

TO PROSPERITY WITH CO-OPERATION

RUSSIAN BUSINESS GUIDE



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EXHIBITIONS**



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From the editor

This new edition of the *Russian Business Guide* presents foreign readers with an energy focused view of the Russian Federation's economic policy. At present, people worldwide are seeking answers to the question of what the Russian economy is like today. Some say it's 'an expanded raw materials model' while others say it's an 'energy super state'. We could say that both statements are correct. However, one describes the existing system, formed by the objective laws of the past; the other reflects the future. Naturally, the future is a more interesting prospect. Russia is on a course to build market relations with partners in the West and the East, in addition to its CIS neighbours. In this edition, statesmen and diplomats, ministers and leading top managers, scientists and experts share their views on the problems facing international co-operation in general and the sphere of minerals and raw materials in particular.

Few would deny that Russia – having large reserves of energy resources, an impressive industrial basis, developed infrastructure and intellectual potential – inspires confidence. It is well able to become involved in world energy issues, contributing to the reasonable balance of interests between consumers and suppliers of hydrocarbon raw materials. Clearly, power engineering is our key industry in the economic, social and political sense. It cannot be controlled solely by the state. To develop its strategy, the Russian Chamber of Commerce and Industry has set up public and business councils to liaise on such issues. The Chamber's foremost mission is to render assistance to Russian business – widening its presence abroad, organising dialogues and developing direct contacts between entrepreneurs from all over the world. This magazine has been created under the guidance of the Russian Chamber of Commerce and Industry to show how foreign economic co-operation can be achieved. It outlines clear possibilities for foreign business in Russia.

If we answer your questions, the editorial office has fulfilled its task. However, to move on, we will need your co-operation and support. We invite partners and businesses to use our edition as a source of advertising. We have worldwide distribution via international trade fairs and exhibitions, our diplomatic and trade missions and through the foreign branches of the Russian Chamber of Commerce and Industry. ■

We sincerely hope that the *Russian Business Guide* will lead you towards future success.

By Svetlana Tivanova

POLITICS

- 4 YEVGENY PRIMAKOV. **OBSTACLES TO A MULTI-POLAR WORLD ORDER**
6 SERGEY LAVROV. **RUSSIA'S INDEPENDENT FOREIGN POLICY IS ASSERTIVE**
8 GEORGY PETROV. **THE CHAMBER OF COMMERCE AND INDUSTRY IS A RELIABLE
CAPTAIN IN A SEA OF EXTERNAL RELATIONS**
10 **A CHRONICLE OF THE KEY INTERNATIONAL ACHIEVEMENTS OF THE CHAMBERS
OF COMMERCE AND INDUSTRY**
12 GRIGORY ROSTOVSKY. **BULGARIA-RUSSIA: NEW LEVEL OF CO-OPERATION**

ECONOMICS

- 14 GERMAN GREF. **ONLY ONE THING THREATENS OUR ECONOMY –
INEFFICIENT MANAGEMENT AND ABSENCE OF REFORM**
16 VICTOR KHRISTENKO. **KEY PRINCIPLES OF ENERGY STRATEGY**
17 VLADISLAV SURKOV. **THE NEW RUSSIAN ECONOMY**
18 YURI SHAFRANIK. **ENERGY POLICY – NEW POSITION**
22 VADIM LUKOV. **RUSSIA AND EUROPE'S ENERGY SECURITY**
24 ALEXEY MILLER. **GAZPROM FORMS THE ENERGY BASE FOR EUROPE
AND THE WIDER WORLD**
26 **LUKOIL – INNOVATION FOR WORLD LEADERS**
30 ANATOLY CHUBAIS. **RAO UES OF RUSSIA: ENERGY OF DEVELOPMENT**
32 MARINA DERYABINA. **TARGETING GLOBAL COMPETITIVENESS**
33 IAN BREMMER. **WINNERS BANK ON THE KREMLIN**
34 SIMON VAINSHTOCK. **RUSSIAN OIL TRANSPORT DIVERSIFICATION
TO BENEFIT PARTNERS**

SOCIETY & THE WORLD

- 40 DMITRY MEDVEDEV. **HUMAN CAPITAL – RUSSIA'S FOUNDATION**
42 LEO BOKERIA. **NATIONAL HEALTH – THE BASIS OF RUSSIA'S PROSPERITY**
44 VLADISLAV MALKEVICH. **EXPOCENTR – LEADING THE INTERNATIONAL
EXHIBITION BUSINESS OF RUSSIA**
47 SERGEY TIVANOV. **REVIEW OF INTELLECTUAL BUSINESS IN MOSCOW**
49 SERGEY NEBRENCHIN. **THREAT OF TECHNOSUICIDE**
50 ZHORES ALFEROV. **BEING USEFUL IS THE MAIN THING FOR TODAY'S
RUSSIAN SCIENTIST**
52 **JUNIOR ACHIEVEMENT: 15 YEARS OF MOVING AND SEARCHING**
54 SERGEY TIVANOV. **VIRTUAL NEGOTIATIONS FOR REAL CO-OPERATION**
55 **OFFICIAL VISIT OF CHINA'S CHAIRMAN OPENS YEAR OF CHINA IN RUSSIA**
56 IRINA RUDSKAYA. **MAECENAS INSPIRATION**
57 **IN CONCORD WITH BEAUTY**
58 **NATALI'S KALINKA**



POLITICS



4 YEVGENY PRIMAKOV.
**OBSTACLES TO A MULTI-POLAR
WORLD ORDER**

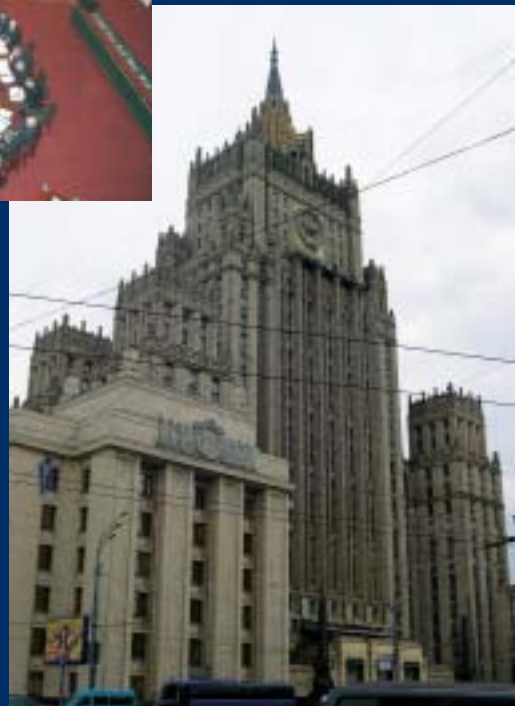
6 SERGEY LAVROV.
**RUSSIA'S INDEPENDENT FOREIGN
POLICY IS ASSERTIVE**

8 GEORGY PETROV.
**THE CHAMBER OF COMMERCE
AND INDUSTRY IS A RELIABLE CAPTAIN IN
A SEA OF EXTERNAL RELATIONS**



10 **A CHRONICLE OF
THE KEY INTERNATIONAL
ACHIEVEMENTS OF THE CHAMBERS
OF COMMERCE AND INDUSTRY**

12 GRIGORY ROSTOVSKY.
**BULGARIA-RUSSIA: NEW LEVEL
OF CO-OPERATION**



OBSTACLES TO A MULTI-POLAR WORLD ORDER



PRESIDENT OF THE CHAMBER OF COMMERCE AND INDUSTRY OF THE RUSSIAN FEDERATION, ACADEMICIAN, YEVGENY PRIMAKOV, TELLS US HIS VIEWS (AS TAKEN FROM HIS ANALYTICAL REPORT ON MAJOR WORLD AND DOMESTIC TRENDS OF DEVELOPMENT, DELIVERED AT A TRADITIONAL SITTING OF THE MERCURY CLUB IN EARLY 2007)

With the end of the cold war, the world witnessed the withdrawal of the bipolar system and the emergence of a multi-polar world order. China and India possess enormous human potential and have since been developing rapidly. In 2006, in terms of aggregate GDP growth, these two countries have managed to surpass the USA. Taking into account the fact that economic growth in China and India exceeds that of the United States by 150 percent, it is clear that these two states are providing the greatest contribution to world economic growth. The EU's share of global GDP also exceeded that of the USA. Meanwhile, Brazil and Argentina are gradually becoming post-industrial countries. The integration process in Latin America is also rather promising. It is hard to imagine that, in such a multi-polar world, a dynamically developing Russia won't become an independent centre.

However, there are obstacles to the new multi-polar world order: foremost, US policy. Under current conditions, this is the most economically developed, militarily powerful and scientifically progressive country in the world. Under today's

American administration, those who want to preserve US hegemony strive to increase their influence in this multi-polar world order.

This hinders the neutralisation of threats encountered by humanity since the end of the cold war: a creeping proliferation of nuclear arms and other weapons of mass destruction beyond the borders of the five official members of the Nuclear Club (who have learnt self-restraint); international terrorism (appearing in the form of Islamism although it doesn't have anything in common with Islam as a religion) and spread of regional conflicts. The danger is further aggravated by the risk of these three perils conjoining. During the cold war, stability in the international arena was secured by mutual containment of the two super-powers – each heading one of the two contradictory ideological camps. In other words, it was based on confrontation with clearly defined boundaries. Now, new threats can only be averted by joint targeted efforts from the basic centres of the emerging multi-polar world; however, this indisputable truth is not easily attainable. Military operations in Iraq have shown that the USA has undertaken a monopoly on defining which country constitutes a threat to international security. It believes it can solely decide the use of force. Simultaneously, the USA has proclaimed its commitment to democracy worldwide – 'exporting' this to any country whose conduct fails to satisfy.

We can already ascertain the failure of such policies. Moreover, many Americans share this opinion. Even President Bush has recently recognised the US collapse in Iraq. Following America's interference, this Arab country has become plunged into chaos; it faces civil war on religious grounds. The danger of Iraq falling apart is becoming increasingly evident. It is now Al Qaeda's main stronghold. The collapse of American policies in Iraq has struck a fatal blow to the US

doctrine of unilateralism – vividly demonstrated by the latest US Congress elections: the Republicans lost their majority in both Houses.

However, this fatal blow has not annulled the doctrine. In fact, there has been an all-out campaign to prolong its existence by all possible means. The widely advertised 'new US strategy' in Iraq is clear evidence: President Bush's decision to send an additional 22 thousand American soldiers to Iraq, contrary to the advice of Congress and predominant public opinion, says it all. This senseless decision supposedly aims to help the USA withdraw from the Iraqi deadlock. An extra sixth of forces are being sent out, ignoring the fact that, in Iraq, the USA has already lost more soldiers than the number who died in New York on September 11th 2001. This ignores the dozens of thousands of deaths among the Iraqi population.

Many people in the United States understand the deficiency of this unilaterally adopted decision to use force. However, the American administration is not yet prepared to accept universal multilateral actions against new threats to world security and stability. Characteristically, it relies on expanding NATO's military alliance rather than on strengthening and modernising the commonly recognised international mechanism of the United Nations. Established in the cold war years as a regional organisation, NATO



is now gradually spreading its military influence to other regions. Already today, the alliance has sent military force to Afghanistan. Who knows what we can expect in the future. For instance, military intervention in Iran and Syria is possible: if not by the USA then by NATO. This is clearly a cause for concern. Talk and action are different things and many NATO members are unlikely to approve but new NATO entrants (and those who desire membership) are ready to pay the price for American benevolence. This is to be feared.

The North-Atlantic Alliance is enrolling increasing numbers of states near our borders. Naturally, this is a worry. Moreover, NATO's enlargement is accompanied by anti-Russian rhetoric and aggressive US policy towards former Soviet republics. Moscow assumes this is due to dissatisfaction by certain Western circles regarding Russia's growing strength and promising potential. Under such conditions our country is pursuing an optimal foreign policy, exploring every avenue to strengthen its strategic and tactical military potential. Russia is endeavouring to show its commitment as a key force in stabilising the international situation. The previous year confirmed success for Russia's foreign policy. Close, strategic relationships were formed with many Asian countries, especially China and India. Meanwhile, Russia has unstintingly maintained close liaisons with European states and mutually beneficial partnerships with the USA.

President Vladimir Putin is aiming for a balanced combination of a firm advocacy of Russia's national interests and a willingness to avoid confrontation with other countries. In my view, Western politicians should re-consider the role of Russia in the modern world. Russia poses no threat to its neighbours and does not use energy resources to pursue its imperial ambitions. It doesn't intend to sail in the wake of someone else's policies though. It does aim to fight international terrorism and stop the spread of weapons of mass destruction. It certainly doesn't accept divisions based on religion and strives to settle dangerous conflicts in the Middle East. Russia pursues policies which aim to cool down the 'hotheads' who have failed to learn lessons in Iraq, continuing to follow destructive military action against unwanted regimes. ■



The Mercury Club was founded under the initiative of the Russian Chamber of Commerce and Industry. Participants discuss how to support domestic businesses, the country's economic policy, draft programmes and laws. Guests include outstanding national political and public figures, representatives of the Presidential Administration, Government officials and deputies of the State Duma and members of the Council of Federation – as well as famous economists, political scientists and journalists.



RUSSIA'S INDEPENDENT FOREIGN POLICY IS ASSERTIVE

Over the last fifteen years, since the cold war ended, the world has changed dramatically. Although the past lingers, new ideas are pushing through more confidently. We are overcoming international confrontation. The globalisation of opportunities and challenges for security and sustainable development is bringing us closer to an understanding that joint efforts are needed to meet today's vital problems of modern development. As a result, dictatorship is less popular; 'old' commitments, supported by ideological and civil solidarity are being devalued.

At the same time, the world is far from secure. Globalisation has brought more unbalanced development and has generated economic, social, ethnic and religious conflicts. In addition, we feel insecure because of one-sided military actions. Stagnation of disarmament aggravates the threat of the spread of weapons of mass destruction. Current uncertainty about the future of our world order is largely connected to the weakening of Russia after the USSR's collapse. Additionally, the West believes it won the cold war; it has a black and white vision. Some long to bring ideology and militarisation back into international relations.

Strengthening of Russia has brought positive change; our country is now capable of helping create and implement a global agenda. Significant international problems cannot be solved without Russia or by acting against Russia. Perhaps, for the first time in fifteen years, we are really competitive in the modern world. The degrading situation in Iraq and Afghanistan is a clear lesson in how one-sided military actions and monopolisation of the process of conflict solution ultimately fail. A misbalanced system of international relations is becoming increasingly unsustainable. Ideological action or that based on alliances is becoming untenable – other solutions have not been formed yet. Accordingly, many countries are now reassessing their interests. Newly emerging global centres of influence and growth, more equal distribution of developmental resources as well as control over natural resources – are creating the economic foundations for multilateral world governance.



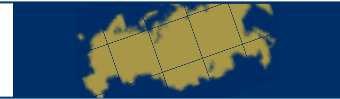
**SERGEY LAVROV,
FOREIGN MINISTER
OF THE RUSSIAN FEDERATION**

A combination of these and other factors have brought transition to a new stage in world development. It differs from all else before in being defined not by the dying momentum of confrontation between alliances, but by the realities of the present. States are standing together to face the challenges and threats of the 21st century; it's a trend to adopt collective legal principles worldwide today. President Vladimir Putin asked the Russian Ministry of Foreign Affairs to analyse state foreign policy; the conclusion was that 2000's choices – in favour of pragmatism, multilateral diplomacy and consistent (without fear of confrontation) promotion of national interests – were wisely made.

Ahead of its time, Russia has managed to learn lessons from the cold war; it has given up ideology in favour of common sense. As a result, it can look impartially at the present international situation and find original solutions to the most complicated problems. Russia is open to constructive dialogue and equal co-operation with all countries, without exception. Many countries, including our CIS neighbours, China, India, Egypt, Brazil and the G8 members, have strategic partnerships with us already – or are moving in this direction. Those world forces which are keen to see a strong and independent Russia are growing. Meanwhile,

our strength and power are on a different footing from that of the past. Now, we have 'soft' strength – an ability 'to be a team player'. We are ready to push a positive agenda across a range of international issues and can keep our cultural individuality respecting other cultures and traditions. Our independent foreign policy is assertive. Not everyone can afford to take such a stance in our modern globalised world. We see it as a key issue of national sovereignty. It does not suit our country to be led, or to have its foreign policy controlled from outside. We are not trying to be liked by everyone. We are just guided by our own clear, practical interests. Remember, our country notably tried to be 'liked' during the time of Nikolay I and in the final years of Soviet power. We know what happened.

We have no reason to hide or dramatise disagreements with our partners. We have a significant amount of joint work to be done in the future. This includes co-operation within the UN and G8, partnership between Russia and the EU, dialogue between the Council of Russia and NATO, crisis intervention and bilateral agendas. What is stopping us? Unfortunately, someone has to compromise. It's not our fault. It can turn into a common disaster of global policy though. Some states enjoy a privileged status quo in the evolution of the international system –



jealousy or offence are a waste of time. Any claims of leadership should be followed by actions, benefiting the 'common good'. So far, one-sided action has not solved our world's problems – in fact, problems in international relations are growing.

Global challenges and threats demand global action but, instead of a collective response, we are offered something similar to Soviet style collectivisation. Of course, those who are 'enrolling collective farm members' don't present their offer in these terms. Rather, they warn of worse alternatives. It's not logical, especially when you look at positive examples of truly equal multilateral efforts; these speak in favour of our vision of a modern historical era. Look at the decisions made during the St. Petersburg G8 Summit on international energy security and the Middle East. A fair balance of interests – of producers and consumers – was used to shape global energy policy. We agreed that the unsettled Arab-Israeli conflict, in all its aspects, is the source of all problems in the region.

Russia has survived unprecedented changes but cannot participate in a defence policy that conserves the present transitory state of the international system. We, less than others, can allow ourselves to take risks with our foreign policy – an important factor in the predictability of world development. We claim to take part in open and free debate – without previously programmed outcomes. In politics, just as in everyday life, an ability to take note of other's needs is vital. This can save lives and resources. Irrational policy leads to tragic waste. There is no place for fatalism and fanaticism – whose indicator is (according to Winston Churchill) stubborn unwillingness to change a topic of conversation. A desire to pursue a policy which has proven difficult in the past – even in the eyes of faithful voters – is usually viewed negatively. Russia pays for its mistakes. Sometimes, we are called to support a line which creates problems for the whole international community. We do not claim that we are always right but at least we are trying to test the adequacy of our foreign policy.

We hope that our American partners have not had the last word on the crisis in Iraq. A final real reconciliation of the Iraqi people will require UN action and support from Iraq's neighbours – including Iran and Syria – and leading region-

al organisations. A realistic correction of the coalition course in Iraq would help to bring an objective alliance in the interests of Washington and Tehran. This could be the beginning of a move towards normalising American-Iranian relations. This, in its turn, would create a favourable background for settling Iran's nuclear programme. Efforts to solve Middle Eastern problems (while strengthening non-proliferation) will bring dividends. You have to break eggs to make an omelette.

Four years ago, some said that 'the way to Jerusalem lies through Baghdad' – this view is now out of favour. Most, including members of the anti-Iraqi coalition, agreed on a comprehensive solution of the Arab-Israeli conflict – reflecting the St. Petersburg Summit. This aspect could not be avoided. Ignoring the issue of internal Muslim and Arab conflict would bring only destructive consequences – even supporting the position of Al-Qaeda and the Talibs, i.e. the situation existing at the time of the September 11th 2001 attacks. The same forces that used to look for ways of internationally recognising the Taliban regime are now trying to conciliate the Talibs.

Iraqi experience has made us look at the policy of sanctions. Once, unreasonable sanctions (flouting the UN Security Council resolutions) were used to change regime; these created the current situation in Iraq. In principle, sanctions – as used by the UN Security Council – can play their role. They contribute to progress through negotiation. If they result in military action, they are no more than a cover for military policy. One-sided sanctions – introduced regardless of the UN Security Council – can damage potential reconciliation; partners are pushed away and the international community is weakened. In every specific situation, scrupulous and multi-sided efforts are needed. Only those without pre-conditions can bring political and diplomatic solutions.

