

TO PROSPERITY WITH CO-OPERATION

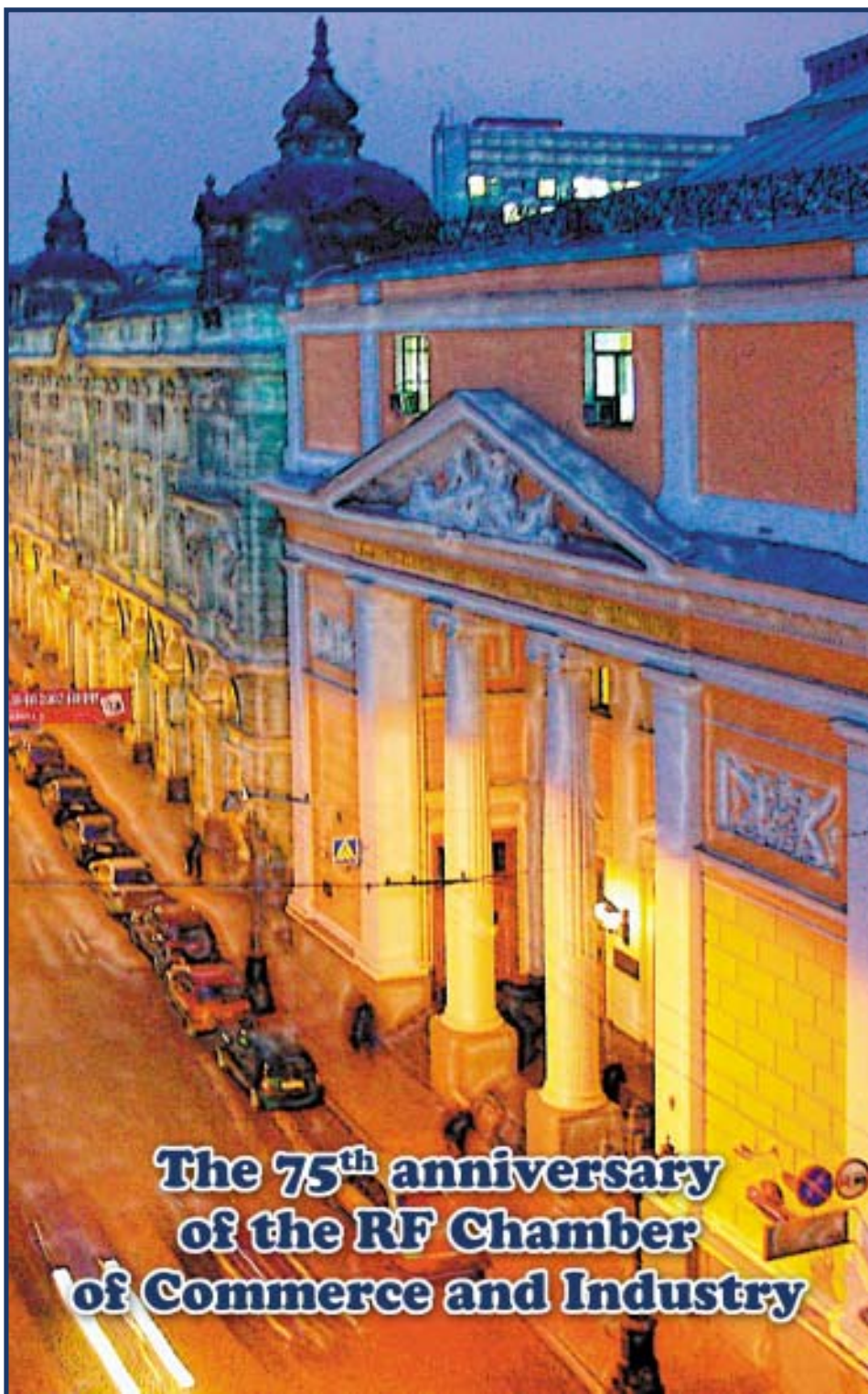
# RUSSIAN BUSINESS GUIDE



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2007



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# FROM THE EDITORIAL BOARD

Russia should embark upon the innovation development path. The target has been set and is being approached from four directions. First, it is Russia's global advantages that include the energy sector, the transportation system (the transit Europe-Asia) and the agrarian sector. Second, science and technology potential is taking shape thus creating the foundations of the innovation economy. Third, the structural diversification of the economic structure with a greater share of processing and high-tech branches is taking place. And fourth, the top priority issue, democracy is being developed with an eye to safeguarding individual rights and freedoms, as well as development of human creative potential.

