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MONTHLY ISSUE

IN THIS ISSUE:

RUSSIAN FAR EAST RAILROAD SYSTEM * B. FERRERO—WALDNER: THE EU AND RUSSIA—DEVELOPING OUR SHARED EUROPEAN CONTINENT * RETROSPECTIVE: TRANSTEC 2006 * BUSINESS NEWS AND UPCOMING EVENTS * FINANCING REAL ESTATE MARKETS IN CEE AND CIS CONFERENCE

Russian Far East railroad system

The current railway system in the Russian Far East (RFE) represents the lifelines for the RFE southern territories, and especially, Primorsky and Khabarovsk krais, Amurskaya Oblast, Jewish Autonomous Okrug, Sakhalin Island, and Southern Sakha (Yakutiya). JSC Russian Railways (RZhD), the monolithic inheritor of the Ministry of Railways, is one of Russia's largest companies and includes 17 regional railways with a total length of approximately 86.2 thousand kilometers.



The Far Eastern and Sakhalinskaya railway affiliates of the RZhD are the part of the RZhD network with the total length of 9 thousand km. The railway system plays a leading role in the RFE's natural resources exploitation and export, and considerably influences development of the regional economy, and political and social sectors. Northern provinces of China, with booming industries have no access to Pacific, and the TransSiberian (TransSib) Land Bridge (TSLB) provides this heavily utilized access. Also, this is a primary route for a transit cargo shipping from Southeastern Asia to Europe with Asian and European trading partners continually increasing demands on the TransSib. Also, there are plans to connect eastern ports of RFE to Japan and Korea. The Russian railway system remains a highly cloistered and conservative organization; it is centrally controlled and 100% state owned. However, they

have identified several vital needs to improve operations, upgrade the railway network and rolling stock, improve tariff policy, attract potential foreign investment, and to partially privatize operations.



Developments and Trends in the RFE Railway

Rail enjoys a competitive advantage over underdeveloped aviation services in the RFE mainland's vast distances and continues to be the dominant mode of freight transport in the RFE and in Russia as a whole. RFE railroads carry about 83% of the region's freight and 40% of the country's passenger turnover. A 100% electrified double track TransSib, a part of the RZhD, runs through Siberia and links Vladivostok to Moscow via Khabarovsk, Amur, and the Jewish Autonomous Okrug. In 2005, it handled 48.36 thousand tons of cargo. The 6 thousand km long Far Eastern railway affiliate of the RZhD

with head office in Khabarovsk and four railway departments headquartered in Vladivostok, Khabarovsk, Komsomolsk-on-Amur, and Tynda (Baikal-Amur railway) is a part of the TransSib. Other affiliate of the RZhD, Sakhalinskaya railway headquartered in Yuzhno-Sakhalinsk is over 800 km long. The density of railways in Primorsky krai – 100 km/ 10 thousand square km --and in Sakhalin -- 120 km/ 10 thousand square meters -- is the highest in the RFE.

Far Eastern and Sakhalinskaya railways have access to major RFE ice-free sea ports --Vladivostok, Nakhodka, Vostochny, Posyet, Zarubino, Vanino, and Russian-Chinese border crossings. The RFE ports gained in national importance and became major gateways for international transit shipments via railway between Pacific Rim and European countries via Russian territory. The railway heavily depends on the RFE ports' smooth operation and vice versa.

Baikal-Amur (BAM) is a part of Far Eastern railway network and is 500 km shorter than TransSib. BAM provides an access to the Pacific in the point of Vanino port. Built in 1984, BAM is a 4.3 thousand km sin-

gle track serviced by diesel locomotives; BAM runs through Amurskaya Oblast, South Yakutiya, and Khabarovskiy krai in parallel with TransSib, and within 300-500 km to the north from TransSib. Today BAM is utilized by 3050% out of 27 million tons of the projected capacity. In 2003, 8 million tons of cargo was shipped by BAM, in 2006 – 13 million tons. The bulk of cargo shipped via BAM today is coal from Neryungri and Yakutiya to Primorsky and Khabarovskiy kraia, and Japan. Baikal-Amur railroad, which can handle up to one million TEU of transit cargo annually through Vanino port, may be engaged in Euro-Asian transit and domestic Russian freight flow, is underutilized today.