Of course, international law must be abided by. Diplomatic immunity is vital but we cannot say that 'everything is allowed'; this would be chaos. NATO and the EU have been enlarging and, despite their different characters, these two organisations share a common political approach. Both forfeit flexibility and efficiency to achieve their chief aims. Some would be happy to see NATO self-liquidate through enlargement and see Europe grow weaker. This certainly doesn't suit the interests of Russia. We are ready to face reality and to contribute to the positive development of European-wide co-operation. Order is always better than chaos. A comprehensive approach to Euro-Atlantic problems is now quite advanced; Russia, the EU and the USA could liaise extensively across a whole spectrum of vital topics – within the UN Security Council, the G8, the 'Quartet' of international mediators in the Middle East and the 'Sextet' on Iran's nuclear programme.

Most importantly, we are using a format which eradicates unnecessary suspicion between members of our 'triangle'. There is no doubt that this should make the atmosphere in the region and in the world healthier. We don't want to return to a situation where confident Russia rests on its laurels, stirring cold war attitudes. Neither a cold war, nor a 'cold peace' are realistic options for the international community – simply because we aren't forced to operate behind closed doors or among the privileged. Russia is sometimes blamed for trying to maintain several different cultures at the same time; however, we have always existed this way – at a junction of civilisations. Geography and history have dictated our path, reflecting our cultural legacy. This cannot be ignored; it has its place in the process of globalisation. Russia is keen to help solve problems through its internal development and its initiative, open and clear foreign policy. ■

The Gas Exporting Countries Forum (GECF) – to be held in Qatar's Doha on 9TH April 2007 – is expected to see the foundation of an organisation of the largest gas exporters, controlling more than 70 percent of the world's gas reserves. Russia, Iran, Qatar, Venezuela and Algeria are ready to found the 'gas OPEC'. Russia's President, Vladimir Putin, has repeatedly stated his approval of this idea. "Who has said that we've rejected the suggestion to launch a cartel? Not at all. I said it was an interesting suggestion," he told Western journalists. ■

THE CHAMBER OF COMMERCE AND INDUSTRY IS A RELIABLE CAPTAIN IN A SEA OF EXTERNAL RELATIONS

Before coming to meet you, I was studying Russia's Chamber of Commerce and Industry programme for 2007-2011. Its international focus covers several pages. Clearly, we cannot tackle all the relevant topics and issues in this brief meeting. I'd like to start with the question of the Chamber's reputation among its foreign partners.

It's not difficult to answer this question. Chambers of commerce and industry have been run globally for quite some time. Their structure, branches, principles of organisation and legal arrangement differ but their role in business is clear. How do we differ from other alliances, unions and industry associations which lobby business interests? We offer a range of services – almost identical with all chambers worldwide. These include giving goods origin certificates, quality expertise, company accreditation and credentials. This is why our foreign partners, on trying to master the Russian market or enhance their activities in Russia, address the Chamber of Commerce and Industry of the Russian Federation as well as regional chambers. I'd like to emphasise another specific feature of our organisation: we have a large regional network of 173 chambers, whose services are used by businesses, Plenipotentiary Ambassadors and leaders of foreign countries. More than 30 international events – attended by foreign leaders (Kings, Presidents and Prime Ministers) – have been held by us recently. What else can I add about our reputation?

Importantly, the Russian Chamber has joined the international co-operation system – both global and regional. This encompasses the World Chambers Federation (WCF) and the International Chamber of Commerce (ICC). We take part in meetings of the Chamber and its working bodies. The ICC issues ATA carnets – important documents authorising short-term free customs duties on products imported for non-commercial use; these can be used at exhibitions and presentations. ATA carnets are submitted to the customs offices of various countries, therefore they have to be unified. We are permanent members of the ICC and the RF CCI is a member of the Association of

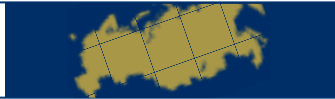


GEORGY PETROV, VICE PRESIDENT OF RUSSIA'S CHAMBER OF COMMERCE AND INDUSTRY, SPEAKS TO THE RUSSIAN BUSINESS GUIDE MAGAZINE

European Chambers of Commerce and Industry, uniting all the chambers in Europe – including those in the CIS states. Russia is a huge country and much of its territory is located in Asia, so, our Chamber is also a member of the Confederation of Asia-Pacific Chambers of Commerce and Industry. This Confederation embraces over 40 chambers representing the interests of Russia's significant partner. These liaisons indicate that the Russian Chamber of Commerce and Industry is generally recognised and has a good reputation.

I conclude that the Russian Chamber of Commerce and Industry's external policy is multi-vector and has no particular preferences. Or maybe there are some – for example, relating to Russia's preparations for joining the WTO?

True, our policy is multilateral; it corresponds to Russia's foreign policy. As far as preferences are concerned, our co-operation with the CIS states is most developed. This is natural, as it responds to the interests of Russian businesses. The CIS Chamber Leaders Council is a very efficient body – democratic and chaired cyclically by countries in alphabetical order. Just now, it is being chaired by the Georgian CCI. A meeting of the Council is planned for June. Previously, meetings have been held in Azerbaijan, Armenia and Belarus. The Council is dealing with particular issues. A series of agreements have been signed and information has been exchanged – extremely vital today. CIS partners are closest to us, yet they are also our newest partners; just 16 years ago, we all belonged to a single country – the USSR. Now, every country has its own business elite and its own econom-



ic and investment legislation. In this regard, information exchange is crucial for finding new partners. All the chambers are involved in exhibiting and trading activities. These are an instrument for developing international liaisons and foreign trade investment co-operation. Our CCI focuses on small businesses that are growing within the CIS. We have agreements in this sphere, too. We closely monitor human resources since migration is a problem for Russia and other CIS states. We sign separate agreements with them, to be able to control the situation within the Russian legal field and regulate labour – taking into consideration our country's economic needs.

The European Union is our largest partner. We've already tackled the European Chamber's work, so I'd like to emphasise the importance of bilateral relations with old and new European Economic Community members. Russian investments are flowing to former socialist countries. Conditions for investing in their economies have been favourable because we were familiar with many enterprises in Eastern Europe. We have now approached a landmark point; this year, the term of our partnership and co-operation agreement with the EU is expiring. A new document is needed to regulate relations – including those in the sphere of economics. We are negotiating with the EU in many spheres, including the energy and transport industry (where four road maps are used). We believe that the opinion of business circles should be taken into consideration when planning new agreements. We highly appreciate Russia's governmental assistance in developing strategies for dialogue. Of course, the CCI and businessmen do not participate in governmental talks. However, there is an established model of relations with the Government. We used this model when Russia's membership of the WTO was discussed; governmental delegation members consulted us and took into consideration our Chamber's arguments alongside our numerous committees.

You are absolutely right in saying that we are exploring many directions. We co-operate with African, Latin American and OCEAN member countries. The OCEAN area is still not fully mastered, so, we are focusing on this. We often speculate about enhancing export structure – yet it's clear that we cannot sell certain equipment to industrially developed countries, although developing countries do show interest. I'd like to give you

an example: in late January, President of the Co-operative Republic of Guyana – a small country in Latin America – visited our CCI. We have the Russky Alyuminiy Company there, which has been operating for several years; it intends to build a power station and a clay plant as well as launching primary aluminum production. We view this area as a new investment market with major potential. Modern globalisation processes indicate that, if you enter a market, you acquire access to a group of the region's markets. Our capital has flown to Eastern European countries, largely because they are EU members (or plan to be). Running businesses in Bulgaria, the Czech Republic, Poland, Hungary, Slovakia and the Baltic states, we gain access to the entire European market.

Our traditional, reliable, partners are very important to us, too. I'm thinking of Russian-American trade relations – of strategic significance. The USA is a large investor in Russia and we also invest in the American economy. Notably, Russia and the USA have access to the same ocean – the Pacific. Exploitation of Siberian and Far Eastern resources is impossible without using the Pacific. The USA, Canada, Japan and other countries all use this ocean. We clearly understand its importance and, with this in mind, we have opened a CCI office in San Francisco in the USA. We currently have 16 CCI offices worldwide and are launching business councils; there are 30 so far, providing direct contacts between Russian and foreign entrepreneurs. More than 1,500 representational offices of foreign companies have been set up through the CCI. They receive considerable practical help from our personnel – including visa support, accreditation, informational and legal services and assistance in liaising with Russian regions. Sound businessmen who work in the regions have made the right choice; the regions offer vast sources of income.

Thank you for such a detailed account of the CCI's international activities. Can you now briefly formulate the Chamber's international strategy?

Briefly, we aim to integrate the Russian economy into global economic processes – adapting national business, enhancing our exports and expanding our investment co-operation.

These are the Chamber's external tasks. What are the domestic aims?

They are domestic, too. Our mission is to help businessmen adapt to new conditions. Let's return to the WTO: there is hardly a region throughout Russia visited by CCI specialists which has not heard of the advantages of being a WTO member. We educate entrepreneurs, executive power representatives and heads of the Russian federal constituencies. Yevgeny Primakov, President of Russia's CCI, made a straightforward statement regarding our primary goal when speaking at the 5th CCI Congress in December 2006. Mr. Primakov said that we had passed the initial, information-related stage and that, at the second stage, we should gain understanding of what we want from the WTO and what our Government should strive for as a WTO member. We need to find the best way of removing obstacles to the export of our services, goods and investments. WTO rules presuppose the removal of these obstacles. At present, there are 106 restrictions, duties and bans against Russian exporters. 18 countries use restrictive measures against our country. If they are ready to open up to us as a newly elected WTO member, we should demonstrate our openness, too. This is a totally new task for the CCI and I hesitate to say whether it's of domestic or external character. Over 35 percent of our GDP is exported – an amount which can and should grow.

Finally, I'd like to emphasise that our Russian chambers of commerce and industry are open for co-operation. They offer a vital link between business and authorities. Ships need maps and good captains to find their way. CCIs take on this role, steering businesses in the right direction. ■

By Svetlana TIVANOVA



A CHRONICLE OF THE KEY INTERNATIONAL ACHIEVEMENTS OF THE CHAMBERS OF COMMERCE AND INDUSTRY



28th March 2007: Yevgeny Primakov, President of Russia's Chamber of Commerce and Industry, met Latvia's Prime Minister, Aigars Kalvitis, at the Chamber. ■

30th March 2007: Omsk Chamber of Commerce and Industry received visitors from Harbin International Fair for Trade and Economic Co-operation. They discussed issues relating to preparations for the International Defence Industry Fair *VTTV-Omsk-2007* – to open on June 5th 2007. ■

9–11th April 2007: The Chamber of Commerce and Industry of Eastern Siberia, jointly with Mongolia's National Chamber of Commerce and Industry, held an international multi-purpose exhibition – called *The Gate to Asia* – in Ulan Bator. ■

13–17th March 2007: A delegation of the Nizhny Novgorod region participated in the international property tradeshow – *MIPIM-2007* – in Cannes (France). A presentation was given for an investment project to construct the first Privolzhsky federal district World Trade Centre. ■



March 2007: Leningrad Region Chamber of Commerce and Industry received a delegation from the Zilina Branch of the Slovak Chamber of Commerce and Industry. A long-term co-operation agreement was signed. ■

14–16th March 2007: The Russian trade fair, *Expo Russia 2007*, was held in the capital of the Hashemite Kingdom of Jordan. 56 companies from 10 regions of Russia participated. Karelia's and Smolensk's Chambers of Commerce and Industry contributed greatly to the exhibition. ■



13–14th March 2007: Voronezh Chamber of Commerce and Industry received a delegation from Germany. They discussed co-operation with Leipzig Chamber of Commerce and Industry, the region's enterprises and companies' participation at the Leipzig Trade Fair. ■

23rd March 2007: Russia's Chamber of Commerce and Industry held a sitting of the Committee for Economic Integration of the Shanghai Co-operative Organisation (SCO) and the CIS. The South Ural Chamber of Commerce and Industry's initiative to hold a business forum – *Russia and China*, in Shanghai – was adopted. ■



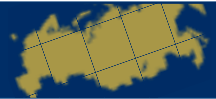
In mid March 2007: Raj Sagar, Director of India's Trade Promotion Organisation (ITPO) visited the Omsk Chamber of Commerce and Industry and proposed an Indian national fair to be held there. ■

16th March 2007: At Moscow's World Trade Centre, President of the Russian Chamber of Commerce and Industry, Yevgeny Primakov, met the leadership of Finland's Central Chamber of Commerce and Industry; they touched upon co-operation in various spheres. ■

14th March 2007: In Tokyo, a workshop was held on the legal and technical aspects of accrediting Japanese companies' representative offices. The event was organised at Russia's Chamber of Commerce and Industry and embraced more than 50 Japanese companies. ■



March 2007: Ambassador Extraordinary and Plenipotentiary of the Republic of Guatemala to the Russian Federation, Mr. Lars Pira, met First Vice President of the Leningrad Region Chamber of Commerce and Industry, Mark Vybornov. An information exchange agreement has been signed. ■



6th March 2007: The Russian Chamber of Commerce and Industry's Vice President, Georgy Petrov, met Minister for Economic Development and Trade of the Republic of Maldives, Mohammed Jalil. ■

2nd March 2007: The Russian Chamber of Commerce and Industry's Vice President, Georgy Petrov, met Minister for African Integration, Foreign Affairs and International Co-operation of the Republic of Chad, Allan-Mi Ahmad. ■

21st February 2007: The Chamber of Commerce and Industry of Udmurtia hosted a meeting between Ambassador Extraordinary and Plenipotentiary of the Syrian Arab Republic to the Russian Federation, Hassan Rische. ■

27th February 2007: The Russian Chamber of Commerce and Industry hosted the organisational meeting of the Russia-Afghanistan Business Council (RABC). The founders of the non-commercial RABC partnership are: the Chambers of Commerce and Industry of Russia and the Astrakhan and Saratov regions, the International Foundation for Promotion of Eurasian Economic Development, Gidroenergostroy TPM JSC, the Top Invest Technologies Company and the Institute for Regional Strategic Development. ■



20th February 2007: The Russian Chamber of Commerce and Industry's President, Yevgeny Primakov, met a delegation of Nigerian businessmen for the signing of the Declaration of Russian-Nigerian Business Council establishment. ■



15th February 2007: The first joint sitting of the Russian and Iranian sections of the Russian-Iranian Business Council (RIBC) took place at the Russian Chamber of Commerce and Industry. ■

12th February 2007: The Russian Chamber of Commerce and Industry housed a sitting of the Russian section of the Russian-South African Business Council. ■



5th March 2007: At the Russian Chamber of Commerce and Industry, Yevgeny Primakov met Lamberto Dini, Chairman of the Committee for Foreign Affairs of the Italian Parliament's Higher House. □

16th February 2007: A Standing Committee of the Russia-ASEAN Business Council met at the Russian Chamber of Commerce and Industry; the promotion of trade and economic co-operation between Russian and ASEAN member countries was tackled. □

March 30th 2007: The Russian Chamber of Commerce and Industry's Vice President, Georgy Petrov, met Director General of the Association of German Chambers of Commerce and Industry (DIHK), Martin Wansleben. ■

BULGARIA-RUSSIA: NEW LEVEL OF CO-OPERATION

A REGIONAL REPRESENTATIVE OF THE CHAMBER OF COMMERCE AND INDUSTRY OF THE RUSSIAN FEDERATION IN THE BALKANS, GRIGORY ROSTOVSKY, GIVES US CONCRETE EXAMPLES OF BILATERAL CO-OPERATION BETWEEN THE TWO COUNTRIES AND EXPLAINS THE INTERACTION OF THE CHAMBERS OF COMMERCE AND INDUSTRY



The Mixed Bulgarian-Russian Chamber of Commerce and Industry (BRCCI) was established in 1992 to take over from the Bulgarian-Soviet Chamber of Commerce and Industry. Its main founders were the Bulgarian Chamber of Commerce and Industry and the Chamber of Commerce and Industry of the Russian Federation. Traditional trade and economic relations between the countries took on a new quality; a steady increase in turnover remains key.

2006 saw the Russian Federation taking first place in the export of goods to Bulgaria – \$3.9375bn – and second place (after Germany) in total foreign trade turnover. Russia sold fuel and raw materials (91.3 percent) alongside machinery, equipment and transport facilities (4 percent). Bulgaria sold Russia \$205.3m of machinery, equipment and transport facilities (34.4 percent), alcoholic beverages (26 percent), food (5.8 percent), cosmetics (5.1 percent) and pharmaceuticals (7.7 percent).

Members of the Bulgarian-Russian Chamber of Commerce and Industry believe, and not without reason, that their contribution is aiding mutual economic success. In 2006, the Chamber initiated a meeting with a group of delegates from the National Assembly of Bulgaria. The BRCCI took part in the tenth meeting of the Intergovernmental Russian-Bulgarian Commission on Trade-Economic and Scientific-Technical Co-operation.

Particular interest was shown in the Days of Bulgaria, Bulgarian Regions and Business in Russia within the economic forum with 19 Bulgarian regions and 73 national companies taking part – a record for the past ten years. More than 150 Russian entrepreneurs from 54 constituents countrywide took part in a round table discussion devoted to viticulture.

In November 2006, in Sofia, a Bulgarian-Russian working meeting was devoted to the status and prospects of direct transport connections – under the Ministry for Transport. It was organised by the Bulgarian-Russian Chamber of Commerce and Industry and the Bulgarian National Forwarding Association. Participants thoroughly analysed the existing problems of transit communications through third countries and offered concrete ideas towards establishing alternative river, ferry and sea routes. Proposals of the Bulgarian-Russian Chamber of Commerce and Industry were sent to Prime Minister of the Bulgarian Government, S. Stanishev, and other organisations. Working group contacts were established between the Transport Ministries of Russia and Bulgaria.

That a Russian company has won an international tender to construct a nucle-

ar power station in Belene is remarkable. On November 29th, 2006, a tentative agreement was signed between the National Electric Company of Bulgaria (NEK) and AtomsStroyExport JSC. This initiates preparations (via its General Agreement) for the construction, installation, balancing and commissioning of work. According to the schedule, the first block will be launched in 2012 and the second in 2013. The final contract should be signed in April 2007. Negotiations on deliveries and the return of depleted atomic fuel for nuclear power stations is being carried out at the same time.

One more concrete example of co-operation between the two countries is an investment project which will construct 8,000 square metres of modern storage facilities; it's being undertaken by BRK-Cosmetics with the help of the Bulgarian-Russian Chamber representative near Moscow (in the town of Shcherbinka).

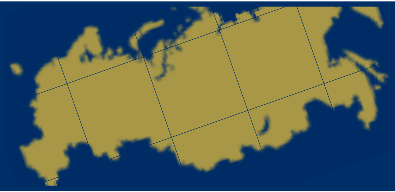
Additionally, the question of whether to open a representative office of GOST-DIN TUF in Bulgaria has been settled. It is to be the third organisation in the country with certification rights for a range of goods.

The high level of relations between the Russian Chamber of Commerce and Industry and the Mixed Bulgarian-Russian Chamber of Commerce and Industry is evident from the fact that the only foreign guest invited to the 5th Congress of the RF CCI – held on December 8th, 2006 – was Chairman of BRCCI, Zh. Dobrev.

In January 2007, Bulgaria joined the European Union. Accordingly, members of the Chamber are planning to seriously adapt bilateral economic relations, adjusting to the new conditions for access to European markets together. ■



On March 3rd, 2007 – at the celebration of 129th anniversary of the liberation of Bulgaria from the Ottoman yoke – in Sofia, RF CCI diplomas were presented to companies who have worked hard to develop bilateral Bulgarian-Russian relations: *Russia Dnes* newspaper (publisher Bulgaria-Russia Forum), AlmaTour BG tourist company and Rosa Impex cosmetic company. The awards were presented by Ambassador Extraordinary and Plenipotentiary of the Russian Federation to Bulgaria, Anatoly Potapov.



ECONOMICS



14 GERMAN GREF.
**ONLY ONE THING THREATENS
OUR ECONOMY — INEFFICIENT
MANAGEMENT AND ABSENCE
OF REFORM**

16 VICTOR KHRISTENKO.
KEY PRINCIPLES OF ENERGY STRATEGY



18 YURI SHAFRANIK.
ENERGY POLICY — NEW POSITION



24 ALEXEY MILLER.
**GAZPROM FORMS THE ENERGY BASE
FOR EUROPE AND THE WIDER WORLD**



26 LUKOIL —
INNOVATION FOR WORLD LEADERS

ONLY ONE THING THREATENS OUR ECONOMY — INEFFICIENT MANAGEMENT AND ABSENCE OF REFORM



GERMAN GREF TELLS OUR SPECIAL CORRESPONDENT, ALEXEY UVAROV, HIS THOUGHTS ON THE PROCESSES TAKING PLACE IN THE ECONOMY, THE INCREASING ROLE OF THE STATE, SLOWING PRIVATISATION, POSSIBLE TAX CHANGES, WHAT WESTERN INVESTORS THINK OF RUSSIA AND WHAT MAY HAPPEN AFTER THE ELECTIONS IN 2008

Investors have at least two opinions on Russia. First of all, investors already working in our country tend to feel positively. The overwhelming majority are happy with their work and business in Russia. I've had several meetings with the biggest international corporations and all of them say that 2006 has been a special year; as regards rate of growth and, in some corporations, sales of goods and services, Russia is the leading market – in front of China even.