Plans of Russia's development up to 2020 are more than ambitious: getting the world's fifth-biggest GDP, attaining leading positions on four to six high-tech markets (at least 10% of the global market share), raising the share of innovation products in the nomenclature of industrial product sales more than 10 times and increasing the specific weight of the innovation-active companies more than 4-fold. To achieve that it is planned that at the first stage (up to 2014-2015) we should mainly rely on borrowed Western technologies.

Leading economists argue that at present Russia is in an exceptional economic situation. The money influx ensured by high oil and natural gas prices creates a favourable environment for an economic miracle of establishing innovation economy with freedom of creativity and entrepreneurship. And one of the major partners and allies of the state in this area is the Chamber of Commerce and Industry of the Russian Federation that will celebrate the 90th anniversary of the establishment of the institute of chambers of commerce and industry in Russia and its own 75th anniversary in December, 2007. The RF CCI represents the interests of all levels of Russian business both in this country and abroad. In late September the "Mercury Club" held in Moscow its session titled "Priorities of the Development of Russia's Science and Technology Potential. The Tasks of Interaction of Science, the State and Business." The RF government and Presidential Administration officials, governors, State Duma deputies, researchers, businessmen, political analysts and journalists attended the session. Its proceedings form the basis of this edition of the Russian Business Guide, dedicated to problems of installing the innovation economy. And provided you find answers to the questions you have, the editorial board will think it has done what it had to do. To keep on moving we need your participation and support. We invite information partners and businesses interested in giving us an active PR support to cooperate with us. The Guide has readers in virtually all the countries, as its distribution routes include diplomatic and trade missions' channels and the services of the RF CCI representation offices abroad; it is also distributed at major international exhibitions and fairs.

Russian Business Guide can give you a chance to succeed!

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# POLITICS



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# BACK TO THE FUTURE, OR CAN RUSSIA BE CONTAINED?



## Sergei LAVROV,

Foreign Minister of the Russian Federation

It seems that influential political forces on both sides of the Atlantic are looking forward to launching debates on "whether Russia should be contained". This may well be a reflection of real sentiment and political strategies. I would like to make my own contribution to the potential discussion.

Raising the containment issue appeals to the instincts of the past. That is indicative of the fact that for some people almost nothing has changed after the cold war, rather than a demonstration of their lack of imagination. What is proposed is to mechanically extrapolate the vision of the structure of international relations existing then within the framework of the western alliance on the present-day world. The motives that dictated pursuing the policy of containment at the time are now echoing at the new historical stage.

### WHICH RUSSIA TO CONTAIN?

How can the task of Russia's containment be formulated at present? Let me stress that Russia has given up its ideology, imperial and other "great designs" in favour of pragmatism and common sense. How can the country that is focusing on its internal development, and doing that well be held in check? The growth of the country's

strength owing to the nation's creative effort has naturally converted into a stronger international position. Russia is pursuing foreign policies that are the continuation of its internal policies. Our intentions are realistic and comprehensible: maintaining international stability as the overriding condition of solving problems of the country's further development and its natural evolution on the path to liberty and democracy.

Should ideological inertia that has resulted in the United States turning to the "transformational diplomacy" be analyzed, it would be clear that there is a vast gap between the aspirations in the realm of foreign policies pursued by Washington and Moscow. Presumably, this is the essence of the problem, or at least its predominant part. Russia has more than its share of experience of revolutions that took up the entire 20th century. The past century became something of the purgatory for the European civilisation that was trying to overcome Evil by exorcising its own ideological "demons", all brands of extremist products of the European liberal thinking. Therefore Russia would not subscribe to any ideology-heavy project, and even less so, borrow it from abroad. It has of late become fashionable in certain quarters to criticise the Westphalian system, which has helped withdraw differences of specific values out of the realm of inter-state

relations. In this respect the cold war was actually nothing but movement backwards. Should we continue back-up up along the path that can lead to nothing but confrontation?

Ideology, when it is misconstrued for practical politics strikes people blind and unwise. One example is Zbigniew Brzezinski's statement that the United States provoked the entry of Soviet troops in Afghanistan. But then it means that the United States has lent a much stronger hand to the setting up of Al-Qaeda than some people believe. The law of "unwelcome consequences" works more often where enthusiasm inspired by ideology is inaction.