Railway in the Sakha (Yakutiya) is a part of Far Eastern railway network. Built in 1995, railway transport is relatively new to the Sakha republic, but today ranks second by freight turnover, following water-borne transport, which handles 70% of all freight into the region. The coal industry is a major cargo-supplying sector and accounts for 9 million tons of coal transported by the Sakha republic railroad annually. In 2005, Yakutiya's railroad cargo turnover was 279.8 million tons/km, which is a 29% increase to 2004. Operating all year round, rail transport holds much promise for the republic as compared to that of seasonal water-borne or expensive air transport. A railway used to connect BAM to Berkakit settlement in Southern Yakutiya and a 360 km rail line connected the Neryungri coal basin to Tommot settlement in Southern Yakutiya, both lines operated independently. Today, there is a need to connect Yakutsk, the capital of the Sakha Republic to the BAM railroad by building a 358 km railway Berkakit-Tommot-Yakutsk. This construction will require \$500 billion US for the period 2005-2010; it will link the BAM-Yakutsk railroad with the industrial centers and raw materials deposits (coal, timber, ore) in Southern Sakha.



The Sakhalinskaya Railroad was built in the beginning of the 20th century partially by Japanese, when Sakhalin island belonged to Japan. The Sakhalinskaya Railroad had a narrow gauge 1,067 millimeters, when Russia-wide standard requires 1,520 millimeters. Booming offshore oil development on Sakhalin had a direct impact on the railroad re-gauging. Large cargo volumes for Sakhalin oil project arriving by TransSib to the Vanino port are shipped by the Kholmsk ferry service to Sakhalin. In 2005, the Sakhalinskaya railroad handled 3.4 thousand tons of cargo, which is a 135% increase as compared to 2004. The major obstacle was that rail wagons had to be re-gauged for a further shipment via Sakhalinskaya railway, and this was cost and time consuming. Today, the Sakhalinskaya railroad reconstruction according to the Russian gauge standard is on a large scale. A five-years project started in 2003, and will require \$500 billion US.

Transit Corridors and Rail Links

Geographically, Russia is a natural land bridge between Europe and Asia, cutting delivery time and cost. Estimated annual capacity of the 10 thousand km of TransSib is up to 1 million TEU. Russian Federation (RF) Government considers intermodal transport corridors to be an integrant tool for a number of Russian industries and to be beneficial for improving the Russia's geo-economical status. The strategic priorities of transport modernization aim at ensuring that in the



future Russia will be a great transit services providing power. RZHD's President Vladimir Yakunin says there has been prepared a specific program until 2010 targeted at the integration of Russian railways into the Euro-Asian transport system (transit corridor) and improvement the technology of export-import transit traffic and optimization the inter-actions with foreign railways. One of RZHD's modernization priorities is development of railway facilities on the borderline railway crossings and near-port stations, and creates inter-modal companies that will coordinate transcontinental container shipments. Today, capabilities of TransSib are ready for transcontinental transit of 300 thousand containers a year, projected capability being up to 1 million containers a year.

The TransSiberian Land Bridge (TSLB) is a high capacity double track electrified line of 10 thousand kilometers in length, capable to carry up to 100 million tons of cargo annually including up to 140 thousand TEU's of containers from the Pacific Region countries to Europe and Central Asia. The Nakhodka Vostochnaya pre-port shunting yard handles cargo of the port of Vostochny. The handling capacity of the station is 9 million tons per year. There is a complex to handle up to 120 thousand transit containers a year. Cargo can be consolidated into a simultaneous shipment in a form of a heavy-duty six thousand tons block train, and TransSib can manage such a train.

Initially, this particular corridor offered a transshipment route to move light industrial and consumer goods from landlocked Jilin and Heilongjiang, Northeast China to the U.S. West Coast by-passing the over-utilized Dalian-Harbin route in favor of a shorter route via ports in Primorsky krai and saving 1,600 miles. Initially referred to as East-by-West Corridor, the transit route was proposed by the Transportation Sector of the Russian-American Pacific Partnership (RAPP). According to pre-

liminary findings, American companies would save an estimated \$1 thousand US per container. Over 350 thousand metric tons of cargo passed between the ports of the U.S. West Coast and Vostochny in 1997. But a large percentage of the containers returned to the U.S. empty, and the corridor's operation was declared inefficient.