There is another category of investors – those who do not work in Russia and who rely on information about Russia from the mass media. When all the available information is negative, as a rule, attitudes are negative as well. We are working with such investors, trying to explain to them about our prospects, goals and tasks. We've used forums like those at Davos, St. Petersburg, Krasnodar and Cannes (Exhibition of Direct Investments) to our advantage. Obviously,

Can you give a brief estimation of 2006? Are you satisfied with the rate and quality of economic growth? What main tasks have you set for yourself for 2007?

To my mind, 2006 was successful for our country in almost every sphere. As for the quality of economic growth, certainly, it hasn't satisfied us in the past year and won't in the coming years – as far as diversification and stability go.

We have serious problems brewing in the economy and they cannot be solved quickly. I believe every effort should be exerted towards attracting investments into the processing industry, high technologies and the services sector. There is

still a big reserve in this field – not only at federal level but, more importantly, at regional level.

The 'regional bear' is still asleep in many places. To wake him is a key task for 2007. It is important to share the positive experience of the top regions countrywide. In places where administration is acting efficiently, very good results are being seen. Everyone, regardless of the branch of industry they are working in, can feel this positive result.

Recently, several big international economic forums, including a forum in Davos, have been held. What conclusions has Russia drawn?

information in newspapers can't replace face-to-face communication. Forums are good places to begin improving our country's image abroad.

One of your key policies has always been a lack of state interference in the economy, where possible. Most experts adhere to the opposite position.

I would like to start by saying that I don't support the idea of the state completely removing itself from the economy. It is impossible to withdraw to this extent; no country on earth has an economy that's truly free from state interference. Moreover, an economy cannot be

effective without state. However, its place and role must be defined. Obviously, Russia still has to perfect its regulative and law enforcement functions but its control over commercial entrepreneurs and legal entities needs to be minimised. The state is not always a good entrepreneur and, sometimes, private citizens cope with this task much better. Entrepreneurship should be freely open to people.

There is no need to restrict the expansion of the state's presence in commercial activity. This is a fact. Do I believe it's justified? Not always. I think this is a temporary situation and it will be overcome.

What are your thoughts on the Ministry of Finance's proposal that the budget should not be bound to oil and the Oil and Gas Fund?

I have a positive attitude towards the idea of a non-oil budget. The stabilisation fund is solving several problems today. First of all, it's reducing the risk of a fall in oil prices. If one barrel costs \$20, the fund will last 2.5 years. Secondly, we are seeing money supply sterilisation. In sending \$1 over the cut-off price to the investment fund, we are solving our third problem – the need for investment. This will be used to create infrastructure and diversify the economy. Gradually, the money supply steriliser will no longer be needed – and investment functions will prevail.

Do you have any fears regarding the future of the Russian economy?

Only one thing threatens our economy – inefficient management and absence of reform. We should now be making efforts to change infrastructure in time. This requires great attention from the Government, qualified specialists and simple self-sacrifice. It is always easier to just go with the flow, not bothering to offer new solutions. The economy of 2020 is being formed today. Economies are quite inert and conservative.

Formerly you compared the economy to a woman whose mood is constantly changing...

I would compare our macroeconomy with a stream. Water carries along whatever is thrown in it. The quality of the water is affected by what we deposit. If we throw dirt into the water, we'll have muddy water to drink. Water brings health but it can also harm us. It can take a long time before we see adverse effects but, similarly, recovery is a long process. Investors are different since their mood changes depending on the situation. The economy, though not immune from effects, remains conservative and does not forgive mistakes. You end up paying for them.

Increasingly, investors are asking what course of economic policy Russia will follow after elections in 2008?

I am an optimist as regards keeping our present course of economic policy after the 2008 elections. Primarily, I trust my intuition and the responsible policy of the present President. He is considering all the issues relating to the future of our country and is demonstrating that he'll do his best to keep stability. I believe the seven years of Vladimir Putin's presidency have been enough for him to prove that he keeps his word. I'm not saying this with the aim of praising the President. I'm utterly convinced that my next political role won't be connected with the Government.

Is a crisis threatening Russia in the near future?

I don't think we need to worry about the future of the country post 2008. Today, neither our citizens, nor entrepreneurs have cause for fear. Let's live quietly. There's no need to waste energy on doubt and worry: our common future will be happier. ■

RUSSIA'S MAIN INDUSTRIES IN 2007 WILL BE NUCLEAR, FORESTRY AND METALLURGY



In 2007, metallurgy will remain an industrial sector favourite. It is expected that, in spring, Magnitka – the last remaining major steel manufacturer to sell shares – will go public (IPO). Russia's silver producer – Polymetal, has similar plans. The chemical industry is also expected to float on the stock exchange; EuroChem and Sibur Holding will probably decide to sell a portion of their shares. Significant events are expected in the automobile industry and stock floatation of state banks is planned. However, 2007 will also see investors being drawn to important new branches – such as the nuclear and forest industries. In early 2006, Rosatom intended to return core assets to the state without resorting to nationalisation. By autumn, it had decided to create a nuclear holding; by 2030, it's thought that its enterprises will have built at least 42 power stations, replacing old nuclear power stations removed from service between 2015 and 2025. Machine building has been united by Atomenergomash, immediately attracting private capital. In December, it enjoyed its first joint venture with EMALiance; exporters of nuclear equipment have now had their interests aroused in this branch. AtomStroyExport is considering building nuclear power stations in Turkey, Egypt, Morocco and Vietnam; it already has orders for five power stations in China, India and Iran.

In 2006, the Russian forestry industry appeared to come under close government scrutiny. President Vladimir Putin called a meeting devoted to the development of this sector of the economy, demanding measures to modernise forestry. Over several months, a long-awaited Forest Code was adopted; it represented several years of legal consideration. The Ministry of Economic Development and Trade set up and the Government passed a programme for raising export duties on cylindrical logs. As soon as the Forest Code was passed, major foreign investors began to announce their planned investment in Russia. The largest among them are Enso, Metsa Botnia and Avantage Capital. ■





KEY PRINCIPLES OF ENERGY STRATEGY

FROM A SPEECH MADE BY MINISTER FOR INDUSTRY AND ENERGY OF THE RUSSIAN FEDERATION, VICTOR KHRISTENKO, AT A ROUND TABLE DISCUSSION OF *ENERGY STRATEGY: RESOURCES AND RISK MANAGEMENT* – HELD AS PART OF THE 10TH ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM



Meeting of Energy Ministers from the Group of Eight

Strictly, resources are not mineral deposits, finances or personnel. They only become resources under certain conditions. In other words, they gain importance only with regard to specific strategies: they need to be directly useful. We can talk about risk management only when we have certain goals and plans of action. This only came into existence for us once the energy strategy of the Russian Federation recognised it in its plan until 2020; it covers risks related to energy strategy implementation. Not only Russia, but all the main players in the global energy market already have, or are now, actively developing national, international (OPEC, EU) or corporate strategies.

In the era of globalisation, such important sectors as power engineering cannot be governed locally. When you drive your own car, you must obey the common rules of the road; likewise, the market development of power engineering – both worldwide and within each country – is impossible without approved energy strategies and mutually oriented rules. The present nervousness surrounding the world energy market is becoming worse, due to irra-

tional attempts to solve purely economic issues using political methods. Perhaps, to begin with, it would be good to involve psychologists, including political ones. Otherwise, we risk treating our energy industry as a kind of computer game: 'Energy NATO and Energy International'. This is, clearly, detrimental to the health of modern civilisation. Contradictions in our energy policy (regarding the expansion of energy poverty) require practical attention and sympathy. Even such authoritative institution as the United Nations is concerned. This problem needs joint effort.

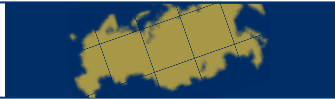
What is the Russian Federation's energy strategy? Long-term priorities have been determined and principles have been declared. We'll use these to plan our next steps. We have three 'key principles': energy security, energy efficiency and ecological compatibility. Implementation mechanisms have been set up: the development of a market environment, strategic planning and technical regulation. These are the basis of our Russian energy policy.

Who will be realising our energy strategy and how? The state will work

alongside businesses via state-private partnership. Not only power engineering companies but representatives of other fuel and energy-related branches will be involved.

One more important issue is co-operation by the fuel and energy industry with enterprises from other sectors of the economy. I am sure that national power engineering can become an even more powerful engine in Russia's development, generating demand for goods in other branches – such as mechanical engineering, shipbuilding and metallurgy.

The energy strategy of the Russian Federation is seeing many new opportunities, despite differences between internal and external challenges. Our planned elimination of the earlier predicted energy deficit, scheduled for the next five years, entails expansion of infrastructure for national economic growth. The development of infrastructure in new geo-economic projects will positively influence the power budget of our country and will broaden the economic potential of the world's macro-regions. ■



THE NEW RUSSIAN ECONOMY

WHAT'S THE KREMLIN'S VIEW? DOES A COUNTRY WHERE MOST PEOPLE SEE THEMSELVES AS POOR NEED MEGA-COMPANIES? THESE AND OTHER QUESTIONS HAVE BEEN ADDRESSED BY DEPUTY CHIEF OF STAFF OF RUSSIA'S PRESIDENTIAL EXECUTIVE OFFICE, VLADISLAV SURKOV. HE SPEAKS AT A PRESS CONFERENCE WITH WRITERS IN KREMLIN

Sometimes, talking to people, you realise that they view the collapse of the Soviet Union as a defeat. We haven't lost out though. Today, we are freer than ever in Russia's entire history. Moreover, I believe the Soviet Union wasn't defeated in the cold war. This is the Western version of history. Nobody defeated us. The European nature of our culture drove us, eventually and in a round-about way, to the same route as the rest of civilisation. Our zigzag path has been lengthy but we haven't been alone. The Soviet Union had one major problem: it was a closed society. When we reached a market economy and democracy, we were lacking our own ideas. We borrowed ill-thought-out clichés and liberal voluntarism came to Russia. People didn't want state interference and, in the early days of change, this was to be expected. The system was dismantled long ago but some of our specialisms are still guided by once fashionable liberal dogmas. They still believe economic prosperity depends on governmental non-interference. This is a profound mistake – it's totally unsubstantiated. In the USA, large companies used to be established on the foundation of certain laws; moreover, boards of directors were appointed by the Congress. These acted until no longer needed. Strangely, now they no longer need this system themselves, they abhor it in others. We feel that a number of industries need to be placed under state and public attention. These primarily include fuel and energy, communications and all other strategic services. We believe

the Government's efforts in this direction are justified.

The creation of large state-run businesses causes ambiguous reactions. Some think that private gain is behind the move but this isn't true. We want Russia to have several mega-companies that can compete globally. This can't be done by small enterprises. Today, some say, "We can't do anything! Let foreigners come and give us jobs. Everybody will be happy." Naturally, we should co-operate with Western companies but we need balance. Russian capital, both private and state, should be a priority. No one is going to take care of us; it's naïve to count on transnational corporations to make everything flourish. In Nigeria, for example, TNCs produce oil, but everybody knows how Nigerians live. In Bolivia, TNCs own the gas and tin industries: it has the highest poverty rate in the world.

In the most vital industries, such as gas and oil, the state will always take a hand. Before Gazprom became what it is today, Russia had no companies able to compete with the world giants. Today, we are in the top ten. Furthermore, we plan to shift our economy's orientation away from raw materials. I recently watched an American TV programme saying that Russian business differs from that in the USA in being somewhat 'opportunistic'. It said that Russian business targets control over the existing status quo rather than creating anything new. It lacks innovation, just trading in the 'ready-made'. It is true, indeed. I come from an entrepreneurial en-

vironment and confidently assert that few companies sell their own intellectual products. In this respect, we lag behind. Our countrymen love to ponder innovation but they see it as an abstraction. They don't have answers to the simplest questions: 'What is an innovative economy? Why do we need innovations? In which spheres are they required?' It is impossible to make innovations appear everywhere at once! Today, our country is tackling a situation comparable to that seen by the Bolsheviks after the revolution and civil war: we are creating a new economy. What we in Russia call an economy isn't one in the modern sense.

What kind of economy do we have? We possess oil – it flows through pipes. Does it signify an economy? No one doubts that, sooner or later, all resources will be exhausted. In a modern economy, domination belongs to those who invent new products, goods and technology – including in the social sphere. In my view, Russia's new economy must be innovative. I believe we should begin with investments in the educational system since this is generally related to establishing an innovative culture. We need to invite foreign specialists – scientists and engineers – to help. As history shows, Russian people are very talented and easily trainable. This will be our next task. Today, the acutest item on our agenda is the consolidation of strategic assets – putting them to work for society in general, realisation of national projects and national priorities. No one can take care of us better than ourselves. ■

PIPELINE BYPASSING BOSPHORUS AND DARDANELLES

The Russian President, Vladimir Putin, the Bulgarian Prime Minister, Sergey Staishev, and the Greek Prime Minister, Konstantinos Karamanlis, have begun a long-term project to construct the Burgas-Alexandroupolis oil pipeline. On March 15th, 2007, in Athens, the Greek Minister for Development, Dimitris Sioufas, the Russian Minister for Industry and Energy, Victor Khristenko, and the Bulgarian Minister of Regional Development and Public Works, Assen Gagauzov, signed a corresponding document. Negotiations have been ongoing since 1994 but, now, a decision has been taken to build a pipeline consortium – Burgas-Alexandroupolis. The Russians

own 51 percent of the venture while Greece and Bulgaria have 24.5 percent each. The Russian share is divided in equal parts between Rosneft (ROSN), Gazpromneft (SIBN) and Transneft (TRNF); they will act together to operate the pipeline. The project cost is 1bn euros and it should provide for oil transit through the Black Sea – bypassing the Turkish Bosphorus and Dardanelles. This will relieve traffic on this transport route and reduce delivery costs. The pipeline will span 300km, carrying from 35m to 50m tonnes of crude oil each year. A feasibility study is planned for mid 2007 and construction is to begin in early 2008. The pipeline should be open by early 2009. Experts believe that this project will be one of the most realistic and promising from the point of view of diversifying oil export routes. It will contribute to the development of European energy security and reduce ecological risks. ■

ENERGY POLICY — NEW POSITION

Mr. Shafranik, I would like to start by talking about the Russian mineral and raw material industry's development strategy. Today, specialists have a clear understanding of the idea that Russian businesses need to play an active part in establishing a global space for minerals and raw materials. How is this possible?

Raw material processing companies in Russia have one principal mission — investment in Azerbaijan, Turkmenistan, Kazakhstan and Uzbekistan, with the aim of acquiring control of at least 30 percent of their raw materials. It is possible and realistic; moreover, it serves our national interests and the interests of these countries. Additionally, we want to enter domestic European markets — to buy reprocessing enterprises and distribution outlets.

Russia is a major raw material producing state but it should become a powerful economic state as well. This will only happen when we use most of our extracted raw materials domestically. It's time for new lessons to be learnt, making a gradual transition from our present model of development (Russian resources, Russian capital + foreign technologies, specialists, equipment and service) to a new one (Russian resources, technologies, equipment, service, specialists + foreign capital). This will allow us to launch major new national projects in the East and South of Russia and to solve serious social and economic problems there.

You are one of our most outstanding specialists in the international fuel and energy field — in particular, in the Middle East and North Africa. Clearly, you aren't indifferent to the results of the recent trip of the Russian President to the Middle East. What is your opinion on this?

Vladimir Putin's trip is one stage in the formation of a global Russian energy policy, planned for the decades ahead. It secures and defines the foundations of future foreign energy policy — as proposed by business circles working in power engineering. The energy community has announced its satis-

YURI SHAFRANIK IS PRESIDENT OF THE SOYUZNEFTEGAZ GROUP OF COMPANIES AND CHAIRMAN OF THE COMMITTEE OF THE CHAMBER OF COMMERCE AND INDUSTRY OF THE RUSSIAN FEDERATION FOR ENERGY STRATEGY AND DEVELOPMENT OF THE FUEL AND ENERGY SECTOR. ADDITIONALLY, HE IS ON THE SUPREME MINING COUNCIL OF THE RUSSIAN FEDERATION AND THE UNION OF OIL & GAS PRODUCERS. IN THE 1990s, HE WAS RUSSIA'S FUEL AND ENERGY MINISTER AND GOVERNOR OF TYUMEN



faction with this policy, which is based upon three fundamental precepts for effectiveness and competitiveness.

Firstly, Russia will be participating in key energy projects initiated by its former USSR partners. As a minimum, our presence is needed in at least 30 percent of energy projects in Uzbekistan, Kazakhstan, Turkmenistan and so on. We mustn't be mean with funding since it is money well invested for Russia — besides being extremely beneficial for these republics. We do not have any antagonistic competition with them; we want to enter their markets and work together.

Secondly, we are concerned with sale to consumer markets. Russia should be widely represented, as suggested, formulated, developed and passed by the

political authorities of the Russian Federation. Recently, the European Union has resisted the presence of our companies in transit and sales; we are making our first steps to enter the European market. It's obvious that the EU does not have a real alternative. European isolationism would be suicide in terms of the global economy; they need to allow companies into the market and, following strict antimonopoly laws, create competition among manufacturers rather than middlemen.

Thirdly, as discussed by Mr. Putin on his trip, Russia wants co-operation with the global energy 'network' of the Middle East, the Gulf States and North Africa. Russia has a key role to play in this sphere and needs a presence in these vital regions, especially since the President

declared global energy security to be the basis of the Russian mandate within the G8 (when chaired by the Russian Federation). Russia is independent – like Saudi Arabia. We shouldn't join OPEC and Saudi Arabia, also a key supplier, should not unite with Russia. However, we should co-operate, interlace our finances and projects, work together purposefully and determine our position concerning markets. This isn't the collusion some Western experts are afraid of. Collusion in the market would only give sellers momentary success; in the long run, it would bring problems and crises. For manufacturers like Saudi Arabia and Russia, it is better to receive less today but gain a strong future position in the market. We are seeing intrigues and negative speculation – from middlemen who rely on earning margins from both consumers and producers. They are far from keen to establish effective co-operation.

You are frequently called a public emissary of the Russian fuel and energy industry to OPEC countries and independent hydrocarbon producers. You are Head of the Russian-Uzbek, Russian-Iraqi, Russian-Libyan Business Councils and Russian-Saudi Business Club for good reason. Additionally, you support the Co-operative Development Fund with the Middle East and North Africa. At present, unusual business activity is being seen. Why is it going on?

Almost five years ago, at the end of 2002, we set up a Russian-Saudi Business Club. Soon after our initial meeting, which I headed, the first inter-governmental committee met. We then hosted the first trip by the Saudi Arabian Crown Prince (now King) and our President visited in return. This brought significant progress to our relations within a short period of time – very unusual for such a major power as Saudi Arabia. The Business Club, the Russian-Arabic Business Council and other bilateral and multilateral public mechanisms have their role to play and should promote a favourable climate for joint projects. Public forums should be followed by inter-governmental contacts and only then by business projects – the purpose and the main priority of our state. ■

FROM AN INTERVIEW WITH PRESIDENT OF RUSSIA, VLADIMIR PUTIN – BROADCAST ON THE AL JAZEERA INTER-ARAB SATELLITE CHANNEL (FEBRUARY 10TH 2007)



After the well-known gas conflict with Ukraine in early 2006, and problems with Belarus this year, the West perceives Russia as using energy for political blackmail. What are your future plans for dealing with foreign customers of your energy resources?