What is the meaning of containment of a country that is willing to have but little, including the opportunity to merely market its commodities, in which most of our partners have been involved for centuries, and quite successfully, too? Aware of our competitive edge we are increasing investment in human resources, extending our participation in switching economy over to the innovation tracks. Our economy is beginning to report normal indices: in many respects, its growth is based on the domestic consumer demand. We are now fit for becoming part of the general trend of emergence in new economies of global corporations that are beginning to challenge "old" transnationals. We intend to continue



integration into the global economy on universally accepted terms. We will continue to adapt our legislation in line with this. Unlike the Soviet Union Russia is an open country without intentions to close itself to anyone at all. Therefore there is no need to "open us up". Someone else rather than us builds both physical and political walls between countries and inside them. We oppose erection of artificial obstacles to international communication, and stand for the removal of visa barriers, including in our interaction with the European Union. What else can represent more reliable guarantees of preventing a nation from unpredictable developments? Russia has become a part of the universal concord and acknowledgement of the fact that democracy and market should form the basis of the socio-political and economic life. Undoubtedly, we are just making our first steps on this road and we are far from ideals. But we have opted for the vector of development, and are past the point of no return. With all the very painful consequences of Russia's embarking on the path of unprecedented changes, the society has reached a broad consensus regarding their depth and rates of development. We regard this as the price of peace, inner political stability, and evolutionary development without any upheavals. In the end mature democracy including civil society and the structured party system will become the natural consequence of a higher level of socio-economic development. What I mean is primarily the formation of the sizeable middle class that cannot emerge overnight. Only "oligarchs" do, as we in this country saw it in the early 1990s, but that time is now gone for good.

### GLOBAL POWER INDUSTRY AND RUSSIA

Russia is often criticised for its natural role in the global power production. That is where the complexes of those countries that cannot admit that they are dependent on external sources of energy. But the energy dependence is a two-way street. At the Russian initiative the G8 summit in July of 2006 in St.Petersburg established a balance of interests of all the players on energy markets. It is unwise for any country exporting energy resources to just "sit

atop the pipeline" or keep its stocks of energy resources intact like a dog in the manger. As elsewhere in the world, in Russia the power industry is viewed as a strategic branch, especially now that we are facing a negative foreign reaction over consolidation of this country and its role in the global politics. But Russia has not violated any of its obligations to importer states, and not a single contract for the supply of hydrocarbons. I think it would be correct to say that we view our role in the global power industry as the role to ensure independence of our foreign policies. And it appears that the freedom of action and speech we have gained in our foreign activities, which we, incidentally, use within the boundaries of international law, are the chief items among accusations levied against us by those who are displeased with Russia's growing stronger.

The energy policies of the Russian government are pursued in line with the general trend of the growing state control over natural resources. About 90% of the proved stocks of hydrocarbons all over the world are in this or that way under state control. A new balance is being installed in the global power industry, in which the state control of access to energy resources is counterpoised by the concentration of advanced technologies in the hands of private transnational corporations. Are these not the right conditions for equal interaction based upon competitive edges of either party united by the common goal of meeting the demand for energy in the global economy?

### MULTI-LATERAL DIPLOMACY IN THE GLOBALISATION ERA

Russia has begun to pursue its national foreign policy. And indeed this is what makes great difference from the ideologically motivated internationalism, upon which Soviet foreign policies were based. Multi-lateral diplomacy with reliance on international law is becoming a universal regulator of relations on the global and regional levels.

In the conditions of globalisation confrontation has no objective foundations whatever. Undoubtedly, if we were to leave beyond the brackets the attempts to impose ideology onto

international relations and their remilitarization. With the departure of globalisation processes from the boundaries of the Western civilisation competition has become virtually universal. I am convinced that it is exactly what can account for the change of the paradigm of international relations. Value orienting points and development models have now also become objects of competition. And this competition should be fair. This is a fundamental challenge to us all.