Today the corridor creates a smooth, efficient and cost-competitive route linking trading partners - China, Mongolia, RFE (Vladivostok, Vostochny), and Japan. The Russian Ministry of Railways is actively involved in modernizing the TSLB infrastructure, reducing transit times, and improving service levels. In addition, the rail links to the seaports have been modernized. These improvements have resulted in container handling at international standards. Service rate at the Vostochny International Container Services (VICS) terminal is 2526 containers per hour. Transit time from Vostochny to Moscow is reduced to nine days to Poland and Finland is 11.5 days, and to Germany and Hungary -12.5 days. Container transit time from ports of Japan and South Korea to West Europe and Scandinavia via TSLB is 17-20 days, which is faster than by sea. High-speed trains (120 km/hour), and wagons capable of carrying 2x40' containers, started to run on Vostochny/Nakhodka-Brest route. Trains are processed via Brest for onward travel to destinations further west, and efforts are being made to centralize deliveries to Moscow so that dwell times upon arrival are reduced. In 2002-2005 RZhD invested \$1.5 billion into the Far Eastern railway modernization to increase its through capacity.

Russian Ministry of Railways pays great attention to developing to TSLD and other rail links with South-eastern Asia. In March 2006, the international conference "A Bridge between Asia and Europe" organized by RZhD took place in Vladivostok. Representative of South and North

Koreas, Japan, China, Germany, Sweden discussed improvement and modernization of TSLB, tools for attraction transit cargo to this transit corridor, and forms of mutual cooperation.

Simplified customs procedures. The State Customs Committee has simplified customs procedures for transit containers transported by the TSLB to all destinations by electronic submission of electronic railway bill to Customs prior to cargo arrival. This allows cutting customs procedures from five days up to two hours.



Suifenhe-Grodekovo Rail Link is 26 km single-track railroad between Heilongjiang province in Northeast China and the RFE. The proximity to China has naturally resulted that China has become one of Russia's major trading partners. Commerce between the two countries is characterized mainly by the export of Russian raw materials (timber, oil, coal) and the import of Chinese technology and consumer goods. Annually, this border station boasts an increase by 1 million tons of cargo. In 2005, the Suifenhe-Grodekovo Bridge handled 7.4 million tons of cargo - this is a 20% increase as compared to 2004. It is expected to achieve 8.5 million tons in 2006 of cargo processed, and to grow twofold in 2010. However, slow train speed, stops, and re-gauging process are the major obstacles on this route resulting in transit time delays on this route.

Trans-Korean Rail Link would provide the port of Pusan with direct access to Europe via the Russian rail

land bridge Khasan (Russia)-Tumangan (North Korea). The Russian Ministry of Railways plans to restore a 930-km stretch of the railway crossing North Korea from the Khasan station of the TransSib to the demarcation line with South Korea. This work is expected to take two years. Most cargo from South Korea to Europe is currently shipped via the Suez Canal, taking 40-45 days. It is believed that the new transport corridor would cut transit time to 10-12 days, and decrease tariffs by \$400. The new corridor will be able to transport 200 thousand containers/year and with the further development, up to 1 million containers/year via TransSib. North Korea will also receive big earnings on cargo transit. In 2005, RZhD developed a feasibility study. However, it is North Korea that has suspended the project. RZhD continues to discuss this initiative, and Russia's ports have not yet voiced their support for or opposition to the scheme. Port representatives acknowledge that it would seriously undermine their competitive position, particularly that of their transit container-handling services.

Connection Between Sakhalin and Northern Japanese Island. RZhD is considering several projects to expand its rail system in Southeastern Asia. A rail tunnel or bridge between Sakhalin and the mainland can link the island to the TransSib via the port in Vanino and attract cargo to the Baikal-Amur Railroad. There is also discussion of building a similar connection between Sakhalin and the northern Japanese island Hokkaido, allowing Japan to have a direct rail link with Europe via Russia. Annually, Japan sends to Europe 360 thousand TEU containers via Suez Canal. In contrast, the TransSib carries only about 8.3 thousand containers from Japan. Today, 80 miles between Sakhalin and Japan are connected with a ferry with 280 tons lifting capacity. In 2005, over five thousand tons of cargo destined for Sakhalin oil & gas projects were shipped by this route,

and this volume may grow. According to newspapers publications, the Japanese businesses are ready to provide financing for the project.

Tariffs. The recent upward jump of railroad tariffs caused drastic slump in business for RZhD customers, freight forwarders, and RFE port. In November 2005, RZhD approved new tariffs for the period of 2006-2009. The through rate for transit cargo shipped via TSLB from ports of China and Southern Korea to Finland and Western Europe increased two-fold and is \$2,000 US. Export-import cargo tariffs increased by 12%. Before the 2005 tariffs rise, RZhD introduced the concept of flexible commercial tariffs as opposed to fixed