V.PUTIN: I believe that such statements (in fact I'm sure) have no real basis. They are either an attack from ill-wishers or they aim to create unfair competition. Nobody has to comply with non-market relations or grant preferences. We do not understand why we are being forced into this position. All our efforts have a single purpose: the establishment of relations with partners on purely market principles. This concerns customers and transit countries alike. We have no other offers. Moreover, I'd like to give you an example which confirms my words and forms the basis of our energy policy. Our political relations with the Bal-

tic States leave much to be desired. Nevertheless, three or four years ago, we agreed to move to market pricing and signed corresponding documents for the smooth transition. Since then, we have continued to subsidise their economies with cheap energy – gradually increasing the price. It has not influenced our political relations with these countries. These have not been very favourable and, unfortunately, still leave much to be desired. We are certainly not using our energy to force our hand with these countries. In early 2006, Latvia was paying just 60 percent of the market price for our energy – let's say, natural gas. Only this year we have made a smooth move to market pricing. We are taking the same stance with all our partners. In some places, Russia is being subjected to criticism bordering on hysteria and we are convinced that political motives are behind these views. Some are using such comments as an instrument for exerting influence on Russia. ■



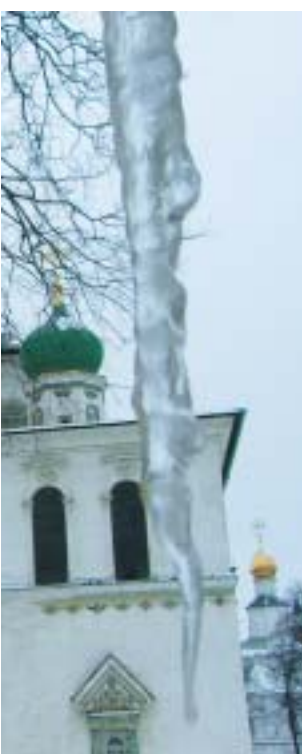
UNDER





GOLDEN

DOMES



RUSSIA AND EUROPE'S ENERGY SECURITY



ARTICLE BY VADIM LUKOV, RUSSIAN AMBASSADOR TO BELGIUM – PUBLISHED IN THE BELGIAN DE TIJD NEWSPAPER

THESIS 1. 'Gas supplies are a perfect tool for 'improving discipline' within countries formerly under Moscow's influence – such as Ukraine – who have had their energy prices raised four times'. Such reprimands forget to mention the actual prices being charged; Gazprom has supplied gas to CIS countries, including Ukraine, well below EU levels for 15 years. From 2000-2005, export prices for the EU states grew from \$103.2 per thousand cubic metres of gas to \$192.5; prices for the CIS countries rose from a mere \$53.3 to \$60.7.

In all those years, a single 'donor' was granting unprecedented subsidies to several countries – never before seen in Europe's economic history! The amount exceeds the volume of funding allocated by the US Government to the Marshall Plan! Subsidising Ukraine's economy alone cost Russia \$3-5bn a year!

Russia does not exploit its gas supplies to the CIS states for political purposes – as confirmed by the fact that, in recent years, this region has bought almost half as much gas from Gazprom as

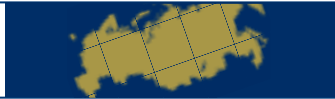
RUSSIA'S GAS CRISES WITH UKRAINE, AND THEN GEORGIA AND BELARUS, HAVE RESULTED IN CLOSER WESTERN MEDIA ATTENTION; NOW, PROBLEMS OF EU RELATIONS WITH THE RUSSIAN GOVERNMENT AND GAZPROM – RELATING TO ENERGY – ARE REGULAR NEWS. I AM WELL AWARE OF WHAT AND HOW BELGIAN NEWSPAPERS WRITE ABOUT THIS, SO I'D LIKE TO COMPARE THE KEY THESES OF THEIR PUBLICATIONS WITH SOME FACTS AND ESTIMATIONS. THIS SHOULD ENABLE A BETTER UNDERSTANDING OF RUSSIA'S POSITION

it used to. If Gazprom was serving Russian foreign policy, would gas exports to the CIS states fall? Of course not, since this would reduce the possibility of Russia influencing her neighbours in the energy sphere. Gazprom is reprimanded for 'unexpected giving a price ultimatum to Ukraine and then to Georgia'. Actually, our partners have had fifteen years to prepare for market economy realities.

THESIS 2. 'It's ridiculous that countries face different attitudes; for instance, loyal Belarus still enjoys largely subsidised tariffs'. Under a contract signed

on 31st December 2006, Minsk will pay less than Ukraine for Russian-supplied natural gas. There is a sound reason for this. Belarus has accepted Russia's proposal to sell Gazprom 50 percent of its shares in its national gas-transportation company. We offered the same deal to Ukraine, who rejected us. Nevertheless, by 2011, Belarus will have to pay European rates for gas.

THESIS 3. 'By ceasing gas supply to Ukraine, Russia triggered a supply breakage to a range of European countries'. This breakage was triggered by



those who were illicitly extracting transited gas. Russia has always kept its contract commitments – even using its own reserves. The three-day break in supply to Ukraine was due to Kiev's refusal to pay its bills. "We don't cease energy supply to those who pay," noted Anatoly Chubais, President of the Unified Energy System of Russia. Sadly, our EU partners did not dare (or did not want) to apply the provisions of the Energy Charter Treaty to stop Ukraine's interference with the transit of Russian gas to the EU. This document stipulates that a member country has no right to cease transit of energy resources via its territory in cases of conflict with a third party (relating to terms and conditions of energy supply). Ukraine – a member of this Treaty – violated this provision (clause 7 of the Treaty). The Russian Government emphasised this point in talks with the EU. However, the Treaty's mechanism was not resorted to. This is another reason why Russia is sceptical about the Treaty (in addition to other reasons which are well known).

THESIS 4. 'It's particularly important to minimise the global consequences of local politicians' behaviour who pursue their own interests, unrelated to energy i.e. their personal interests'. These goals are stated in the strategy for development of the Russian gas industry. Most importantly, these include conservation of the system of energy liaison with the EU – based on long-term contracts – and conservation of at least the present share of Russian gas in the structure of European gas consumption. So, there is no room for 'personal interests by local politicians'. Such interest might rather be seen in those circles casting aspersions. They infer – contrary to inter-governmental contracts – that the income from the illegal re-export of

Russian gas to third countries is withheld. Sadly, this practice flourished for quite some time – in Ukraine, for example. Mrs. Timoshenko must be well familiar with it. In 2004, this activity brought more than \$1bn to mediator companies, according to some estimates.

THESIS 5. 'Europeans should not let Gazprom alone transit gas from Russia, gaining itself additional income'. Those who are discontent with Gazprom's control over the transit of gas via Russia find themselves in a paradoxical situation. Insisting on eradicating Gazprom's monopoly, they suggest using other transit monopolists – Ukraine and Poland. When Russia lays a gas pipe directly to the major consumers of blue fuel, they blame us of pressurising Warsaw. However, Ukraine and Poland are hardly ready to jointly manage gas transport network with Russia.

THESIS 6. 'There is a growing imbalance between the increasing monopoly of the gas market in terms of supply and the progressing opening of European markets'.

In regard to markets being thrown open and the resulting consequences, in the most advanced liberal markets – from 1999-2002 – prices grew, on average, by 20 percent. In 2005, they grew by 33 percent (for industrial consumers). In 2005, the average retail price for gas in Italy was \$468 per thousand cubic metres; on the Italian border, the Russian supplier – Gazexport – sold gas to an Italian mediator at just \$180 to \$200. In other EU countries, the situation is almost the same. Where are the indications of 'an increasing monopoly in terms of supply'? They refer to a contract between Gazprom and Algeria's Sonatrak. Does it stipulate the launch of a price cartel or market division? Not at all.

THESIS 7. 'Gazprom threatens the EU with re-orientation of its exports to North America and Asia if Europe impedes its expansion projects within the continent'.

This is groundless. Gazprom's reputation as a reliable supplier to the European market has been earned over decades. Those who label Russia as 'an unreliable gas supplier ready to re-direct its exports to Asia' should reconsider. How would the EU be viewed by our Russian politicians and business world if our companies aren't allowed into the EU's gas sector for economic reasons? Should our EU partners continue to argue that their dependence on Russian gas should be diminished and an alternative route for gas transit be found? We can say with a good deal of certainty that it would make the EU appear in Russia as an unreliable partner. Perhaps this is what Gazprom's competitors are counting on, hoping to reduce the volume of gas trade between the EU and Russia. But what can they offer Europe's gas market? Falling supplies from the North Sea? Or supplies of expensive liquefied gas from Australia or politically unstable areas in the Middle East?

There must be a clear understanding that the reduction of Russia's share in gas sales to the EU should be compared to an additional raise in gas prices for European consumers. The image of a reliable partner is crucial not only for the seller but also for the buyer – especially in an age where energy resources are diminishing.

The facts considered here testify to a firm basis for long-term Russia-EU energy relations, if both respect each other's interests objectively. We must not indulge in political bias when estimating the situation in the energy sphere. ■



GAZPROM FORMS THE ENERGY BASE FOR EUROPE AND THE WIDER WORLD



ALEXEY MILLER,
CHAIRMAN OF THE BOARD OF GAZPROM JSC

Gazprom is successfully developing as a global energy company. Our business provides solutions to the acutest energy challenges. We are on the rise and are developing dynamically. Our company is approaching a historic high in its value – \$280bn.

We have more than 29 trillion cubic metres of proven natural gas reserves and over 1.2bn tonnes of condensed gas fluid. With the acquisition of Sibneft, our oil reserves rose to 1.3bn tonnes – a considerable resource that Gazprom is building on.

Further development of mineral and raw materials remains a priority. By 2030, we plan to secure a further 23.5 trillion cubic metres of gas and 3.4bn tonnes of liquid hydrocarbons. Our ability to increase our physical reserves distinguishes us from many other companies in the world.

Gas consumers may worry that producers could rapidly increase gas production volumes, affecting the price. We ensure that our output reflects market demand – keeping prices under control. Over the last 5 years, we've increased annual production of gas in line with aggregate consumption in, for example, Argentina. Our capacity far exceeds our actual output. Moreover, we know exactly in which order, when and which fields will be mined – to 2015 and beyond.

Our gas production to 2010 is being covered by newly developed gas fields in the Nadym-Pur-Taz region. Additionally, Arctic Sea shelf deposits are being opened up in the offshore bays of Ob and Taz of the Kara Sea. These are sup-

plemented by fields in Eastern Siberia, the Far East and the Yamal Peninsula.

Our current investment programme gives preference to transport, with around double the amount of investment seen in production. Our company owns and operates the Russian Unified Gas Supply System so we are able to provide continuous gas delivery – from well site to final customer.

The final link in Gazprom's chain is the sale system: this has now three main components – selling gas to the European market, the former Soviet Union republics and to the domestic market of Russia.

Russian gas has been delivered to Europe for more than thirty years, supplied to 21 countries in Central and Western Europe. Gazprom's export revenue in 2006 totalled \$39bn. According to already signed contracts, Gazprom will export more than 2.5 trillion cubic metres of gas within the next 15 years.

Our company is already a major multiprofile energy company. In acquiring Sibneft, we have doubled our oil reserves and tripled our capacity to produce liquid hydrocarbons. We continue to develop our activities in the field of petrochemistry, including the production of synthetic liquid fuel. We have acquired electrical power assets: more than 10 per cent of RAO UES and a blocking share holding of the most important RAO UES subsidiary – Mosenergo.

Gazprom's asset structure, comprehensive business organisation and shareholder composition enable it to combine the advantages of transnational energy giants with the attractive features of national state companies. Investors' confi-

dence in Gazprom's prospects has been supported by wise liberalisation of its shares; this has secured strong capital growth. Over recent years, Gazprom's market capital has jumped more than 25-fold! Today, our top world position reflects our power.

The world economy continues to require more energy. As economic development spirals, new economic centres are cropping up, creating a surge in demand for oil and gas. World prices are rising and there is increasing competition for natural resources. Our major commodity – natural gas – is needed in the East, in the West and in the American continent.

Currently, the Asian-Pacific region is not using large amounts of natural gas – just 10 percent of its energy needs. However, it is here that the fastest pace of demand for gas is forecast for the next 15 years. Negotiations are being held on supplies to the most capacious Asian market – China. Two routes of gas supply have been developed – the Western and Eastern. From 2011, 68bn cubic metres will be supplied annually. The Western route is a top priority, providing 30bn cubic metres per year; deposits in Western Siberia will cover this route's needs.

The Asian market is the most dynamic but North America is attractive in having the highest prices. One glance at the globe shows the advantages of our having a resource base for LNG production in the USA and Canada – in comparison to the Middle East. At the first stage in the American market, we are using spot supplies of liquid natural gas of non-Russian origin. The process has already been launched. In September 2005, we made

our first delivery of LNG to the USA. The second stage, including the worldwide sale of LNG produced in Russia, is to commence from 2010.

Today, Gazprom is holding talks with leading players in the world LNG market regarding the possibility of closer co-operation with LNG manufacturing and trade.

Meanwhile, Europe is set to see a surge in gas demand. Accordingly, we have established infrastructure and partnerships. Our main transportation capacities are directed towards Europe – providing failsafe gas supply and stable prices. Our geographical proximity is an objective factor; there is no cheaper or more economically efficient way to transport gas than via our pipelines. We have taken a path of co-operation and international integration, based on interchanging assets. For example, our co-operation with German companies aims to develop the Yuzhno-Russkoye field. This project covers every aspect from mining to end user supply; it's a joint venture – more than mere customer/vendor relations. It represents a whole new level of co-operation with our European partners. In 2005, the construction of a Northern-European pipeline through the Baltic Sea was launched; this aims to reduce transit risks in the transportation of gas from Russia to Europe. It is our sure-fire contribution to energy security within the European countries.

The reliability of supplies is to be supported by an additional route to Europe – through the Blue Stream and Turkey. Russian gas transit to Southern Europe and the Eastern Mediterranean is seen as very promising.

We have every possibility of fulfilling our obligations in Europe and simultaneously developing co-operation with companies from the Asian-Pacific region. Taking into account our resources, we can confidently say that Gazprom is able to act as an energy base for Europe and the wider world. ■

STATISTICS FOR INVESTMENT PROJECTS

By 2015, Russian companies plan to invest \$400bn in new investment projects. Most will go to the Far Eastern and Siberian Federal Districts. Oil and gas companies, in particular, are going to spend \$145bn on 24 projects. Energy companies are going to allocate \$62bn for 84 projects while non-ferrous metallurgy companies are to invest \$23bn in 35 proj-

ects. Ferrous metallurgy has set aside \$27bn for 50 projects. Chemical industry companies intend to invest \$31.4bn, timber merchants – \$13.6bn and machine building companies – \$6.4bn. The largest investments are coming from Gazprom (\$105.8bn), Rosneft (\$52.3bn), RAO UES of Russia (\$38.9), Transneft (\$14.5bn) and TNK-VR (\$12.2bn).



LUKOIL – INNOVATION FOR WORLD LEADERS

10 YEARS OF INTENSIVE GROWTH

Last year, the company adopted a strategy of intensive growth for 2007-2016, outlining its goals for the decade ahead. Its main targets are to raise oil production to 150m tonnes (compared to 95m tonnes produced in 2006) and gas production to 50bn cubic metres (compared to 13.6bn cubic metres last year). In the same period, refining capacities are to be almost doubled, to reach 100m tonnes a year. These figures are closely approaching the level of the world oil and gas industry leader among privately-run companies – American ExxonMobil.

Today LUKOIL is the second largest private oil and gas company worldwide, as regards proven hydrocarbon reserves. Moreover, they are being constantly replenished. In 15 years of activity, the company has discovered 118 carbohydrate fields in Russia alone. The total rise in industrial oil and gas resources is 1.2bn tonnes of conventional fuel – allowing compensatory oil production of 120 per cent.

Russia's only successful geological prospecting project on the sea floor is now being realised in the Northern Caspian region. It encompasses 6 explored fields with mineable reserves of over 1bn tonnes of conventional fuel. This includes Vladimir Filanovsky field – Russia's largest explored oil reserve in the last 20 years. In February 2007, LUKOIL and its subsidiaries were awarded the Russian Federation Government Prize 'For Science and Technology' for discovery of a large oil and gas subprovince. Regardless of successful geological surveys, LUKOIL has encountered serious problems in Russia; some traditional oil and gas fields – primarily in Western Siberia – are nearly exhausted. New oil and gas provinces, in areas such as Timan-Pechora, the northern Tyumen region and the Baltic and the Caspian Seas, are seeing positive results. At the same, Russia is seeing an obvious deficit of large promising sites for oil and gas exploration.

Under these circumstances, LUKOIL is forced to diversify, carrying out large-scale geological prospecting abroad. Naturally, not every drilled well gives

oil; nevertheless, the company has seen considerable success. In Iran, LUKOIL – jointly with Norwegian Norsk Hydro – has discovered a large oil field. In Columbia, it discovered a high quality oil field and its specialists have been prospecting for deposits in Saudi Arabia, Kazakhstan and the Gulf of Guinea.

DEEP REFINERY – TASK NUMBER ONE

The new LUKOIL strategy aims to transform the company into a multi-profile world level energy enterprise. This implies not so much the possession of extensive resources as the use of powerful scientific and technical poten-



RUSSIA'S ECONOMY HAS SUCCESSFULLY OVERCOME A PERIOD OF STABILISATION – THERE ARE NOW MORE INDICATIONS OF SUSTAINABLE DEVELOPMENT. LARGE RUSSIAN BUSINESSES – OF VARIOUS OWNERSHIP – ARE CLEARLY SERVING AS THE MAIN ENGINE OF FINANCIAL AND ECONOMIC GROWTH. TODAY'S LARGEST PRIVATE COMPANY IN RUSSIA, LUKOIL, RECOGNISES AND DEFINES ITS ROLE IN THIS NATIONAL PROCESS

tial – financial and intellectual. Russian President Vladimir Putin's recent statement regarding the need to shift from simple exploitation of natural resources to deep refinery digging was met by Russia's biggest businessmen with welcoming objectivity. President of LUKOIL, Vagit Alekperov, particularly emphasised that the main task is the processing of all products at Russian refineries and those abroad. Currently, Russia exports 50 percent of its crude oil and half of its refinery products in the form of raw materials. The margin, which – for oil – varies from \$50 to \$100 per tonne, stays in counter-agents' pockets beyond Russia's boundaries.

In terms of oil products refining and selling abroad, LUKOIL has undoubtedly advanced further than any other Russian company. The group owns 3 oil refineries in Bulgaria, Romania and Ukraine. LUKOIL's sales network includes about 2,000 filling stations in the USA and the same number in Central and Eastern Eu-

rope, in Cyprus and Turkey. This year alone, the company purchased 376 filling stations belonging to the well-known JET chain – located in Belgium, the Czech Republic, Finland and a number of other countries. LUKOIL's foreign refineries produce oil while its filling stations sell high, European quality fuel. The company is keeping its eye on future new downstream assets within Europe.

For the past few years, LUKOIL has been modernising its refining complex in Russia. As a result, 75 percent of total production last year was of high-octane gasoline. In 2005, oil refineries in Perm, Nizhny Novgorod and Ukhta were the first to begin major production of ecologically clean diesel fuel – corresponding to the European EN-590 (Euro-4) standard. In early 2006, the Nizhny Novgorod Refinery launched production of Euro-3 gasoline and, several months later, LUKOIL began sale of its new improved motor fuel: 'EKTO-92' and 'EKTO-95' (which comply with

LUK **LUKOIL**
OIL COMPANY



ALWAYS MOVING FORWARD

IMPLEMENTATION OF 'SECRET' TECHNOLOGIES

Prospecting and developing deposits on the sea floor and in difficult conditions in the Polar regions and Eastern Siberia, alongside the need to remain competitive and provide modern service levels at filling stations requires the most up-to-date, even cosmic, technology and equipment. Logically, LUKOIL, under circumstances of severe market competition, chooses Russian contractors and locally made machinery which has been successfully used on the floors of the Baltic, the Caspian and the Barents Seas, in retrofitting its refineries in Nizhy Novgorod, Volgograd and Perm and in supplying energy to oil and gas fields in Western Siberia, the Republic of Komi and Nenets Autonomous District. Supporting the initiative of the Russian defence and industrial complex on diversifying production, declassifying technologies and manufacturing double-purpose products, LUKOIL believes that the fuel, energy and defence industries can build efficient relations in the most varied areas – from R&D and high-tech standards to joint implementation of major infrastructural projects. The latter include the use of power plants (created using military aircraft engines) at oil and gas fields.

Establishing an industrial-energy techno-park in the sphere of high technologies will be the foundation for such co-operation. ■

In early 2007, the joint venture LUKOIL Saudi Arabia Energy Ltd. (LUKSAR) discovered hydrocarbon deposits after deep exploration drilling in Saudi Arabia. The first exploration well was prepared in January 2006 and was drilled on a domed area of Tukhman structure, Contract area Block A. The true vertical depth of this well is about 5,000 metres. At present, LUKSAR is beginning a detailed appraisal of the discovery, to further evaluate its composition and potential. Conclusions should be drawn by 2008.