After losing the battle of Pavia Francis I wrote to his mother "Everything was lost except honour". In the same way nobody would ever make the West give up its values and its ways of life unless it chooses to do so. But then it would be natural not to impose one's own values upon others and concentrate on one's advantages. It could be worthwhile to cite professor Eberhard Zandschneider, who heads the R&D Institute of the German Society for Foreign Policies. He thinks that the weakening of the positions of the West in the past several years can be accounted for by the policies of the United States, which brought about a "huge loss of Western face" in Asia and Africa. According to him, in the past 8 years nothing or next to nothing has been undertaken to make Western values attractive to the people who make their homes in these regions of the world. The question is: why should Russia be held responsible for this?





Global challenges and threats that demand a genuinely global answer obtainable through the maximally wide international cooperation are now the front-burner issues of the global politics. Traditional cumbersome "obliging alliances" as well as "sacred unions" set against whoever it may be, cannot solve these problems. The diversity of interests and opportunities of participation in different international endeavours resulted in the development of network diplomacy as an optimal way of interaction of different states in bilateral and multilateral formats. It is logical that diplomats are now trying to master methods of networking, worked out by private corporations and the civil society. The uniformity of the method would help achieve the harmony of international living in all its aspects.

The foundation of the new international system is now the emerging multi-polarity. This objective reality can no longer be disputed. And when Russia's president Vladimir Putin said in Munich that the "single-polar world" failed to mature, he was just confirming the real fact. The experience of the past several years has provided convincing proof of the fact that not a single state or a group of states has enough resources for imposing unipolarity. No matter how attractive this allegedly beneficial simplification of interstate relations, or their fitting into an hierarchic vertical — the idea is unrealistic right from its conception. One thing is to respect the cultural and civilisation peculiarities of America, and the other is to advocate Americano-Centrism.

For that matter, unipolarity is an attempt on the prerogatives of God

Almighty. A new system of international relations is neither anarchy nor disorderly "Brownian agitation". The presence in global policies of more than two leading players dictates the need to have collective leadership as a way of flexible regulation of international relations. That requires skills to bring to a common denominator widely diverse interests of partners and to act in harmony with other leading states.

Multipolarity is not confrontationally predetermined. I would venture quoting Anna Akhmatova [a great Russian poetess], who wrote that the future "casts its shadow long before it has arrived." Such a future of the global policies in the era of globalisation is represented by the United Nations Organisation, which during the cold war would infrequently do nothing but cast its shadow. At present, a global organisation can and should in reality become pivotal for the entire international system. The UN Charter provides all the necessary foundations.

### **INTERNATIONAL PROBLEMS: TO SOLVE THEM OR TO PUT THEM ASIDE?**

The development of international relations brought them to the state where in view of the inseparability of security and prosperity of the world in the 21st century putting off solution of the accumulated problems is posing a threat of catastrophic aftermath to all the states.

Unfortunately, having inherited the problems of the cold war period, the global community has embarked on the path of creating new ones. The inertia of ideologically motivated single-handed response has now had its second wind.

As the result everywhere there are "broken dishes", or blind-alley situations insoluble within the frameworks of the previously tested approaches. Again and again, in real life in Iraq or Lebanon, or at the level of analysis in relation to North Korea, Syria, Iran or the province of Darfur in Sudan we have to acknowledge the absence of solutions of their problems by use of force. Security cannot be stowed away for a rainy day; it is a live process that emphasises the essence of the truth of "the daily bread" with regard to international relations. Nothing but normal relations and cooperation with all the states, including the "problematic" ones, and their involvement in the dialogue can ensure real security at present and in the near future. It would be hard to disagree with German Foreign Minister Frank-Walter Schteinmayer, who said that peace in the present-day world should be based on the readiness to cooperate rather than on military containment. Moreover, the capture of 15 British servicemen in the Persian Gulf indicates that the human factor, including motivation of behaviour is not adequate to the goals of policies of force, genetically opposing it. So is it worthwhile to persist in pursuing it in an attempt to deceive oneself?

The presence of many the so-called "private military companies" operating in Iraq shows that not all is so fine in the purely military aspect. Their share amounts to nearly 30% of the total number of the staff of the coalition. These people are acting outside the boundaries of international humanitarian law, distorting the image of the genuine role of the use of force as a factor in the Iraqi settlement, doing irreparable harm to inter-civilisation relations.

Complex problems require complex approaches. This is especially true of the situation around Iran. To think that Iran can be forced to toe the line means to directly contradict the interests of ensuring energy security of Europe and the world at large. Normalisation of relations of all states with Teheran should form a part of the solution, which would help solve the problem of preserving the non-proliferation regime.