government controlled rates. However, that liberalization of tariffs resulted in confusion for clients - eg., the tariffs for a 20' container shipment varied between \$1,500 and \$1,900 US in the Japanese-Scandinavian direction, and for 40' container \$2,700-\$3,500 US. Today, the skyrocketing tariffs force many Asian freight forwarders to choose traditional sea borne traffic instead - in the first quarter of 2006 containers handling through TransSib dropped to 81 thousand TEU, or by 7% compared to the same period of 2005. Siberian and the Urals metal manufacturers were major cargo-suppliers for TransSib (15 million tons in 2004) exporting metal to the Pacific Rim countries; but they redirected their

export route to ocean shipment via Western or Southern Russian ports and Suez Canal. Weak points and disadvantages of the new tariff policy are obvious. However, RZhD taking an advantage of being a monopoly in the Russian railway market does not plan decreasing tariffs, and states that the new high tariffs recovered so-called "black corridor" concealed imports. Through a "black corridor" import cargo destined for Russia is transported to Finland via rail under former low tariffs, then is reloaded to automobile trucks and is imported to Russia through an exempt tax and duty-free route via special importers in Western Russia. ■

(to be continued in November issue)

"The European Union & Russia - developing our shared European continent"

Speech by Benita Ferrero-Waldner, European Commissioner for External Relations and European Neighbourhood Policy

European Studies Institute, Moscow State Institute for International Relations (MGIMO)

Moscow, 23 October 2006

Dear Rector,

Your Excellencies,

Professors,

Ladies and Gentlemen,



I would like to thank you warmly for this invitation to address you today.

It is particularly important for me, as European Commissioner responsible for relations between the European Union and Russia, that we are here today to celebrate the opening of the European Studies Institute. Because the very purpose and meaning of the European Studies Institute is to deepen relations between us, by creating a pool of expertise and knowledge about each other.

I would like to pay tribute to everyone involved in bringing this Institute to life. The Ministry of Foreign Affairs - especially Sergey Lavrov, the Presidential Administration - especially Sergey Yastrzhembski; the Ministries of Economic Development and Trade as well as Education and Science; our Member States who have provided unflinching support and some of whose Ambassadors sit on the Institute's Board of Governors; and our partners in the European Economic Area and Switzerland, who are also here today to support the beginning of this new venture.

And above all the students themselves, who are the real pioneers of this venture.

For me the Institute symbolises the EU's and Russia's desire to develop a new, deeper relationship

with each other. We recognise the need to get to know each other better, to understand each other's culture, legal system, politics, and language. We are two global powers inhabiting one continent, and neither of us can achieve our strategic objectives without each other. Unlike during the Cold War, we are no longer in competition. Our societies are different, but they look more like each other than ever before. And whilst we may not always agree on everything, the difference now is we want each other to succeed and we need each other to succeed.

So the objective of this Institute, to train young Russian students and officials to have a better knowledge of EU institutions and decision making procedures, and to offer EU students and specialists the opportunity to improve their understanding of EU/Russia cooperation, is per-

fectly in tune with the current state of EU-Russia relations.

The fact that it is co-funded by the EU and the Russian government symbolises our recognition of the mutual benefit we derive from closer relations. And its location here in MGIMO [Moscow State Institute for International Relations], which has played such an important role in fostering Russia's political leadership and providing the country's intellectual powerhouse, fills me with conviction that ESI will be the flourishing academic institution we all want to see.

The ESI is also making an important contribution to the realisation of the four "common spaces" - economy; freedom, security and justice; external security; and research, education and culture - which the EU and Russia are building on our European continent.

1) Research, Education and Culture

I am particularly glad that one of the first projects in this space is the ESI. We now have a sound basis on which to move forward. In many ways this focus on our young people is the most important investment in our common future. Because the more we know about each other, the easier and more productive our co-operation will be.

That is not to say we have not had any cooperation in this area in the past - on the contrary, a great deal has been happening, particularly in the all-important field of education. Through our TEMPUS programme we have enabled teachers and future-teachers to benefit from the experience of teaching elsewhere, learning how other systems work. We have also assisted curriculum development, university management reforms and institution building in the education sector. In fact when I was at Kant State University in Kaliningrad Oblast earlier this year, the Rector told me how

valuable he and his staff find Tempus and how pleased they are it will continue.

Through our Erasmus Mundus programme more than 70 Russian students have participated over the last three years in postgraduate studies in prestigious European Masters programmes. We have also fostered partnerships between universities in the EU and Russia. And we are currently spending €3 million a year on scholarships for Russian students.

Only last year we started a new project to make it easier for Russian students to come to Europe, by publishing a guide called "Your Scholarship in Europe" which lists scholarships available from the EU for Russian students. We distribute it at information days, education fairs and on university campuses.