Euro-3 requirements above national standards). By 2016, LUKOIL plans to extend its oil refining capacities in Russia by 15-20m tonnes a year and produce only high-octane gasoline. All its motor fuel products will comply with the Euro-5 standard.

One of the most important directions of company activity is the development of petro- and gas chemistry. It is paradoxical that Russia, producing enormous volumes of oil products, is actually importing some chemicals. For many years, Russia used to import one of the most indispensable components for the manufacture of packaging and containers – polyethylene terephthalate. Just recently, LUKOIL and Gazprom subsidiaries – LUKOIL Neftekhim and SIBUR – began a joint project to construct the only Russian polyester complex in Bashkiria. Its products will fully substitute imports.

In early March this year, LUKOIL-Neftekhim launched production of polypropylene at a corporate petrochemical plant in Budennovsk. Its annual output of 120,000 tonnes should fully enable import substitution in Russia. Saratov Chemical Works is preparing to open a plant to utilise hydrocyanic acid. Until now, this has had to be burnt. Its new technology should reduce the negative impact on the environment and provide Russian gold miners with a valuable product (hereto imported). Soon, LUKOIL will be developing construction of a new gas-chemical complex in the Northern Caspian region, with a capacity of up to 10bn cubic metres a year.





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RAO UES OF RUSSIA: ENERGY OF DEVELOPMENT



ANATOLY CHUBAIS,
CEO, RAO UES OF RUSSIA

sumption, but also to provide an impetus to development in all economic segments of the country.

In 1991-1998, Russian electricity consumption was constantly on the decline due to general economic stagnation. Since 1999, electricity consumption has steadily increased. In 2006, electricity consumption exceeded the 1992 level. With the current annual growth rate of 4-5 percent unchanged, the 1990 historical high for consumption (1,074bn kWh) will be hit not later than 2008.

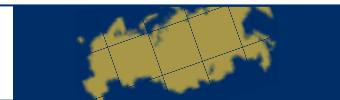
The recalculation of the country's demand for electricity required a thorough analysis and forecast of electricity consumption. The work jointly performed by RAO UES of Russia, related ministries and agencies, and independent experts resulted in the baseline scenario of electric power industry development for the period ending 2015, approved by the Russian Government.

The baseline scenario is based on the following forecasted average annual consumption growth: 5 percent in 2006-2010 (3.6 percent in 2011-2015). Given these growth rates, Russian electricity consumption will reach 1,198bn kWh by 2010 (1,426bn kWh by 2015). Based on the scenario conditions, demand for new generating capacity was calculated. In 2006-2010, it is necessary for Russia to build and put into operation 40.9GW of generating capacity (including 34.2GW to be commissioned by the RAO UES of Russia Holding Company).

The 5 percent average annual growth rate of electricity consumption is, at first thought, a rather moderate figure. However, when it comes to the energy industry, this growth is unprecedentedly exuberant owing to the following two peculiarities of utmost importance. First, in 1998-2005, the energy industry secured electricity consumption growth mostly by using the existing generating capacity. New capacity was commissioned in small amounts. Actually, the electric power industry satisfied the entire increase in energy consumption by raising the utilisation of existing power plants. Today, this approach to securing

Today Russia's economy is at the stage of development and growth. This leads to a substantial increase in energy consumption. The country's electricity consumption grew on the average by 1.7 percent a year in 2000-2005, the 2006 annual average growth rate was 4.2 percent.

The new enormous demand made the electric power industry face two alternatives. Either the energy sector will be unable to respond to the demand — and it will therefore turn into a retarding force for economic advancement — or the energy sector will be able not only to satisfy the required increase in electricity con-



growth has reached the technological limit. To prevent any electricity shortage, it is necessary to build new generating capacity, as well as transmission and infrastructure facilities. Second, the growth rate of electricity demand more than doubled last year (from 1.5-1.7 percent to 4.2 percent). The growth trend continues, that is why the Government allowed for a 5 percent annual average growth rate in the baseline scenario.

The combination of these two factors means that new capacity should be put into operation to an absolutely unique extent. This is the reason why the 2006-2010 five-year investment program, initially developed last year, was revised in 2007 and considerably enlarged. Initially planned 23,000MW of new capacity was replaced by the approved 40,900MW five-year programme.

First, it's effective demand, which means that all commissioned capacity will be utilised to satisfy consumers. In turn, this generates the business community's interest in investment to the electric power industry. Second, reform of the electric power industry that, upon entering its final phase, creates a demand-oriented market-based industry. RAO UES of Russia is nearing the completion of developing of this document. It will include the targeted vision of the development of the Russian electric power industry for the period until 2030 and the general layout of electricity facilities for the period until 2020.

The essence of the electric power industry reform launched in the late 1990s is simple enough: to separate the competitive sector (generation and sale) from the monopolistic sector (transmission and dispatching).

The initial, pre-reform structure of the RAO UES of Russia can be described in a simplified manner as follows: 73 regional energy enterprises (AO-energос); large hydro power plants (over 300MW); large thermal power plants (1,000MW); high-voltage trunk transmission lines forming the Unified Energy System of Russia, as well as ancillary services providers; Centralised Dispatching Administration and integrated Regional Dispatching Administrations.

Like the RAO UES of Russia Holding Company as a whole, regional AO-energос were vertically integrated companies, each of them had generation, grid, and sale assets. The primary imperfection of such companies' structure is that the competitive and monopolistic sectors

are not separate from each other. The absence of the electricity market means that private investments cannot be attracted to the industry. In turn, this situation does not make it possible to implement any large-scale projects.

The industry's new structure has been almost completely formed to date. The monopolistic sector of the industry comprises System Operator, Federal Grid Company, and Interregional Distribution Companies. The competitive sector of the industry: six thermal wholesale generation companies (WGC) and 14 territorial generation companies (TGC), a HydroWGC, independent gencos, and Rosenergoatom. The monopolistic sector is dominated by Government ownership while the competitive sector, by private ownership.

In addition to the structural transformation, the reform includes a no less important component – the creation of the electricity market. The competitive electricity market was launched on September 1st, 2006. The only parameter to form the price in the market is the supply-and-demand situation in a real time mode.

The fairest assessment of the structural and market-oriented transformation most likely originates from the investment community. The RAO UES of Russia capitalisation has grown at a substantially faster pace than the RTS index.

Our investment deployment concept is fully based on the above-mentioned reform concept. In line with this logic, it is necessary to raise mainly public funds for the monopolistic sector and attract mainly private investments to the competitive sector.

At present, the system of financial mechanisms to attract investments has taken shape. These mechanisms include the additional issue of shares, investment guarantee mechanism, direct and private investments, asset sale revenue, loans, credits, etc. It is evident that most of these mechanisms resulted from carrying out the reform and establishing the electricity market.

The key investment mechanism for the competitive sector is the placement of additionally issued shares in WGC and TGC. Today 15 energy companies are making preparations for IPOs scheduled for 2007-2008. Experts estimate that the total amount that may be obtained from the placement of additionally issued shares is \$15bn.

In November 2006, this mechanism

was put into practice: WGC-5 successfully placed its shares. As a result of the placement, demand for the additionally issued shares in WGC-5 was approximately 10 times as much as the offer. This allows us to be optimistic about the prospects for the future IPO of the other energy companies.

When beginning, we chose to cover as many as three periods of time simultaneously. 2006-2010: RAO UES of Russia Investment Programme; 2006-2020: General Layout of the Electric Power Industry's Facilities; 2006-2030: Targeted Vision of the Development of the Russian Electric Power Industry. The strategy is developed with the active participation of the Academy of Sciences of the Russian Federation.

The implementation of the large-scale investment program will lead to changes in the electric power industry's fuel mix. The major trend will be the increasing share of coal and the decreasing share of gas in the fuel consumed by power plants. In addition to quantitative parameters of the development, RAO UES of Russia focuses its attention on qualitative aspects. In fact, the country's energy industry will have to build a new technological structure.

Responding to the economy's challenge arising from increased demand, the electric power industry will in turn bring about demand in the related industries. First of all, it's power plant engineering. An example of power plant engineering development will be the industry's flagship company, Power Machines, in which RAO UES of Russia holds an equity interest. However, Power Machines products, like products of other power plant manufacturers, will be purchased by energy companies only on a competitive bidding basis. Here, the key criterion is the price-to-quality ratio.

So, will the Russian electric power industry be able to satisfy the growing economic requirements? The answer to this question is predetermined by the industry's reform.

The energy industry, in front of our eyes, will turn from a potential retarding force into a driving force for economic advancement, able to give an impetus to a great many related industries. In the near future, we will have more than 120 generation and transmission projects to implement. New capacity will enable us to supply sufficient electricity throughout the country, from the Far East to the Kaliningrad region. ■

TARGETING GLOBAL COMPETITIVENESS

MARINA DERYABINA, PH. D. (ECON.) AND SENIOR RESEARCHER AT THE INSTITUTE OF ECONOMICS OF THE RUSSIAN ACADEMY OF SCIENCES

Russian state-run companies' intention to expand their assets has received wide coverage by global media recently. Russian energy giants such as Rosneft, Gazprom and RAO UES of Russia are ready to allocate millions of dollars to acquire shares in major Russian and foreign private petrol and energy companies. In fact, this is just one aspect of Russia's policy, aimed at raising the economy's competitiveness.

The state exercises direct control over the development of strategically important industries and their positioning in world markets. In 2006, the strategic list included 514 federal state unitary enterprises and 548 joint stock companies dominated by state shares. The state will hold no less than 50 percent of capital in 30-40 major industries. The United Aircraft Building Corporation has already been founded; now, preparations are being made to set up a state aircraft engine building holding and a state armoured holding. Issues regarding the

creation of the national energy machine building holding and similar structures in the atomic, forestry and car industries are being worked through.

What has inspired this trend? Russia is pursuing two major tasks in its economic policy: enhancing the growth of the national economy (until recently, this included the ambitious goal of doubling GDP) and raising its competitiveness globally.

In the 1990s, it was generally believed that the state was an inefficient proprietor whose ownership of property had to be cut radically; its involvement in the economy had to be minimised. Now, the state's role wields greater respect. Contemporary management at large Russian state-owned companies follows market laws and the common rules of entrepreneurship. Nationalisation is no longer thought to impede a market economy. In fact, political and business milieus consider state support of certain industries to be a guarantee of their advancement and efficient market positioning. At the

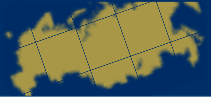
same time, it would hardly be possible to change the role of the state in the economy were it not for the second strategic task. The need to raise global competitiveness has given additional impulse to direct state interference in most key industries. No one doubts system requirements for the development of a competitive economy such as higher labour productivity, modernisation of production facilities, more investment in capital assets and improved staff qualifications. Businesses agree that, domestically and externally, Russia's competitiveness is impeded by a lack of intellectual property protection, out-of-date infrastructure, an outmoded legal system and excessive political interference in the economy. These were crucial factors in Russia falling from 53rd position in the World Economic Forum Competitiveness Index, to 62nd in 2006.

This mission is time consuming and risky; it's connected with risk and deformation of the notorious 'Russian character'. The long-proven usefulness of administrative resources (known for their efficiency in Soviet times) has turned out to be invaluable. Russian state bureaucracy quickly formulated a new strategy for Russia's expansion into global markets – 'only those major corporations comparable to trans-national companies, or established by the state or operating according to state-devised rules, are able to master foreign markets'. Characteristically, the state is going in leaps and bounds towards its target of restructuring the economy.

The state's efforts to give Russian companies a firm niche in global markets have intensified. The European Aeronautic Defence and Space Company, EADS, has officially confirmed the appearance of a new Russian shareholder – state-run Vneshtorgbank; it has acquired more than 5 percent of its shares. Natural monopolies – Russia's major earners – are growing, diversifying and strengthening their influence around the world. Gazprom's policy is penetrating gas distributors in several European countries while RAO UES of Russia is showing interest in neighbouring states' and other regions' energy sources.

It's difficult to estimate how successful this policy will be for Russia in the domestic and foreign markets but we can expect it to correct many of the negative aspects of the previous decade. The inefficient reforms of Russia are a thing of the past. ■





WINNERS BANK ON THE KREMLIN

Increasing numbers of Western investors now understand the Russian attitude towards cooled relationships with the West. As a result, they are learning how to adjust their risks and find appropriate opportunities. Investors have found that the Kremlin believes Western businesses took advantage of Russia's economic weakness in the early 1990s to make great profits while Western governments took advantage of its political feebleness to limit its presence in its traditional zone of influence. NATO's enlargement, Belgrade's bombing, the Baku-Ceyhan pipeline (routing Caspian oil around Russia) and the US review of the Anti-Ballistic Missile Treaty have had a negative impact on Russia's willingness to recognise the political and economic leadership of the West in general and the USA in particular.

Oil prices, which have almost tripled over the last four years, are now further strengthening President Putin and Russia in general, expanding the Kremlin's influence domestically and in the world arena. Russia's debt burden has fallen from 57 percent of GDP (in 2000) to 4.5 percent. Gold and hard currency reserves rose from \$36.6bn to \$300bn. At the same time, inflation fell from 18.6 percent to a reasonable 10 percent. The economy of Russia now has a turnover of trillions of dollars. All these factors precondition its more confident global stance.

Since Russia has become stronger both politically and economically, one might assume that the Kremlin would try to correct the mistakes of the 1990s. Putin's administration has already challenged Western influence in the former USSR, aiming to step in while the US geopolitical domination is falling – extending its own international influence. Investors have realised that, today, Vladimir Putin has a firm grip on power: the Duma's majority supports his legal initiatives, unruly regional governors have been daunted and the Upper Chamber is replete with politicians loyal to the Kremlin. Courts, political parties and the mass media have little influence on the country's management. More importantly, Mr. Putin and his loyal team govern the lion's share of riches and privileges available in Russia today. Investors ready to take advantage of the Kremlin's strength – and the country's political stability – are likely to make considerable profits this year. Power engineering, natural resources and the metallurgy industries are being further



TODAY, MANY FOREIGN INVESTORS WORKING IN RUSSIA REALISE THAT THE RECENT DECLINE IN RUSSIA'S RELATIONSHIP WITH THE WEST IS LIKELY TO CONTINUE AND WILL DIRECTLY IMPACT ON BUSINESSES IN 'STRATEGICALLY' IMPORTANT SECTORS. THEY MAY FEAR FOR POLITICAL INSTABILITY (WITH PRESIDENTIAL ELECTIONS IN 2008) BUT MANY ARE SURE TO REALISE THAT THERE IS STILL AN OPPORTUNITY FOR OBTAINING HIGH PROFITS IN NON-STRATEGIC SECTORS. IN 2007, INVESTORS SHOULD DECIDE WHETHER TO RELY ON A STRONG KREMLIN AND STABILITY IN RUSSIA

nationalised but other industries are securing large profits for investors. For instance, software outsourcing businesses are at less risk of technology theft in Russia than in China.

Russian political stability remains the key item on the agenda. Despite his popularity, Vladimir Putin doesn't plan to run for a third presidential term. Capital isn't likely to fly away from Russia yet though. High raw material prices will secure GDP growth and markets with fixed revenues will maintain their positive dynamics. Meanwhile, political stability and economic growth is raising Russian consumers' purchasing power. Shopping malls, services and consumer durables have done well in the light of growing real in-

comes and falling inflation. The banking sector continues to grow and is set to remain stable in 2007. Foreigners will continue to be seen in the banking sector; the WTO agreement with Washington will raise the share of foreign capital in Russia's banking sector.

Foreign investors banking on the Kremlin's stability are set to see profits this year; in fact, relying on instability may cost them dear. Even the 2008 Presidential elections – when Putin's successor will take office and the shuffle for Kremlin positions will begin – are unlikely to create political instability. ■

Ian Bremmer, President of the Eurasia Group Consulting Company

RUSSIAN OIL TRANSPORT DIVERSIFICATION TO BENEFIT PARTNERS

**BELIEVES PRESIDENT OF TRANSNEFT JSC,
SIMON VAINSHTOCK**



ino to Kozmino Bay – has a special sea oil port. This latter is being constructed alongside the development of Eastern Siberian oil deposits. Naturally, we don't want a big gap between the launch of the first stage, in late 2008, and the start of the next stage of construction. The 2,757km stretch is being strictly kept to schedule – with sections being worked on beyond the borders of Lake Baikal. More than 550km of straight pipeline have been laid already. Altogether, in 2007, we plan to lay 1,242km and to construct power lines, roads, oil transfer stations and a number of other key objects within the system.

The speedy construction of the Eastern Siberia–Pacific Ocean oil pipeline system is especially poignant in light of recent concerns regarding the reliability of Russian oil transit through the Druzhba (Friendship) pipeline via Belarus.

Oil transport diversification is most indispensable, complicated and expensive; it aims to secure the interests of Russia's Western European partners. We have adopted a final decision to begin construction of an oil pipeline bypassing Belarus. We will keep developing the Baltic pipeline system – from Unecha on the border with Belarus to Primorsk – and will increase its capacity by 50m tonnes a year. In February, the project was presented in the Bryansk, Leningrad, Pskov and Novgorod regions with a view to attracting investors. We plan to design and construct this tricky project as quickly as possible. Transneft intends to fulfil President Putin's mission to reduce transit risks for Russian oil exports west.

Previously, experts estimated that the project would cost \$2–2.5bn. Where will Transneft find this money?

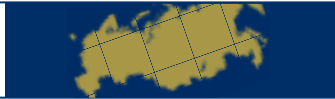
We haven't calculated the expected costs yet. We can definitely say that it will be very expensive. If it were not for the serious risk we face from neighbouring states, we wouldn't be spending such considerable funds. ■

Two years ago, some specialists showed concern for the Eastern Siberia–Pacific Ocean (ESPO) oil pipeline, fearing it would become an 'empty pipe' system. Are all the risks in the past and is the development of oil fields keeping up with oil pipeline construction?

Until recently, there were a lot of sceptics calling themselves 'specialists' – each giving negative views on the ESPO project. Unfortunately, they thrive on lack of strategic planning and a comprehensive approach to productive development in Eastern Siberia and the Far East. They feast on weaknesses in regional infrastructure and, in particular, slow rates of exploration and development in oil fields. However, one should understand that ESPO has much potential for the economy and for the so-

cial sphere of Eastern Siberia and the Far East. It can strengthen our political and economic position in Asia. We are convinced that the availability of powerful transportation and, in particular, pipeline infrastructure in the East of Russia will encourage intensive growth in the oil industry in the region. It is also likely to inspire other branches – just as happened in Western Siberia.

The project fully corresponds to our existing raw resources base. It is divided into two stages. The Taishet-Skovorodino pipeline (with a corresponding infrastructure including Primorsky Krai sea terminal) will have a capacity of 30m tonnes of oil each year. This pipeline will carry Western-Siberian oil (around 20m tonnes) and the remaining capacity is guaranteed by Surgutneftegaz and Rosneft; it won't stand empty. The second stage of the project – from Skovorod-



TRANSPORTATION OF DANGEROUS GOODS: ON THE EDGE OF THE LAW

OLEG TARANOV, DIRECTOR GENERAL OF THE TRANSPORT AND FORWARDING COMPANY ENERGY-TEX LTD

In Russia, alongside growing business, we are seeing expanding transport services and more transit of dangerous goods (including explosive materials). The Russian Federation is part of the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR). Since January 2005, the new edition of the agreement has been in force.

So far, the State Road Safety Inspection has noted improvements in this direction. Production Association KAMAZ, and a number of other national enterprises, have launched the manufacture of vehicles specially designed to transport dangerous goods. Agreements have been signed between Russian producers of explosive substances and the German Company, MAN. These aim to produce such specialised automobiles. The number of cases where the rules of transportation are broken is falling. In 2006, reporting at the 2nd International Conference on *Business Security: Authority and Business. Investment Attraction*, our company noted that 'special coupons' are being used to violate the law; they allow uncontrolled transportation of dangerous goods in high vol-

umes. Inevitably, this will bring negative consequences and should be banned.

Unfair competition and dumping prices for transporting dangerous cargo have resulted in a lack of special trucks for this purpose (such as EX-II and EX-III (ADR 2005) models). Transportation costs on KAMAZ trucks are much higher – due to their limited capacity of 14.3 tonnes. The ADR permits up to 16 tonnes – almost 25 percent more. KAMAZ has only 19 cubic metres of payload volume – half that of a 20 foot container – plus the small length of the trucks' body (3.9m). These limits pose serious obstacles in transporting large-volumes and longer-length cargoes – like antihail rockets. Accordingly, large producers and consumers of explosive substances in Russia are often on the edge of the law.

