruling, published Rossiiskaya Gazeta, the official newspaper of the Russian government. The government had decided to reduce customs export duties on secondary aluminum alloys to 3% from the current 5% of their customs value.



## Upcoming Events

- Jul 1: Fast-Moving Consumer Goods (FMCG) Sector Outlook conference in Moscow. For more information, please visit <http://eventum.ru/conference/fmcg/> (in Russian)
- Jul 5-6: Shanghai Cooperation Organization's summit in Astana, Kazakhstan
- Jul 12: Ads, Promotion and Lotteries: Legal Aspects and Tax Minimization Issues Conference in Moscow. For more information, please visit <http://www.conferences.moscowtimes.ru/>



## RusCham invites you!

**August 9, Košice, Slovakia:**  
Training Seminar

### **EXPORTING BEER, NON-ALCOHOLIC AND LOW-ALCOHOLIC BEVERAGES TO RUSSIA**

The Russian Chamber of Commerce in Europe invites you to attend a Training Seminar "Exporting beer, non alcohol and low alcohol beverages to Russia and CIS countries", which will be held on August 9, 2005 in Kosice, Slovakia.

The seminar is specifically designed for producers of 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 beverage distributing company "Pivo-Vody", Export-Import Company "Rosintorg", Certification Center "Russian Standard", Russian-European Transport and Customs Services Company "SFT" and others. Participants will have a chance personally meet beverage producers or distributors, establish direct contacts, and best of all – get "know-how" and gain expertise from successful exporters. At the end of the seminar each participant will receive a Certificate of Training.

If you are interested in participating, please contact us at +421 55 7289267 or visit [http://ruscham.com/en/news/rus\\_cham\\_news/1/170.html](http://ruscham.com/en/news/rus_cham_news/1/170.html) to get more information and download registration form.

**October 11, Bratislava, Slovakia:**  
Training Seminar

### **RUSSIA—EUROPE 2005:**

#### **EXPORTING TO RUSSIA: CERTIFICATION, CUSTOMS, TRADE REGULATIONS**

The Russian Chamber of Commerce in EU invites you to attend a Training Seminar RUSSIA-EUROPE 2005 "Exporting to Russia : Certification, Customs, Trade Regulations" that will be held on October 11 2005 at Carlton Hotel, Bratislava, Slovakia.

The conference will cover all new Russian certification regulations, registration of products with the Russian Ministry of Health, GGTN permits, Customs formalities and logistics, as well as current and new trade regulation. The topics of the seminar will be covered by the best experts in their fields and top managers from Russian Federal Customs Committee, Russian Federal Agency for State Technical Regulations, RosPotrebnadzor (formerly known as GosSanEpidemNadzor) - Russian Federal Agency for Control of Public Safety, Russian Ministry of Public Health, and other organization.

For more information, please visit <http://www.rosstandard.com/seminar.htm>

#### **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 opportu-

nities 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](mailto:membership@ruscham.com) or contact us at +421 55 728-967

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Please send any comments on RusCham Newsletter to [ad@ruscham.com](mailto:ad@ruscham.com) or [lipatov@ruscham.com](mailto:lipatov@ruscham.com)

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