Russia is also one of 45 countries participating in the Bologna Process to build a European Area of Higher Education. The idea is to eliminate all obstacles to students studying in different places in Europe, and to ensure that their study abroad is recognised at home. I know MGIMO [Moscow State Institute for International Relations] has been particularly active in turning this into a reality.

We want to encourage more Russian students to come to Europe. We want young people to make friends, to share their music, parties, and interests. And to go home with warm hearts towards Europe. So we hope to boost the number of scholarships we can provide. We have already decided that in the future the Commission will be spending up to half its financial allocation for Russia on educational cooperation and student mobility.

Giving EU students an opportunity to come and study here in Russia is equally important, so the Russian Government's scholarship schemes for EU students and schol-

ars will be very welcome.

I know MGIMO [Moscow State Institute for International Relations] also has ambitious plans for the future, including cooperating with the College of Europe (College of Bruges) to develop a curriculum for European Studies. The EU is delighted to support that project, and I am sure the partnership will be a great success.

But what of the other three "common spaces"?

2) Economic space

The economic sphere has been dominated by energy this year. In many ways the entire EU-Russia relationship has been focused on energy, as we also saw at the meeting with President Putin in Lahti just two days ago. A mutually reliable energy-partnership is certainly very important for both of us! Our task now is to get down to making our relationship work to our mutual benefit.

Ultimately, the equation is simple: we need Russia's energy, and Russia needs the enormous energy market Europe provides. Stability, predictability and reciprocity are in both our interests. Your companies want a share in our downstream energy assets, while our companies are looking for investment opportunities to further develop your resources. You need more investment in new production and infrastructure, and in fact our biggest concern is that without that investment you may not be in a position to meet our future energy needs.

What we need is reciprocity, transparency and a truly level playing field, covering market opening and market access, fair competition, environmental protection and safety.

But the economic space is about more than energy. One important area of our cooperation is the

environment. Many of Europe's environmental problems straddle the EU and Russian borders. As parties to the Kyoto Protocol we are global partners in tackling the immense challenge of climate change. We must work together to secure a better environment for our continent and to prepare for the post-Kyoto regime.

3) Freedom, Security and Justice

As for the "common space" of freedom, security and justice, the most tangible sign of progress is visa facilitation and readmission. We know how much it means to travel freely, and how irritating and time-consuming it is to go through some of the visa procedures currently in place. So we are making considerable efforts to get the visa facilitation agreement in place as quickly as possible, hopefully by the end of the year. Then Russian students, businessmen, academics and others will be able to build up the kinds of European connections we want.

We also have frank exchanges about the implementation of our common European values. It is no secret that the EU is worried about some developments in the field of democracy and human rights and media freedom. The murder of Anna Politkovskaya, who for many in Europe was a model of courageous journalistic investigation in the public interest, has shocked us. Guarantees of media freedom are essential for a healthy society. Independent media play a vital role in holding the executive and others to account. We hope the investigation into the murder of this fearless and respected figure is both thorough and objective, and justice is seen to be done.

Democracy needs a vibrant civil society – naturally with the necessary check and balances in place.

4) External Security

Finally, external security. As

two global powers we face many of the same security threats, and it is essential that we work together to tackle them. Russia and the EU are both members of the Middle East Quartet, where we still face enormous challenges to bringing the parties back to the negotiating table. Our absolute priority must be to bring an end to the violence in the Palestinian territories and return to the calm that held for most of 2005, return to the road map and help to create progress towards a "2 States' Solution".

On Iran, Russia has played a very constructive role with France, Germany and the UK in pushing diplomacy as far as possible and exploring every opportunity to bring Iran back to the negotiating table. Nobody wants to go down the route of sanctions, but I fear that we may find ourselves with little alternative, since Iran, unfortunately, up to now has not responded positively to our broad offer.



I know Secretary Rice was here over the weekend to discuss implementing the UN Security Council sanctions against North Korea, and again we very much appreciate the good cooperation we have had with Russia over this issue. We strongly urge the DPRK to return to the Six-Party talks, where Russia is present, and to refrain from conducting any further nuclear test or missile launch.

Closer to home, our cooperation in tackling regional security threats is no less important. The European Union is really concerned

by the escalating tensions between Georgia and Russia, and has repeatedly called on both sides to tone down their rhetoric and to act in a manner consistent with their international commitments and obligations.

We stand ready to do what we can to facilitate mutual confidence building and contribute to a peaceful resolution of the crisis. We have a strategic partnership with Russia, and work with Georgia through our European Neighbourhood Policy.