Our company, Energy-TEX, has more than 500 trucks. We don't believe in the existence of 'non-dangerous goods'. They are not necessarily indicated in the ADR but, during their transportation, risks or losses can arise. Some goods, such as nonferrous and rare metals, computer accessories, tobacco, and alcohol are at risk from thieves. It's not unknown for the cargo, the truck and the



driver (with the forwarding agent) to vanish. We follow security recommendations developed by the IRU – included in the ADR. We carefully select and vet our personnel, monitor the route of transit closely and keep tight control on delivery and acceptance. We work with law enforcement agencies and guarantee safety for the company and the driver. We also offer confidentiality and high levels of service to customers. ■



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SOCIETY & THE WORLD



40 DMITRY MEDVEDEV .
**HUMAN CAPITAL – RUSSIA'S
FOUNDATION**

44 VLADISLAV MALKEVICH.
**EXPOCENTR – LEADING
THE INTERNATIONAL EXHIBITION
BUSINESS OF RUSSIA**

50 ZHOES ALFEROV.
**BEING USEFUL IS THE MAIN THING FOR
TODAY'S RUSSIAN SCIENTIST**



57 **IN CONCORD
WITH BEAUTY**



HUMAN CAPITAL – RUSSIA'S FOUNDATION

FIRST DEPUTY PRIME MINISTER OF RUSSIA, DMITRY MEDVEDEV, SPEAKS AT THE SITTING OF THE RUSSIAN PUBLIC CHAMBER

Civil initiative has always been a source of economic growth and humanitarian and social development and a factor in improving the quality of public management and optimal public expenditure. However, it is a well-known fact that civil society is only efficient when it comprises mature and democracy-oriented individuals. Accordingly, the direct task of any democratic state must be to create favourable conditions for human development and self-realisation, for the development of 'human capital'. Without such conditions, a society fails to be truly developed. Frankly, we have been cultivating this idea for quite some time. However, over the last decade, no serious steps have been taken towards advancing human potential - due to our unsettled situation. We simply weren't ready, either financially or morally.

Today, when speaking of modern Russia, I have to admit that the task of speeding up the development of hu-

man potential is a true national goal. This is why we've initiated national projects. The chosen spheres have not been selected randomly; they have direct impact on people - by defining living standards and by providing incentives for their development as individuals.

One of the acutest tasks is, naturally, establishing a healthy nation. As expected, experts are now registering change in this sphere; we are seeing an influx of young skilled workers and specialists to the primary sectors of our health care system. I would like to quote some rather impressive statistics. New labour remuneration terms have been introduced for 680,000 workers employed in the health care system. This is a very positive figure, taking into account that our health care system involves 2m workers. Many medical establishments have received ultrasound, endoscopic and other laboratory equipment. This will, naturally, provide good support for our medicine.

Funding for talented youngsters and

teachers has become more systematic. In 2006, the top 10,000 teachers and over 5,000 awardees of international Olympiads and international contests received special prizes. The demographic measures taken are also showing fruit: their goal is obvious - to increase the birth rate and to overcome the demographic collapse overriding our country in the last quarter of the 20th century. Better rates of maternity pay and child support and a competent migration policy are before us. Experts are already registering some positive tendencies in birth rates, although these are just the first signs of progress.

From 2008, we plan to enlarge the national project - *Health* - with measures aimed at reducing the mortality rate. I'm talking about improving the quality of first aid at road accidents and fighting food poisoning - unfortunately, very common in our country. The project also aims to implement efficient treatments for vascular diseases and reduce mortality from trauma and occupational diseases. We are ranked bottom in the world in these areas. There are huge opportunities for improving these areas. We shouldn't forget that national projects are oriented primarily towards the future. This is why our national priorities must introduce new technology - in health care, education, agriculture or even housing construction.

The material base of innovative higher educational establishments has been considerably strengthened. Universities, which participated in the contest, have received considerable support. I refer to the hundreds of millions of roubles earmarked for a particular educational institution. Our universities have modest incomes so these funds are significant. Additionally, last year, we decided to establish two large scientific universities - important research centres based in the south and in Siberia.

By late 2007, all Russian schools will have broadband Internet access. This should extend their opportunities for data search and should allow them to use 'remote' education methods. They'll be able to find information directly on the web and take part more widely in society - communicating within the country and beyond.

Our national priorities aim to settle all the acutest problems of our citizens. However, I would like again to emphasise that implementing these national projects is far from a 'panacea'. These are guide-



lines for the most vulnerable areas of our life. One more thing that I would like to particularly dwell on is our government's efforts in socially significant fields: taking care of the aged and orphans and, naturally, encouraging healthy lifestyles, sport, family values and charity. It is a well-known fact that every state has its own methods for stimulating civil initiatives. These are governed by historical and cultural traditions and the existing system of values. We've been working hard in this field. However, the most efficient route seems to be liaising with

civil institutes. To this end, public councils have been established and legislative innovations are coming to the fore. Last year, we saw an indispensable law – on 'special-purpose' funds, capital and endowments. These are to become an additional source for supporting education, science, and culture. Obviously, our country is maturing. Non-profit organisations have their place in our plan and experience to offer. We'll use our existing opportunities to make the most of our human capital. ■



The independent non-profit organisation Soyuzexpertiza, of the Chamber of Commerce and Industry of the Russian Federation, was established in 1989; it was based on the Merchandise Inspection Department – known for goods expertise and inspection since 1923.

INO Soyuzexpertiza CCI RF is the biggest sole national independent inspection company which is a member of the International Federation of Inspection Agencies (IFIA).

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AS NEVER BEFORE

KUZBASS CHAMBER OF COMMERCE AND INDUSTRY TAKES OVER KEMEROVO REGION ADMINISTRATIVE DUTIES IN THE FIELD OF FOREIGN ECONOMIC ACTIVITY



Aman Tuleyev, Governor of the Kemerovo region, sees the move as unique, "We are pioneers. Why are we taking such a serious and extraordinary step? The CCI is a powerful and authoritative organisation and has been in Kuzbass for 15 years already. Its branches unite representatives from a wide range of business: small, medium and large. The Chamber can now accumulate specialists' opinions on the main issues of economic development. Without the organisation's co-operation and consultation, neither one draft law, nor economic document relating to entrepreneurship could be passed. The Chamber is actively extending interregional and international business contacts. In the past two years alone, the CCI organised meetings for Kuzbass business circles with those from Altai Krai, Krasnoyarsk Krai, the Irkutsk region, the Republic of Bashkortostan and, at an international level, with businessmen from Mongolia, Kazakhstan, Tajikistan and Uzbekistan. We make sure that the Chamber works hard and effectively to establish a favourable business climate in Kuzbass. We have created a fundamentally new legal mechanism for power and business interaction."

President of Kuzbass CCI, Tatiana Alexeyeva, took part in signing the new document, saying that the administrative reform (begun in the Kemerovo region) aims to co-regulate management using civil institutes. Naturally, although it's a bold move, the Governor would have never exposed the region to unreasonable risk. Clearly, the area is ready for this development. Today, it unites more than 700 enterprises from various branches of the economy and is a fully-fledged partner of the authorities. One of the main problems of the administrative reform is being solved – the elimination of state monopolies in the 'state-society' sphere. The Chamber of Commerce and Industry of the Russian Federation has often stressed the necessity of overcoming this. Public and non-governmental organisations and structures need to take part in order for administration reform to function well. ■

NATIONAL HEALTH – THE BASIS OF RUSSIA'S PROSPERITY



The National Health League has laid out its first set of tasks and has begun organising major forums. We realised that we need to attract as much attention as possible; forums can be used to elaborate concrete proposals and search for new forms of dialogue between civil society and governmental bodies. So far, we haven't been disappointed. Our forums' agendas have included congresses dedicated to medical care, ecology, culture, sport, emergencies and education. I am happy to say that the first all-Russian congress – *Civil Society Advocates a Healthy Lifestyle* – initiated the unification of various public organisations promoting healthy living. We invited prominent national figures to take part. Our medicine conference was led by Head of the Federal Consumer Rights and Welfare Service, Gennady Onishchenko, while our education conference was headed by Rector of Moscow State University, Victor Sadovnichy and our ecology forum was led by Deputy Natural Resources Minister of Russia, Valentin Stepankov. Our cultural event was head-

FROM APRIL 9TH-13TH 2007, MOSCOW IS TO HOST THE THIRD ALL-RUSSIAN FORUM ON NATIONAL HEALTH – THE BASIS OF RUSSIA'S PROSPERITY. OUR CORRESPONDENT, K. ANDRONIKASHVILI, MET A MEMBER OF THE PUBLIC CHAMBER OF THE RUSSIAN FEDERATION, PRESIDENT OF THE NATIONAL HEALTH LEAGUE, DIRECTOR OF THE A.N. BAKULEV CARDIOVASCULAR SURGERY RESEARCH CENTRE AND ACADEMICIAN OF THE RUSSIAN ACADEMY OF MEDICAL SCIENCES, LEADING CARDIO SURGEON, LEO BOKERIA

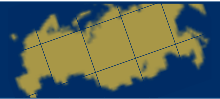
Mr. Bokeria, could you please introduce your organisation – the National Health League – to our readers. What are its goals?

The idea of establishing an all-Russian public organisation was debated for quite some time before it eventually materialised. Civil initiatives often aren't implemented due to lack of support from official structures – just as laws aren't always made clear to the public. We lack trust between the state and society and partnership. The National Health League aims to liaise between the Russian community and the state regulatory agencies which endeavour to promote good health. It was a joint initiative by prominent cultural, scientific, political and sporting figures; they believe that our nation's health is of indisputable value – a top priority for the state policy. A multi-layered approach, involving various departments, is needed. For example, we have a severe problem in keeping people at work; in Russia, 250,000 die annually of sudden heart seizure. Can this death rate be reduced? We think so! Airports in the USA, Germany and France have automatic defibrillators, ready to be used by policemen or airport officers to give emergency aid. We don't have such equipment, nor do we have specially trained airport personnel. The Ministry of Health and Social Development is not yet able to solve this problem – saying each airport must regulate its own activity. We need concerned individuals to act, finding solutions. I could cite many similar stories...

ed by People's Artist Iosif Kobzon and our sporting forum was led by Head of the Federal Agency for Physical Training and Sports, Vyacheslav Fetisov. These forums demonstrated the fully-fledged life of our regions while indicating shortfalls in how things are run.

Over 4 years, we have acquired some authority and have become one of the largest organisations of our kind. We are also one of the most successful examples of collaboration between society, state agencies and businesses in solving socially important tasks. We have published a unique book – *Russia's Health Atlas* – to great interest. It includes quotes from foreign colleagues. This annual edition analyses the situation in each region, looking at everything from the unemployment rate and the number of tuberculosis cases to the consumption of meat, protein or alcohol. In 2006, we also published a book entitled *Socially Important Diseases*; this was dedicated to the international congress on *National Health – Combating Drug-Terrorism*. We have arranged many other events, competitions and sports and athletics meetings.

Good health is said to reside in our economic prosperity, reliant on good economic indices, demography, health care, high income levels and mental and emotional well-being. Is our state capable of altering people's quality of life? What role does your organisation play?



Our citizens believe that our country is poor. To some extent, they are right; after all, we still can't solve our acutest social problems. Improvement is slow, although the Government has set priority guidelines – so called national projects. Without these, we'd be at a standstill. However, in my view, alongside Government policy, each of us should act. For instance, I can influence public opinion by appearing in the press or organising a forum or an exhibition – gathering together Russians from every region. Finally, I am a doctor so I can help in other tangible ways. This is why I joined a non-governmental organisation. We work transparently to gain the trust and respect of our people. We now receive money into a Charitable Fund, used for appointed purposes. Our modern Russian community can offer us all the chance to help; you can gain a response and the sympathy of people.

Last year you organised a campaign called *Health Wave – Take Care of Yourself...*

Exactly. It was an information spreading tour along the Volga River, involving the best specialists from scientific centres in Moscow: paediatricians, ophthalmologists, otolaryngology specialists, cardio surgeons and cardiologists. They examined and gave consultations to several thousand children in 17 Russian towns. The campaign was held under the aegis of the Public Chamber of Russia. Alongside concrete medical assistance, we conducted informational, scientific, sporting and cultural events. Over all, our enlightened mission is to promote healthy living. That's why our *Take Care of Yourself* campaign saw positive results; we even started receiving requests for similar tours along other rivers in Russia. If just one person gave additional thought to their health, signed up to a gym or gave up smoking, we fulfilled our mission...

I have heard a lot about your *Touch a Child's Heart* campaign. How many children have you helped so far?



The campaign began in 1999, against a background of an acute deficit of funds for children's operations. It was initiated by the famous Bakulev Cardiovascular Surgery Research Centre. Since 2004, it has acted under the aegis of the National Health League and its Charitable Fund. The fund's specialists have developed a system for selecting patients. The Moscow Centre hosts the operations, helping children chosen by each regional League head; they work jointly with local specialists who write eligibility certificates. They also raise funds by lobbying local businesses. Over the years, we have saved over a thousand young boys and girls. We even organised demonstration soccer games, with teams made up of those who have had past operations. These matches have taken place all over Russia but the very first was held in the Olympiysky Sports Complex; our kids played against a team headed by famous artist, Oleg Gazmanov. The children soundly beat well-known singers and then took part in a grand gala-concert.

The 3rd All-Russian Forum *National Health – the Basis of Russia's Prosperity* is scheduled for spring. What new ideas can we expect?

The forum will take place in Moscow from April 10th-12th 2007. Traditionally, its agenda includes exhibitions and scientific-practical workshops. You'll see debates on social programmes and leading developments and innovative technology relating to health care and welfare. The topics of the 10 planned congresses are quite diverse, touching upon problems of demography, education, sport for the masses, culture, ecology and health care. Finally, we plan to organise the National Health League Assembly – to discuss new guidelines for our activity. We continue to grow and our mission evolves along the way. ■



EXPOCENTR – LEADING THE INTERNATIONAL EXHIBITION BUSINESS OF RUSSIA

**GENERAL DIRECTOR OF EXPOCENTR,
VLADISLAV MALKEVICH, COURTEOUSLY
GIVES AN INTERVIEW TO OUR MAGAZINE**

How do you view the successful development of Expocentr against the background of existing overalleconomic growth in Russia?

Exhibitions have always reflected trends in the industries they are dedicated to. They are indicators of the degree of prosperity and development of various sectors. Large exhibition programmes, embracing all the main industries, demonstrate the current state of the country's economy in general. Expocentr Central Exhibition Complex has a universal programme of exhibition events. Expocentr developed its large-scale exhibition programme quite some time ago. Our seventeen exhibition brands are distinguished by the 'quality mark' of the Global Association of the Exhibition Industry (UFI). Another twenty are similarly acknowledged by the Russian Union of Exhibitions and Fairs. This impressive list distinguishes Expocentr from other trade fair organisers.

Altogether, in 2006, Expocentr organised 94 exhibitions. Almost 30,000 exhibitors from more than 100 countries demonstrated their goods and services at our pavilions.

Some exhibitions have shown particularly rapid growth: *Prodexpo*, *Metalloobrabotka* (Metalworking), *Mir Stekla* (World of glass), *Neftegaz*, *Elektro*, *Agroprod mash*, *Mir Detstva* (World of childhood), *Zdravookhraneniye* (Health care) and *Reklama* (Advertising). Expocentr's *Metalloobrabotka-2006* fair has 20 percent more participants than ever before and more than 33 percent extra display space. Another major Expocentr's show, *Zdravookhraneniye-2006*, gathered around a thousand exhibitor-firms from 35 countries – an absolute record in the entire history of this fair. Additionally, it had an extensive scientific programme which included numerous conferences, symposiums, seminars and round tables dedicated to the theme of health care.

Expocentr has deliberately expanded

the scientific programmes of the leading industrial exhibitions. This has entailed a format change for events. Until recently, tradeshow operators have been limited to exhibition-fair arrangements; now, such events are more like congresses – uniting knowledge and practical experience across a range of industries.

What is Expocentr's main focus? Which areas are most promising?

Today, the most popular theme is innovations. Expocentr's *Hi-Tech of the 21st Century* exhibition has been confidently extending and growing stronger. Another event we were proud of was our first *Photonics* fair – organised jointly with the Laser Association last year. It proved such a success – a rare feat with new exhibition projects. However, this was due to Russia having one of the most powerful world research schools in the sphere of optics and laser theory, represented by Nobel Prize laureates. We import huge amounts of laser equipment from China, South Korea, Japan and Europe but our country has opportunities to deploy its own efficient production of laser technology. We can supply high-tech equipment domestically and abroad – to generate income.

As I have mentioned before, alongside the innovatory theme, Expocentr is traditionally known for its industrial exhibitions and consumer goods trade fairs. The latter have seen notable growth in size and quality, due to a general rise in domestic living standards; this has brought a rising demand for high-quality products. In this respect, I should mention our visitors' favourite exhibitions of consumer goods: *Mebel* (Furniture), *Obuv*. *Mir Kozhi* (Footwear. World of leather), *Consumexpo* and *Prodexpo* – as well as the International Salon of Ophthalmologic Optics. All these exhibitions have shown positive dynamics, giving grounds for further expansion of Expocentr's exhibition programme in this direction. A new exhibition was found-



ed, *The Spring Furniture Salon*, continuing the best traditions of the largest Eastern-European exhibition – *Mebel*; in 2006, this covered 48,000 square metres of show space and gathered around 3,000 exhibitors from 56 countries. The International Exhibition Forum, *5pEXPO*, is scheduled for June 2007; it will be an important event for Russia's entire exhibition industry and should attract the most famous world exhibition companies. We are expecting specialists from a thousand organisations and firms; they are potential consumers of exhibition services in Russia and abroad. 5p stands for place, product, price, promotion and partnership: show grounds, exhibitions and tied services, optimal prices for exhibition brands and, finally, business partnership – everything market participants need to successfully promote their goods and services through fairs and tradeshows.

The forum aims to help Russian trade show organisers liaise with foreign colleagues. Representatives of Russian businesses get a unique opportunity to



see the entire range of exhibition products from around the world and can learn about the latest technologies available to the exhibition industry. Ultimately, the forum targets the further development of the Russian economy and its active, successful integration into the world economy.

In your opinion, what strategic advantages does Expocentr have in the market of exhibition services in Russia?

Its first obvious advantage is its huge experience, accumulated over decades of activity. It also has highly qualified specialists – not something every exhibition company can boast – and a broad range of well-known brands – popular in Russia and abroad.

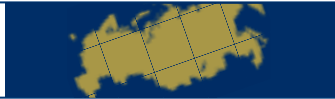
In Russia, fairs have ancient traditions. They have always reflected economic life and contributed to the efficient exchange of goods and experience. In modern times, our exhibition-congress events are becoming the engine of the national economy – an indispensable part of infrastructure. Most of the major foreign brands operating in Russia today entered our market via Expocentr show pavilions. Domestic firms and enterprises are helped by our exhibitions too; we provide a bridge to foreign markets. Expocentr's reputation is a considerable resource for further successful development of the exhibition industry. We keep modernising, building and extending our exhibition and congress facilities – an important achievement. We have a new pavilion, #8, now in operation and have raised our floor space to 132,000 square metres. Our significance for business is greater than ever; we even have a new business centre, Moscow-City, located near our exhibition complex. A metro station, called Delovoy Tsentr, has been opened near our Expocentr site too. We are also planning further construction of modern pavilions for exhibitions and congresses.



An important aspect of our service is that most of our exhibitions are supported by the Russian Chamber of Commerce and Industry. This enables them to be run according to the real needs of various economic sectors, satisfying the heart of industry. At the same time, the Russian CCI's approval is evidence of the high quality of our exhibition events – which are often organised jointly with ministries and departments, authorities of the capital and progressive professional associations. The number of professionals at such shows can reach 75-90 percent of the total number of visitors. This offers a good foundation for business, yielding fruit to exhibitors and buyers alike. All these advantages have enabled us to develop successfully, run a stable profit and provide clients with services corresponding to recognised international standards. ■

**WE HOPE TO SEE OUR FRIENDS AND PARTNERS IN RUSSIA!
WELCOME!**





REVIEW OF INTELLECTUAL BUSINESS IN MOSCOW

This February, the All-Russian Exhibition Centre (AREC) hosted the 7th Moscow International Salon of Innovations and Investments. It is one of the largest annual events – key to the successful integration of Russian innovational potential in the global science and technical community. It shows current scientific thought and demonstrates how new high-tech and innovative projects are being developed and introduced.

One of the organisers of the salon was the Chamber of Commerce and Industry of the Russian Federation. In his greeting to the forum, Chamber's President – Yevgeny Primakov – noted that it is uniting inventors' developments and industry's demands. The exposition supports initiatives aimed at promoting small businesses, special economic zones, techno-parks, industrial regions and other mechanisms of private and state partnership. The salon is a bright example of the boldest scientific ideas. It proved once again that the intellectual sphere of today defines all civilisation – shaped by daring ideas and discoveries. As we know, ideas become major businesses if they enjoy a certain demand. This happens rarely. Business and venture capital respond to ideas backed up by innovative infrastructure. This task should be tackled widescale – as seen by the salon's stands and numerous congress-events. More than 600 exhibitors from 26 regions of the Russian Federation took part, alongside 19 from Europe, South-Eastern Asia, Scandinavia and the USA.

Russia's Minister of Education and Science, Andrey Fursenko, emphasised that the forum gives the possibility of following national innovative developments while comparing countries' achievements in the field of nanotechnologies and science-intensive production. Russia demonstrated results from the federal target science and technical programme – showing its top priorities for scientific and technological development from 2002-2006. Within this programme's framework, an innovative approach to applied scientific research has been implemented. New technology has served as a basis for scientific infrastructure: national techno-parks, business incubators and free economic zones. Ac-



According to Mr. Fursenko, this has brought many new Russian goods onto the world market. He especially emphasised growing interest in Russian developments in the Eastern market – linking these to the current Year of China in Russia and Russia's Year in China – held in 2006. Mr. Fursenko stressed that it's vital to set up enterprises producing highly technological goods – in China and in Russia. This will facilitate mutual co-operation; certain steps have been taken in this direction already. Intensive talks on new joint energy-saving technologies are being held. However, Russian and Chinese legislation on intellectual property protection and the creation of joint ventures needs to be unified. The Head of the Education Ministry has offered to set up techno-parks not only in China but also, for example, in co-operation with the Moscow Power Engineering Institute.

Russia is now very close to entering the WTO; one of our primary aims is to create adequate instruments to protect the work of national researchers and intellectuals – especially those working abroad. To solve the wide problems relating to the supply of Russian highly intellectual products abroad, we need to devote time, money and staff. The Minister believes that, at the moment, there

is no need to start up joint companies abroad. The more attractive route is to create such companies in Russia. We would need to create a barrier against stolen equipment, counterfeit products and any other kinds of theft. The Minister of Education and Science has been supported by Vice President of Russia's Chamber of Commerce and Industry, Vladimir Strashko, in his declaration for the need for protection from unlicensed goods – in Russian markets and elsewhere. He believes that Russia's Chamber of Commerce and Industry – jointly with Moscow authorities – should develop an efficient system of measures. This responsibility should be divided between the organisers, inspirers and plunderers of intellectual property.

One of the main topics discussed at the salon was the attraction of big business to scientific and technological development. Since energy-saving projects and technologies in the fuel and energy complex enjoy the highest popularity, the exhibition presented 13 innovation projects. 3.65bn roubles – including 2.8bn roubles of non-budget means – has been invested by the state in projects. This has been a considerable contribution to business development, though a cautious one. At the same time, we should admit that the



developments of many Russian private companies have reached a high level; St. Petersburg's Prometey has developed oil rigs at sea.

At the salon, experts stressed that the transition to an innovative economy should be carefully supervised; the structure to plan, coordinate and control the introduction of new technology needs to be set up. However, we have a body able to answer these criteria – the Federal Agency for Science and Innovations. Its Head, Sergey Mazurenko, notes that there are more people wanting to control than to work; this is why good ideas are rarely realised. The employment of intellectual resources is a vital national task. It is not enough to demonstrate potential in the intellectual and production sphere or in scientific and technological industries (regardless of type of ownership). Joint effort – by the state and businesses – is needed to turn potential into results. As noted by the Head of the National Agency, the International Salon of Innovations and Investments has been a good working basis for the launch of open dialogue between statesmen, specialists in economic and science-implementation problems and representatives of business and financial circles.

Numerous business meetings at the forum have opened up new opportunities for many projects – for example,

in the sphere of nanotechnologies. Recently, the results of federal target programmes in nanotechnologies were announced. Kurchatov Institute – leading Russian and world science and applied research – was named the main scientific organisation. This confers huge responsibility – as the Institute's employees have admitted. In the early years of this century, there were 3 applicants for each place – a good result. Now, there are from 5-50 applications per place, showing growing interest in this sphere and the result of co-operation between the state and businesses.

As regards the role of the state, we should first of all mention that it is multifaceted. Besides being a venture investor, the state is obliged to create innovative structures to assist the promotion of Russian science-intensive and competitive production for the market. Today, many innovative projects are being seen

throughout the Russian regions. Law-makers have pulled away from locally financed science projects. If, during the developmental stage, budgetary funds are allocated for innovative projects, some call this 'useless' expenditure. The state can interfere to improve this paradoxical situation. As one salon participant noted, the well-known proverb states: 'what you did not give was lost; what you invested is yours'. This seems to perfectly sum up the idea of an innovative economy.

The first obstacle is our mental attitude and the second is our existing system as regards inventions. The former Soviet system linked innovation to the military; it is no secret that the military-industrial complex was the main consumer of scientific labour – other branches of industry were sidelines. The newly appointed First Vice Prime Minister of the Russian Federation, Sergey Ivanov, was given the task of disseminating military-industrial experience in introducing nanotechnologies to other branches of the economy. Urban lighting is a key example since up to 20 percent of electricity generated worldwide is directed in this way. We are on the edge of a new 'light revolution' – with a shift to energy-saving light-emitting diodes. This is a product of nanoelectronics, nanaoenergy and other nanotechnologies. Only the state will be able to carry out such major development. ■

By Sergey TIVANOV





THREAT OF TECHNOSUICIDE

ON MARCH 19TH, 2007, THE RUSSIAN CHAMBER OF COMMERCE AND INDUSTRY HELD A ROUND TABLE ON THREAT OF TECHNOSUICIDE AND DISCUSSED 'WORLD PROGRESS' AND ITS IMPACT ON NATURE. OUR EVOLUTION IS AT STAKE. DOCTOR OF HISTORIC SCIENCE PROFESSOR SERGEY NEBRENCHIN SHARES HIS VIEWS WITH A REPORTER FROM THE CCI-INFORM INFORMATION AGENCY

The Earth has a parallel artificial environment – in which we live. We have our housing developments and city infrastructure, networks of services for consumption and leisure, developed energy and telecommunication and transport systems. This artificial environment is competing with natural flora and fauna. It disturbs the ecological balance and breaks the social balance in every country. It interferes with the laws of nature and jeopardises our very existence. Modern industrial production has triggered massive surges of carbonic acid into the atmosphere; the greenhouse effect is now a reality. Energy seized from nature – around 150 x 1,015 Kcalories – is burnt and wasted in the name of 'world progress' each day. Only 10 percent of this is spent on recycling. At the same time, billions of tonnes of burnt oil and gas cause irreparable damage; 20 percent of the upper fertile layer of land and 30 percent of world peat – the basis of biological life support – are gone.

Unrestrained consumption is pushing us towards technosuicide. If we do not stop now, after 2020, catastrophe will be inevitable. Without food, we can live more than a month, without water – for five days. Without air, we can survive just five minutes. Urban areas and industrial centres are at the epicenter of global ecological crises. Their uncontrolled flow of waste is spoiling our world: poisonous smog, refuse tips, contaminated lakes and forests and huge 'plastic' debris spoiling beauty spots. World health is also affected; we are seeing increasing numbers of natural and man-made disasters – all in the name of 'world progress'. Today, a giant financial and economic transnational empire circles the globe, with the market dictating the direction of development. Banks, trade centres, exchanges and supermarkets are temples worshipped by growing numbers of people. Money is their God. Customs, traditions and values are set aside in favour of mass consumption and leisure.

We have natural physiological needs and innate instincts but we seem to be denying our basic feelings for our environment. Our love of possessions is almost a fetish, a form of necrophilia – an adoration for inanimate objects. The age old joys of physical and spiritual health are yielding to the excesses imposed on us by the entertainment industry. We are inspired to worship cars and gadgets, shops, bigger homes, knick knacks and luxury food. We are no more than victims, part of a huge mechanism in which we move robotically. Our political-economic and cultural-historic legacy is being destroyed, with multi-national states eating up natural resources and colonising the world. Russia is among the culprits. For almost twenty years, merciless market values have been aggressively imposed on our population. Western society lives under the same threat. ■



BEING USEFUL IS THE MAIN THING FOR TODAY'S RUSSIAN SCIENTIST

ZHORES ALFEROV, ACADEMICIAN, NOBEL PRIZE WINNER, VICE PRESIDENT OF THE RUSSIAN ACADEMY OF SCIENCES, CHAIRMAN OF THE PRESIDUM OF ST. PETERSBURG SCIENTIFIC CENTRE OF THE RUSSIAN ACADEMY OF SCIENCES AND MEMBER OF THE STATE DUMA COMMITTEE ON EDUCATION AND SCIENCE



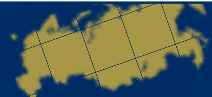
BBC, John Heckman – a Nobel Prize winner in Economics sitting next to me – said, “In the second half of the 20th century, global scientific and technical progress was determined by competition between the USSR and the USA. It’s a great pity that this competition has ended.” It’s true, indeed. In my opinion, during the difficult 1990s, the international scientific community were more concerned about Russian science than our own authorities.

It’s largely due to international research co-operation that the scientific potential of the Academy of Sciences and its scientific schools has managed to survive. In the early 1990s, our first friends were American scholars and, primarily, physicists from the USA. When, in 1992, funds allocated to my ‘native’ Physico-Technical Institute fell 20-fold, I went to the United States. There, I met many politicians, scientists and Pentagon representatives. It was the Pentagon that gave two contracts to our institute – each worth \$100,000; this helped us to prolong our existence. One hears various stories about the Soros Foundation but \$100m was allocated at that time under a programme for assisting CIS science; it played a tremendous role.

In 1994, 77 research projects were won by the Physico-Technical Institute – equalling \$2m; this was vital support for maintaining research activity. Undoubtedly, the West wasn’t being purely philanthropic; now, a great number of out talented researchers work in foreign laboratories. They will never return. However, I would like to repeat, Russian science only managed to survive due to international scientific collaboration.

In the mid-1990s, to my mind, an absolutely idiotic slogan abounded on the redundancy of Russian science. The idea that Russia didn’t need so many scientists was pushed forward. Science is never redundant! When they talked about a million and a half researchers, they included those working in industrial institutes and laboratories – most of whom are simply qualified engineers. Moreover, a highly technologically developed country needs a great deal of scientists. The fact that we have lost this resource is in evidence today (in the early 1990s, in Leningrad alone, the number of industrial researchers was cut four-fold). Now, we talk a lot about innovation – previously labelled ‘application’. The old Soviet mechanism of application of scientific achievements into production gave rise to unfavourable criticism. However, the technological chain – academic laboratory, industrial institute and then production – really worked. Industrial institutes and technical university departments fulfilled the function of innovation centres. Now, this chain has to be recreated.

Our losses in the field of science are immense; science used to play a tremendous role in our country – its numerous achievements were obvious. The Soviet era was unique in having a wide range of scientific topics under research. The USSR and the USA were the only countries conducting research in all fields of natural and technical science. I felt simultaneous pleasure and sorrow when, in 2000, during a round table of Nobel Prize 2000 laureates organised by the



The Academy of Sciences has undergone many changes. Today, it is represented by approximately 115,000 people – instead of 160,000. Engineering personnel have been thinned out: previously, 70,000 but now just 55,000. It's a great pity that we've lost our middle generation. Today, the vast majority of our professors are over 50 years old. Many of our alumni have moved abroad or are working in commercial enterprises.

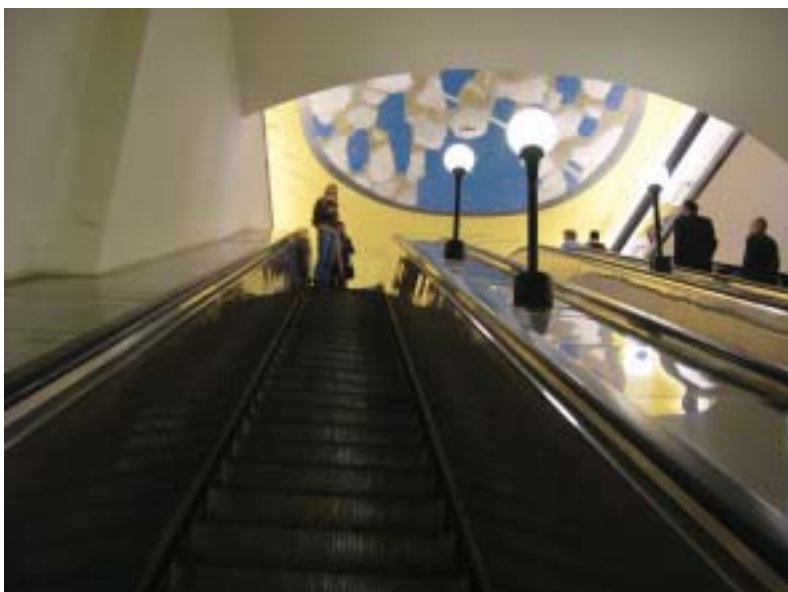
However, I have to admit that scientific work started losing its prestige back in Soviet times. Functionaries and bureaucrats often harmed science. For instance, in 1955, Nikita Khrushchev ridiculed science and education when, by accident, he found out that scientists earn two salaries: one as researchers and another as lecturers. This didn't correspond to the ideology of the time and combined jobs were prohibited. From the moment of its foundation by Abram Ioffe, the Physico-Technical Institute developed alongside the Physical-Mechanical Department of the Polytechnic Institute. Ioffe established the Physico-Technical Institute in 1918, while – in 1919 – jointly with Stepan Timoshenko, he founded the Physical-Mechanical Department of the Polytechnic Institute. It was the first department in the world to unite fundamental physics and maths with high level engineering. The Physical-Mechanical Department is the forefather of our modern-day training for engineers and physicists. When combined jobs were prohibited, three people worked in the institute on a voluntary basis – the great researcher, Boris Konstantinov, voluntarily stayed on as Department Dean and Head of the Chair – as did Georgy Grinberg and Dmitry Nasledov. However, other professors left. When, a decade later, the prohibition ended, it took years to restore the ruined system.

The losses science has suffered are terrible. Now, even if we raise salaries to \$1,000 and carry out reform, we can't be sure that those working abroad will return. The system needs to change. Alongside good salaries and up-to-date equipment, successful work in the field of natural and technical science requires motivation! This secures a future for science. Scientists should feel they are useful to their country. Russian science will only develop if it's needed by the economy and the public. Today, we have no impetus. We lack interest and long-term orders – including contracts for fundamental scientific research. Nor is there a desire to restore science-intensive industry.

Many hopes are pinned on national projects. I generally have a positive attitude to such undertakings but they provide only selected assistance to people. Meanwhile, we need to guarantee mass support, first of all, for school education.

When I received the Nobel Prize, I wanted to give away one third of the award to our scientific and educational centre. My son suggested an alternative – establishing the Foundation for the Support of Education and Science. Some of the money is used to help our teachers and school and graduate students via an efficient system of scholarships and prizes. Our foundation is not rich, but we pay scholarships to pupils, undergraduates and post-graduate students as well as teachers, primarily in St. Petersburg. Scholarship funding is minimal but it exists. Prizes for young researchers total 150,000 Russian roubles. Our scholarships are also received by pupils at a school in Volgograd, a village school near Belgorod, another rural school in the Korsun-Shevchenkivsky district in Ukraine and by all widows of former members of the Academy of Sciences in St. Peters-

burg. Recently, we established a foundation award for young researchers – under 33 years of age – in the field of natural sciences. From this year, the award will encompass the entire country. Its first laureate was Mikhail Dubina, who made a significant contribution to cancer diagnostics. As a scientist he takes an interest in solar energy and light diodes; we plan to test some of our ideas for physics / medical joint projects. On the whole, I'm always pleased on meeting award laureates as they are brilliant specialists. Our future belongs to them. ■



Zhores Alferov is one of Russia's most prominent scientists in the sphere of physics and the technology of semiconductors. His works have received wide publicity and world recognition. Mr. Alferov is the author of over 500 research works, including 3 monographs and more than 50 inventions. He has been awarded numerous prizes, including the Nobel Prize in Physics in 2000 and the State Prize of Russia (2002). Zhores Alferov is a deputy of the State Duma of Russia's Federal Assembly, Vice President of the Russian Academy of Sciences and Chairman of the Presidium of St. Petersburg Scientific Centre of the Russian Academy of Sciences. Mr. Alferov has established a special Foundation for the Support of Education and Science; it funds talented students, assists their professional growth and stimulates creative research in top priority areas of science and engineering. The first contribution to the foundation was made personally by Zhores Alferov, from his Nobel Prize. ■

JUNIOR ACHIEVEMENT: 15 YEARS OF MOVING AND SEARCHING

THE RUSSIAN CHAMBER OF COMMERCE AND INDUSTRY HOSTED THE *PROFESSIONAL ORIENTATION OF YOUTH: DEVELOPMENT OF YOUTH ENTREPRENEURSHIP IN RUSSIA* CONFERENCE RECENTLY. IT WAS ORGANISED BY THE CCI AND THE INTERREGIONAL NON-GOVERNMENT ORGANISATION JUNIOR ACHIEVEMENT RUSSIA, WHICH HAS RECENTLY CELEBRATED ITS 15TH ANNIVERSARY. THE EVENT GATHERED OVER 30 RUSSIAN REGIONAL BRANCHES OF JUNIOR ACHIEVEMENT (JA) (TEACHERS, STUDENTS AND COUNCIL MEMBERS) AS WELL AS REPRESENTATIVES OF LOCAL CHAMBERS OF COMMERCE AND INDUSTRY

According to President of the Russian CCI, Yevgeny Primakov, the development of youth entrepreneurship should not only encourage the training of qualified manpower but should assist rapid adoption of innovative progress. The latter requires the commercialisation of scientific achievements and the economy in general. In preparing talented young people for business, Junior Achievement has been successfully collaborating with the Russian Chamber of Commerce and Industry – at their centre and, more importantly, regionally. The Vologda, Kaluga and Tatarstan CCIs and a number of other territorial chambers actively co-operate with JA regional branches.

The founder and the leader of Junior Achievement Russia – President of the Russian Research Centre Kurchatov Institute, Secretary of the Public Chamber of Russia and Academician Yevgeny Velikhov – notes that, in Russia, the *Junior Achievement* programme began in December 1991. In its 15 years of existence, more than 4.5m talented Russian youngsters have been taught the basics of entrepreneurship. The goal of the organisation is to encourage economically competent, business-driven young Russians prepared to use their initiative in various branches of the economy. It has had support from a number of Russian and foreign companies and has helped millions of school students learn business skills. More than two thousand school companies have been established under its guidance.

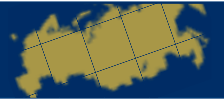


It's now time to extend the number of businesses and governmental structures ready to support the programme. "Naturally, not all Junior Achievement participants become entrepreneurs. They do acquire new skills and develop independence and initiative though," says Yevgeny Velikhov. "These skills are useful for all of us – not just businessmen. Scientists, civil servants and, in fact, everyone needs to develop confidence in these matters. The more such people we have, the faster Russia will establish a 'real' civil society."

President of the All-Russia Public Organisation of Small and Medium-Sized Business OPORA Rossii, Sergey Boris-

ov, tells us about an agreement reached with the Russian Ministry of Economic Development and Trade. It includes the Junior Achievement Institute in the federal programme for supporting small- and medium-sized business in Russia. Around 4bn roubles are to be allocated from the state budget this year to support the programme and governors of regions are to be given the opportunity to take part. The process of teaching enterprise skills will be co-financed by the Kurchatov Institute and the regions. According to Mr. Borisov, this should increase the number of trainees regionally by 100-200 percent.