More generally, we would like to work more closely with Russia in our common neighbourhood. We both have a strong interest in the stability and prosperity of our neighbours: we face the security threats of terrorism, the proliferation of weapons of mass destruction, and organised crime. Other challenges like HIV, pollution, an ageing population, and the need for economic success, respect no borders. Cooperating more closely on issues like Transnistria and the frozen conflicts in the Caucasus would only be beneficial.

Ladies and Gentlemen,

I have given you a snapshot of the current shape of EU-Russia relations, but what does the future hold? We still have much work to do in implementing the road maps we set for ourselves in each of the four common spaces.

But we also feel the need for a more substantive upgrading of our relationship. Despite the occasional misunderstandings between us, we have an enormous amount in common. And it's clear that the need to work closely together will only increase in the future. So what better way of cementing the ties between us, and bringing the European continent together, than through a common project for our strategic partnership – a new EU/Russia Framework Agreement.

This Agreement would reflect the changes both the EU and Russia have undergone in the past 10 years and give new impetus to our cooperation. It should encompass a substantial agreement on energy – providing more liberal access on the basis of reciprocity; further measures on justice, human rights and security; more student mobility and educational cooperation; and increased foreign policy cooperation.

The agreement should also help the gradual integration of the EU and Russian economies. For that, the first step is Russia's WTO accession, which we strongly support.

I hope we are in a position to launch negotiations for the new EU-Russia Agreement at our Summit in Helsinki next month. That would be

a truly important signal that we are taking our relations to a new level of intensity.

I expect this audience, and particularly those of you involved in the European Studies Institute, will watch developments with great interest.

After all, many of you are just starting out on your careers in different ministries, services and agencies dealing with EU-Russia relations. And so you can expect to be putting the knowledge you gain to practical use in the very near future. With a new agreement, there will be new legal and political instruments to negotiate, and strategic decisions to be made on new areas of cooperation. Who will be better placed to participate in those negotiations and

policy discussions than you – with your newly gained knowledge of the way European institutions operate and the thinking that guides us.

I am delighted that the ESI is fully functioning and I warmly congratulate the 62 participants in this year's programme who are blazing a trail for better EU-Russia relations.

I am sure those of you involved in setting up this institute will look back in a few years time, see the impact your work has already had in bringing us closer together, and rightly congratulate yourselves for your foresight and perseverance!

Thank you once again for this opportunity to talk to you, and I look forward to a fruitful cooperation. ■

Business News Ticker

Russian-German trade turnover could reach a record level of \$40 billion in 2006, Russian President Vladimir Putin said speaking at the Russian-German St. Petersburg Dialogue Forum in Dresden. Trade turnover between the two countries in the first quarter of 2006 alone was \$20 billion, and it will definitely be no lower than \$40 billion by the end of the year, he said. Russia's trade turnover with Germany accounts for 10% of its overall trade turnover with foreign countries, while that with the U.S. accounts for just 4.4%.



Russia and the Czech Republic are ready to sign an agreement on the modernization of Mi helicopters,

delivered earlier to the Central European country, to meet NATO standards. Russia agreed in September 2004 to deliver 16 Mi-171 Hip transport helicopters and 10 Mi-35 Hind combat helicopters, worth \$184 million, to the Czech Republic by the end of 2006 as a partial payment of Russia's outstanding \$741 million debt to the country. The Czech Republic, which joined NATO in 1999, will modify the helicopters to meet NATO specifications, and will add communication and other technical equipment.

British-Russian joint venture TNK-BP and Siberia-based Surgutneftegaz have won tenders for licenses to four deposits in North Siberia, worth about 1.2 billion rubles (\$43 million). The auction for prospecting and production licenses in the Taimyr (Dolgano-Nenets) Autonomous Area in Russia's Arctic was held by the local department for mineral resources in the city of Norilsk, the country's northernmost

city. The sites, located on the Taimyr Peninsula in the far north of the Krasnoyarsk Territory, have estimated reserves of 92.7 million metric tons of oil and 60.5 billion cubic meters of natural gas.

Russia has imposed a temporary ban on supplies of canned fish produced by two factories in Latvia, due to high levels of a dangerous substance allegedly detected in their products. Restrictions imposed by Russian authorities on food imports, including United States poultry, Moldovan and Georgian wines, and Ukrainian meat, have been a source of tension in bilateral relations with these countries.