Winners were named at the fair. First place – and the right to represent Russia at an international contest – was awarded to the NEW OUTLOOK school company; this specialises in waste recycling. The winners of the *Best Marketing*, *Best Product* and *Best Service* were VISTA (Kazan), TESTOVICHOK (Ivanovo) and FORMULA USPEKHA (Nizhny Novgorod). Head of Junior Achievement Russia, Mr. Velikhov, was awarded a Russian Chamber of Commerce and Industry diploma for his many years of work in this field, teaching Russian youngsters the basics of economics and enterprise. His great contribution to raising a future generation of Russian businessmen is greatly appreciated. ■

During the conference, participants discussed the main trends in education and professional training. They touched upon the role businesses can play in students' interest in enterprise. Additionally, they raised issues of youth employment in domestic and foreign companies.

The agenda (dedicated to the 15th anniversary of the international JA's launch in Russia) included the 8th fair dedicated to achievements of school companies; this took place at the International Trade Centre in Moscow. It displayed goods produced by school companies countrywide: from Vladikavkaz, Volgograd, Vologda, Ivanovo, Kazan, Kaluga, Kostroma, Moscow, Nizhny Novgorod, Novorossiysk, the Saratov and Tyumen regions, the Republic of Chuvashia and many other regions.



VIRTUAL NEGOTIATIONS FOR REAL CO-OPERATION

In 2007, the Year of China in Russia, Eastern businesses are keener than ever to liaise with Russian regions. Those taking part in a debate run by the International News and Information Agency, RIA Novosti, in Moscow, discussed how to attract foreign investments into the economy of North Caucasus. Among the participants were Head of the Caucasian Mineralnye Vody and Chairman of the Mineralnye Vody Municipal Council – Konstantin Gamayunov, Minister of Economic Development and Trade of Stavropol Krai – Tatiana Bosova, President of the Institute of Direct Investment and General Director of the Federal State-Owned Unitary Enterprise Giprogor (the state institute of cities design) – Mikhail Grudinin – and Director of the Department for Regional Co-operation at the Centre for Strategic Research under the Ministry of Economic Development and Trade of Russia – Ivan Ognev. The Chinese party – at the Xinhua Agency studio – was represented by the senior research officer of the Centre of World Problems Investigation – Wang Chengcai, Deputy Director and General Secretary of the Centre of Investigation of Russia and the CIS under the University of Foreign Economic Trade – Han Lihua – and Head of the Department of International Co-operation of the Chinese Association of Development and Planning of Industrial Investments Abroad – Chen Jing.

Mineralnye Vody is a comfortable and compact centre of North Caucasus. Alongside Pyatigorsk, Zheleznovodsk, Kislovodsk and Yessentuki, it comprises the resort system of the Caucasian Mineralnye Vody. Alone, it is not a federal resort – giving it special investment appeal. Just over a year ago, a new team of



young managers headed the city. The average age of top managers there is 40. They have developed a city growth strategy with a corner-stone of investment. Work has begun on preparing an investment passport for the city – an information system on land development. Mineralnye Vody is the second city in Russia to have such a product and the first in the Southern Federal District. This has resulted in the implementation of the first investment projects, including the construction of a zonal automated sorting centre. This enterprise has been jointly established with the State-Owned Enterprise Pochta Rossii (Post of Russia) to allow prompt processing of mail, using the latest technology; it provides services to the whole North Caucasian region. In autumn 2006, modernisation of the Mineralnye Vody International Transport-Passenger Airport began, following the state strategy for Russian transport development (until 2020). It is to be part of the national network of airport-hubs. Last year, approximately 325m roubles were spent on repairs to the airport building and construction of a landing strip. A significant amount of money (including foreign funding) was invested into Kavminsteklo JSC (founded in 1898 and one of the Caucasus' main producers of sparkling wine bottles). The volume of investments in basic capital for the whole year reached 1.357bn roubles.

Mineralnye Vody has become a centre of automobile trade in the region. Official dealers of such companies as

VAZ, Mercedes-Benz, SAMAND, Toyota, Honda, Peugeot and UZ-Daewoo are located there. The city is especially interested in developing investment projects for large and medium-sized businesses. Housing construction in the Yuzhny district is planned, with investors and builders almost ready to begin. 500 hectares have been allocated and, over 10 years, around 1m square metres of accommodation should be built. This will house 170,000 people. Urban housing will look up at the picturesque sight of Mt. Zmeika – towering 960 metres above. The *Yuzhny District* project – supported by the administration of Stavropol Krai – was presented at the *MIPIM 2007* exhibition in Cannes this March. It looks to the future, equaling the *Baltic Pearl* project in importance.

Today, Stavropol Krai has opened its doors to Chinese and other foreign investors in the field of construction, transport, trade and hotel business, tourism and recreation and resort development. Since the development programme for the North Caucasus ski resort was adopted, transport-logistics have looked even more attractive. Chinese partners realise the strategic importance of the region and ten leading foreign investors have already signed up. Soon, as part of the Year of China in Russia, numerous meetings and negotiations will be held between business representatives of Russia and China: new contracts are sure to be signed. ■

By Sergey TIVANOV



OFFICIAL VISIT OF CHINA'S CHAIRMAN OPENS YEAR OF CHINA IN RUSSIA

Another important step has been taken towards strengthening co-operation between Moscow and Beijing. Last year, Russia's President – Vladimir Putin – visited China to open the Year of Russia. On 26th March 2007, Moscow took the baton of the Year of China. "It is a remarkable event for our two countries," said the Russian leader. At the opening of talks with Chairman of the People's Republic of China, Hu Jintao, the Russian President – reporting on the development of their relationship – emphasised, "This deals with our economy, policies and international relationships. We have managed to reach a major level of collaboration in the sphere of military and technical co-operation as well as between our defence departments."

The end of last year was noteworthy for rising mutual commodity turnover. According to Russian statistics, this reached \$30bn (\$33bn according to Beijing).

"This year, we intend to maintain our guideline for strengthening projects," stressed Mr. Putin. "The Year of China schedule includes around 200 events covering a vast geographic area – from St. Petersburg to Vladivostok."

According to Hu Jintao, relationships between Moscow and Beijing have been developing upwards. "We are ready – alongside our Russian friends – to apply efforts to further promote our relationship towards sustainable development and civil welfare," he said. Mr. Jintao also noted that the decision of the two leaders to conduct national years has proven successful.

Russia and China are co-operating in every sphere: trade, economics and investment collaboration remain their top joint priorities. "Today, we are implementing a range of projects in woodworking, space, transport, aviation and power engineering," stressed Mr. Putin. However, most are still in the developmental stage. Inter-banking agreements, some of which are intended to stimulate Russian exports to China, were most prominent amongst those signed on 26th March. The parties are now focusing intensively on another project. Beijing is keen to see Russian oil travel directly to its country. This is unlikely to be achieved in the near future, though. An oil pipeline is only now approaching the Russian-Chinese border. However, Moscow and Beijing do not see this as an insurmountable obstacle to their energy partnership. The railway departments of the two countries have come to the rescue. Head of Russian Railways JSC, Vladimir Yakunin, has signed an agreement with the Chinese Minister of Railways, Liu Zhijun, which aims to promote rail transport of oil. Around 15m tonnes of oil could be transported from Russia to China yearly. "Today, we are disposing of a 5m tonne reserve," noted Mr. Yakunin.



After the talks, Vladimir Putin and Hu Jintao took part in a solemn ceremony opening the Year of China in Russia at the State Kremlin Palace. During his speech, Russia's President noted that – despite the complexity of 20th century politics – the Russians and Chinese have managed to preserve a sincere respect for one another. "Russia and China have always known that they are predestined to live as neighbours and to closely co-operate – carefully studying each other's experience. Throughout history, we have seen harmonic and equal relationships between our peoples."

On 27th March, the two leaders opened the National Exhibition of China in Russia at the Crocus Expo Centre – under the slogan Mutually Profitable Co-operation and Its Harmonic Development; the event was dedicated to the opening of the Year of China in Russia. This encapsulates the spirit of Russian-Chinese collaboration, underscored the Russian President. Mr. Putin noted that, for Russia, China has always been, and remains, a key economic partner. The Head of State believes the Russian people should acquire knowledge of China's top industrial and technological achievements. ■



MAECENAS INSPIRATION

I was pleasantly surprised when the International Charitable Foundation, The Centenary Patrons of Arts nominated me for an honorary public award – the badge of the ‘Maecenas’ Order (the Silver Cross).

Vadim VOLKOV

In April 2007, Moscow is to host the solemn opening of the Chief Architectural Park – Kind Angel of Peace. It will be filled with sculptures dedicated to the idea of charity and Maecenas. Alongside others, Vadim Volkov will be able to immortalise his name in the base of the historical construction.

Mr. Volkov, how have you earned the title of absolute knight of the International Charitable Foundation, The Centenary Patrons of Arts, and the Social Movement of Kind People of the World?

For many years, I and my colleagues in the Novy Urengoy branch of the United Russia (Yedinaya Rossiya) political party have supported various projects of interest to us. Sometimes the idea inspires us and sometimes the people we work with do. During our work with The Centenary Patrons of Arts, we decided to direct our efforts into establishing a non-profit organisation with its own budget. This enables us to implement various charitable programmes. Despite mechanisms for controlling charities being in their infancy in our country (charities are not tax-exempt for example) we undertook this project. We founded a new non-profit organisation called Foundation for Civil Initiatives 18 months ago. For this work, I was awarded this honorary title.

In your view, which projects have been most fruitful?

Our charity projects cover a range of spheres: culture, sports, education, medicine, etc. I can’t remark on one above another since each involves people who we help. I believe any comparison would be inappropriate.

Which projects most interest you?

Those assisting talented youngsters, helping them realise their gifts, always appeal to me. We are proud of our young pianists’ victories; they took 1st and 2nd degree diplomas at the 2nd International Festival of Children and Youth Art, *Stelle Italiane* – in Italy. We are always pleased with their successes; abroad, they represent not only the town of Novy Urengoy, but also the culture of Russia. We need to help young men to particular realise their talents via modern music and dance. We also take pride in helping Novy Urengoy children play sports. They work hard, doing their best, and often bring home medals from various championships.



What do you think of Russian culture today?

It is always difficult to generalise and give average figures, especially when you are talking about the whole of Russia. After all, we have 89 federal regions, each with its own unique historical and cultural values. Moreover, culture itself is versatile – constantly evolving. Nevertheless, many still see us as a land of folk lore: balalaikas, red sarafans and dancing while squatting. Our Russian ballet companies tour Europe with their modern performances and our cinematography has won foreign fans – so we are not completely stuck in the past. Even our club music has gained popularity with clubbers and radio listeners alike. Culture as a manifestation of spirituality has, perhaps, lost its former strength. However, cultural activity still exists in Russia and in people’s minds. I have to add that not only does it exist – it’s developing dynamically.

Do you have any new projects?

We have a lot of plans for the future; we’re currently developing them. I’ll discuss them once they’ve been realised. We believe in the ideals of kindness, respect and generosity. In my view, our efforts are contributing to the restoration of great Russian benevolence and charity in their original sense. ■

By Irina RUDSKAYA



Gaius Cilnius Maecenas was a Roman figure living in the 8th century BC. His patronage of scholars and artists has made his name a byword for sponsorship of the arts. The history of benevolence in Russia has a long tradition, dating back to the 18th century. It was largely spurred by reforms brought by Peter I, who introduced the spirit of European Enlightenment to the country. Almost 300 years later, ‘Maecenas’ activity remains relevant; he has an army of kind followers and they are growing.

V. Voronin *Troitse-Lykovo in Winter Time*
Canvas, oil, 1994, 40x25cm



IN CONCORD WITH BEAUTY

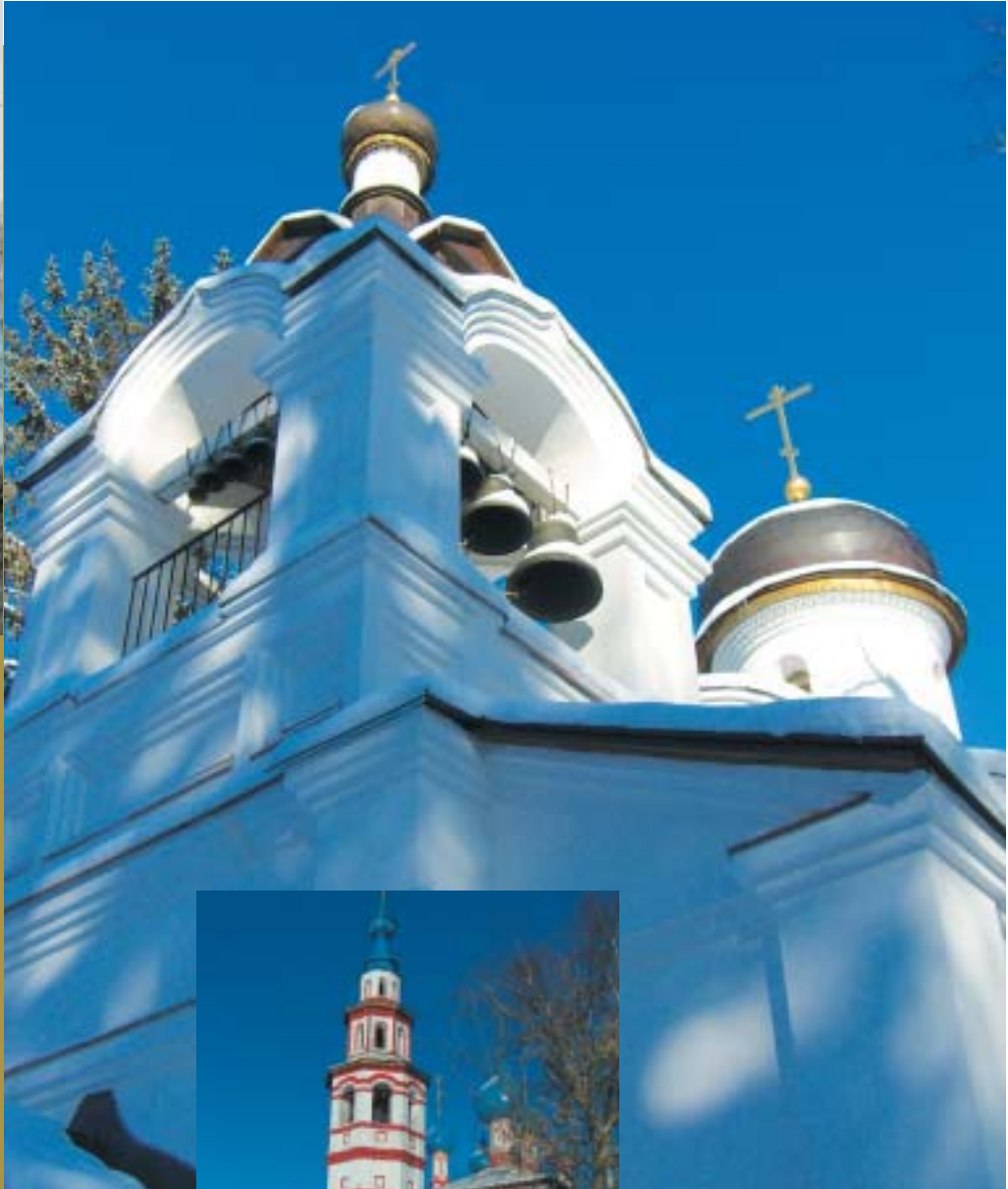
THE LANGUAGE OF PAINTING, BY VYACHESLAV AND YELENA VORONINY, IS EASILY UNDERSTANDABLE WITHOUT TRANSLATION: IT IS THE LANGUAGE OF NATURE, OF HARMONY AND BEAUTY AND OF WARMTH AND LIGHT. CHAIRMAN OF THE BOARD OF THE CENTRE OF ARTS AND CULTURE OF THE WORLD TRADE CENTRE, LARISA NOVITSKAYA, REVEALS THE NATURE OF THESE CREATIVE MOSCOW ARTISTS

Husband and wife, Vyacheslav and Yelena Voroniny, were born in Moscow; they graduated from the same school – the Moscow Textile Institute. For many years, they have been teaching painting and drawing. Years of hard work and determination have opened up a door to free expression. Vyacheslav is an outstanding master of landscapes. Since childhood, he has loved Moscow's quiet courtyards. Now, he portrays them in his canvases, showing 'old' Moscow – with its unforgettable cordiality and grandeur. He often paints from life, giving his work an unusual freshness and reality. Yelena prefers still-life painting, particularly flowers. Each of her pieces bursts with the poetry and beauty of modern Russia. ■

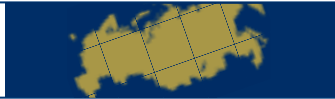


V. Voronin *Plyushchikha*
Canvas, oil, 1995, 80x65cm

Y. Voronina *Wildflowers*
Canvas, oil, 1995, 60x45cm



Natalia Bondareva – Honoured Artist of Russia, Director of the Natali’s Kalinka Theatre, graduate of the Gnesin Russian Academy of Music and a lead singer of Mosconcert and Moscow Regional Philharmonics. She has also won various contests – including the *Song of Russia*. Her deep voice has a metallic quality and she uses an unusual blend of traditional Russian folk and contemporary style. ■



NATALI'S KALINKA

RUSSIAN NATIONAL MUSIC PLAYS AN IMPORTANT ROLE IN OUR CULTURAL LIFE. NATALI'S KALINKA MUNICIPAL MUSICAL THEATRE, FROM ODINTSOVO NEAR MOSCOW, AIMS TO REVIVE THE YOUNGER GENERATION'S LOVE FOR MUSIC, STIRRING THEIR SOULS AND PRESERVING RUSSIA'S TRADITIONS AND HISTORY. BELIEF, HOPE AND LOVE REIGN SUPREME. DIRECTOR NATALIA BONDAREVA EXPLAINS HER MISSION



"Many foreigners immediately associate Russian song with the famous *Kalinka-Malinka* song. In fact, 'kalinka' is the name of the snowball tree berry and means 'a wedding shirt' (from Old Russian). It's such a wonderful coincidence. We not only perform folk songs, we keep our folk traditions alive and make our own stage outfits. We find ancient embroidery patterns and make wedding accessories – like bridal purses. We also embroider rushniks and table cloths. To mark the 15th anniversary of our theatre (it was founded in 1991), we made a collection called *A Pearl Lada*, using delicate embroidery; we used lace, pearls and beads. It took months of hard work to create a single outfit.

My creative inspiration began at my mother's knee. She was a fabulous mezzo soprano and I always wanted to sing like her. My voice was nowhere near as good so I could only hope, dream and pray of gaining this gift one day. I studied at a music school, majoring in the piano, and then studied fashion design. I never ceased hoping I'd begin singing one day. I took private singing lessons and, at the age of 19, I realised I could sing; I was rehearsing Antonida's part from the *Ivan Susanin* opera. I was so happy – so surprised, in fact, that I fainted! My voice was really strong and at first I didn't know what to do with it. I entered the Pyatnitsky Choir singing school where discovered all the beauty of Russian songs. I soon began to record Russian folk songs by the great baritone singer Dmitry Khvorostovsky and understood that their beauty lies in who performs them. Later, I studied at the Gnesin Russian Academy of Music; Professor Lyudmila Shamina was my teacher of solo folk singing. I toured the world representing our national art abroad. Now, my whole life is devoted to children and our musical theatre – it must be my destiny."

Natali's Kalinka Musical Theatre has won many contests – including the Vera Gorodovskaya international multi-string instrumental contest, the 6th folk singing contest of the peoples of Russia, the *Song of Russia* and *Classical Heritage* contests, the *Slavonic Bazaar* and the *Light Your Star* contest. They have performed in Germany, Spain, Slovenia, Italy, Japan, South Korea, Bulgaria and Sweden, exploring a wide range of genres – from traditional folk and choral music to ethnic jazz and, even, ancient



fashion shows. Their young singers study at a music school – following a method developed by N. Bondareva. This combines all sorts of artistic activities: solo and ensemble singing, classical and ethnic dance, modern jazz dance, folk, drama and instrumental work, musical theory, the history of folk fashion and stage outfit making and catwalk defile. Children are often keen to master the gusli – whose sound blends narration with the spiritual; fairy tales are usually accompanied by this ancient instrument. ■

The theatre's founder and Art Director is Honoured Worker of Culture Raisa Bondareva. It was she who explained to her daughter that tradition is the underlying factor in preserving a nation's identity. Such traditions can only be kept alive in the hands of children. ■



Natali's Kalinka Musical Theatre,
directed by Natalia Bondareva
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Natali's Kalinka Musical Theatre