Russia and Italy presented a mock-up model of a new-generation diesel submarine at an international

arms show in France. The S1000, a 1,000-ton diesel submarine, is a joint project of Russian submarine-builder Rubin and Italian Fincantieri launched in 2004. The sub is designed for anti-submarine and anti-ship warfare, reconnaissance missions, and transportation of up to 12 troops. It is 56.2 meters long, has a top speed of 14 knots and is equipped with a new fuel cell-powered Air Independent Propulsion (AIP) system developed by the Italian firm.

 Vneshtorgbank plans to set up a holding company consolidating its subsidiaries in Europe, to be head-

quartered in London, by the end of 2006. State-controlled foreign trade bank Vneshtorgbank and its subsidiaries (VTB Group) is a leading Russian commercial banking group, offering a wide range of banking services and carrying out operations in the country and abroad. As of June 30, 2006, VTB Group included 151 branches. The consolidation is aimed at creating a major financial institution to attract foreign investment in Russia and to provide services to Russian firms abroad.

 Representatives of the Volkswagen AG Company specified models to

be assembled in Kaluga (Russia) during ceremony of laying first brick into fundament of VW plant in Russia. Modular assembling of Skoda Octavia New and Volkswagen Passat will start at the automobile plant in fall 2007. The VW will demonstrate its new model VW Polo-based sedan to be produced only in Russia under full cycle conditions, including welding, assembling, and painting. Full cycle production will start in 2009; Skoda Octavia and VW Passat are planned to be localized by that time; Kommersant newspaper informs. Other modes of Skoda and VW will be continued to be imported.

Upcoming Events

- Nov 20-21: Financing, Insurance and Risk Management in the Oil and Gas Industry conference
- Nov 21-22: Broadband Russia & CIS 2006 conference
- Nov 29-30: 3rd Federal Investment Forum
- Nov 29-30: Financing Real Estate Markets in CEE and CIS: Capitalizing on Great Opportunities in Real Estate Conference in Bratislava, Slovakia
- Dec 4-5: Russia & CIS PPP Summit
- Dec 7-8: Mergers and Acquisitions in Russia and CIS: The Road Towards Success conference in Frankfurt-am-Main



Financing Real Estate Markets in CEE and CIS: Capitalizing on Great Opportunities in Real Estate (29.-30. November, Crowne Plaza Hotel, Bratislava, Slovakia) is a high level business networking summit that will bring together representatives from governments, key industry players, the private sector, research and financial institutions to explore brand new approaches to Real Estate developments, investments and project implementation. Participants will enjoy excellent

round table discussions and networking discussing current status of a region with fast changes in Real Estate sector structures, economics, ownership regimes and investment opportunities. This will be valuable opportunity for

Real Estate and Construction companies and investors to meet and discuss their needs and solutions in this changing market. Conference will give special focus on investing opportunities and mort-

gage markets in CE and CIS.

To request a Booking Form, Speakers Registration, Sponsorship Registration, Partnerships Inquires please contact us at events@ruscham.com, or call +421 (0)55 728 9267





TRANSTEC—2006: Overview

“TRANSPORT and INTERNATIONAL TRANSIT – TRANSTEC-2006”

Russia, St.Peterburg, 25-28 September 2006

The exhibition “TRANSTEC-2006” has welcomed participants from Russia, Ukraine, Germany, Czech Republic, Lithuania, Italy, Poland, including “Russian Railways JSC”, “Transcontainer JSC”, FSUE “Rosmorpost”, Ust-Luga branch FSUE “Rosmorpost”, Ports Murmansk, Arkhangelsk, Kaliningrad, Association of Sea Commercial Ports, North-West and Volga shipping companies, National pavilion of the Czech Republic supported by the Ministry of Transport of Czech Republic and leading enterprises of the transport Industry - “KAMAZ”, “Yralshina”, “Baltkran”, “Liebherr-Russland”, “Petrocrane”, “NIIEFA-Energo”, “Azov mash”, Association “ASTO”, “The Car-building company of Mordovia”, “tTe Tver Car-building Factory”. Programs of the development of the infrastructure of transport corridors have been presented by “Transstroy Cnil Engineering Corporation”, Federal Road agency “Rosavtodor” of the Ministry of Transport of the Russian Federation. Scientific and technical development in the field of transport have presented by “Lengiprotrans”, Institute of transport issues of the Russian Academy of Science, “Geogracom”, “Ramax International”. The-logistical systems have been presented by Italian Association of logistics “GESE”, “The Baltic Consortium”, “Chandler Logistics”



In the Greeting message for the exhibition and conference, including

annual General meeting of the Euro-Asian Transport Union, the Vice-Speaker of the State Duma of the Russian Federation, Mr. A. N. Tchilingarov underlined, that “The Euro-Asian transport union uniting the largest Russian transport companies, financial institutions and cargo owners has reliably proved on the Eurasian transport space as the organizer consolidating the initiatives of the international organizations, the state and private business in development of modern transport communications.

The international Eurasian conferences on transport and exhibitions “TRANSTEC”, organized with the support of the Union and traditionally passing in Russia since 1994, steel one of the most serious events influencing development of transport of the Eurasian continent. An orientation of both actions in the field of complex development of transport and the international transit of cargoes on the basis of deep integration of transport of Russia into the international Eurasian transport system, being one of priority directions of national transport policy and economic integration.

The purpose of conferences and exhibitions - development of idea, an infrastructure and technologies of the Eurasian overland transit in interaction with sea and avian transportations on directions of import-export and transit freight traffics - is actual for representatives of transport community of continent, thus conference and exhibitions became a platform for discussion of the major working questions and the informal dialogue promoting strengthening of business ties.

The basic themes of an exhibition “Transtec-2006” are: mecha-

nisms of state-private partnership at realization large transport infrastructural and investment projects, attraction of transit cargo base and interaction with domestic and foreign cargo owners and manufacturers of an industrial output, especially in view of possible results of influence on development of transport of the planned introduction of the Russian Federation in WTO, harmonization of the transport legislation. “

Within the exhibition and conference “Transport and international transit Transtec-2006”, took place annual General Meeting of the Eurasian transport union (EATU). A number of experts has named this action by the most significant event of the “8-th TRANSTEC exhibition” program. The EATU has been created in 2000 with the purpose of realization of functions of constantly operating Secretary of the international Euro-Asian conferences on transport and the International transport exhibitions. Its president became Alexander Gendelev. ■





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Head Office in EU: Štefánikova 6 040 01 Košice Slovakia Telephone: +421 55 728 9267 Fax: +421 55 728-9269 President Dr. Sergey Shuklin	Russia: 101000, Moscow Chistoprudny blvd. Bld. 5/10, Suite 214 Telephone: +7 495 980 8440 Fax: +7 495 980 8441 Head Representative Mr. Mikhail Kolesnichenko
Austria A-8010 Graz Langegasse 19 Telephone.: +43 316 68 9556 Fax: +43 316 68 5487 Head Representative Dipl.-Ing. Mr. Peter K. Erlach	Russia: 117335 Moscow, ul. Vavilova 81 Telephone: +7 495 132 7522 Fax: +7 495 132 7526 Head Representative Dr. Sergey Abramov
Bulgaria 25 Yakubitza, A, 12, 1164 Sofia, Bulgaria Telephone: +359 885 707 008 Fax: +359 2 962 7692 Head Representative Mr. Andrey Bachvarov	Russia Hall 5-a, LENEXPO, VO, Bolsoy pr.103, St.Petersburg, 199106, Russia Telephone: +7812 3212676 Fax. +7812 3212677 Head Representative Mr. Alexander N.Tikhomirov
France Telephone: +33 6 60 56 31 57 Head representative Ms. Anna Koulinky	Serbia and Montenegro Kraljice Katarine 49 11000 Belgrade Telephone: +381 11 305 9612 Fax: +381 11 3551 706 Head Representative Mr. Alexander Perishic
Hungary: Fulemule U. 12-18 2/B EP. 1121 Budapest Telephone.: +36 30 255 6130 Fax +36 1 395 6613 Head Representative Mr. George M. Palasthy, MSc	UK Olympic Office Centre, 8 Fulton Road Wembley, Middlesex, HA9 0NU Telephone +44 7976 364 727 Fax: +44 20 8795 2977 Head Representative Mr. Mark Proskourine
Latvia: Mukusalas 42, Riga, LV-1004 Telephone: +371 7 625 733, +371 7 625 612 Fax +371 7 625 612 Head Representative Mr. Sergey N. Alexeev	Ukraine: 01032 Kiev, ul. Zhilyanskaya 110 Telephone: +380 44 234 2725 Fax: +380 44 240 9200 Head Representative Mr. Igor Ort
Republic San Marino / Italy Via 3 Settembre 128/1 Dogava Republica di San Marino Telephone: +378 901 924 Fax. +378 908 143 Head Representative Mrs. Galia Checcoli	USA: 115 Mendham Ave, Suite 1A, Hastings-on-Hudson NY 10706 Telephone (914) 478 7557 Fax (309) 276-0783 Head Representative Mr. Gregory Temkin

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