Attempts are made to solve the Kosovo problem on the account of the world community that is by way of creating a precedent that goes far beyond the



boundaries of norms of international law. In the Kosovo case our partners are inclined to give in to the blackmail of violence and anarchy, whereas with regard to Palestine, where a similar process has been going on for more than just a dozen of years, indifference is the name of the game: no Palestinian state existed then and it does not exist now.

By definition, absolute security can only be possible given sacrifice by all other states make sacrifices, too. Henry Kissinger is right to point that out in his "Diplomacy". Such policies doom its perpetrators to solitude. But the wild goose chase of "the absolute security" is also a dangerous temptation: then, according to Fyodor Dostoevsky "everything is allowed." Going out from the international legal boundaries is tantamount to attempting to place oneself above the law of moral, at the other side of Good and Evil.

Present-day problems including the contradictory consequences of the globalisation cannot be solved by way of ignoring morals. The Sermon on the Mount, "the golden rule" and humility provisions of the moral law are also fit for international relations. It appears that initially the current U.S. administration realised that: in February 2001 president George W.Bush spoke about the necessity for America to be submissive where international affairs were concerned (speaking before the staff of the State Department George W.Bush said it was necessary for America "to project its power with certain goals in mind and with humility — Ed.). Nothing but equality of rights and universal application of international law where there is neither Hellene nor Hebrew could restore manageability of the global development. If we do not treat others like Christians, would they treat us this way, he asked? Quite probable that what is known as the Orthodox conciliarism inherent to the Russian world outlook can help us realise that better than others. Throughout its history Russia was taught to attain skills of coexistence. To come to agreements is the way to strengthening inter-civilisation concord, whereas attempts at civilisation-oriented schism of the world are just a reprise of the experience of Bolshevism and Trotskyism.

## EUROPE: OVERCOMING THE LEGACY OF THE COLD WAR

The problem of overcoming the legacy of the cold war is the acutest for Europe. The bloc policies based on the logic of containment were predominant here far too long, so nowadays we are facing something that can hardly be understood as anything else but rebuilding in Europe of a sanitary cordon west of Russian borders. Favouritism in this part of Europe creates unhealthy atmosphere. There is support for the growth of nationalist sentiment that represents the gravest danger to the unity of the continent. So does that mean that the former imperative of ensuring the U.S. presence in Europe and keeping Russia away from it, as well as preventing Germany from getting back on its feet someday still retains its significance?

No matter what, the European project appears to be thrown back under the burden of the politicised enlargement of the EU. It turns out that not only Russia, but also the whole of Europe, one of the centres of the new world order, were the targets of the policies of containment. Moreover, given the incapacity of the EU to influence the positions of a number of its new members that are crazy about "holding Russia in check" and have some sort of a historical revenge, Europe is faced with an absurd situation whereby it has to finance its own break-up. I am deeply convinced that the entire range of present-day problems of the EU and European policies cannot be solved outside of the framework of constructive and future-oriented rela-

tions with Russia, based on mutual trust. This should also meet the interests of the United States.

Instead, there are still attempts to "hold Russia in check". For example, NATO is enlarging in violation of the alliance's previous assurances to Moscow to the opposite. The continuation of the course for this enlargement is now vindicated by the need to "spread democracy." But explanations of the kind are only good for the naives. Can a military and political alliance have anything to do with democracy, while in the framework of its "transformation" it is steadily increasing the number of scenarios of potential use of force?

However, the argument about NATO membership as a sort of a pass to the "club" of democratic states is proclaimed already for the CIS countries. (Even though the criterion of whether an individual country can stand the test to be regarded "democratic" is nothing but its preparedness to follow in the free water of some other state's policies). It is hard to realise if this use of the "Soviet heritage" is done for the sake of moral satisfaction or again, with an eye to Russia's containment. As for the CIS no one has any doubts that Russia owns main resources for maintaining there the socio-economic and other forms of stability. Can anything aside from Moscow's refusal to maintain politicised trade and economic relations and its moving over to market principles be more convincing in terms of proving our resolve to ensure normal inter-state relations with all the CIS member-states?



Everything that is needed to have cooperation between Russia and the West in this region is in place. But this cooperation should be carried out on an equal footing and with mutual respect, including the CIS members states that need to get assistance in the building of their own statesmanship, rather than making them hostages of the notorious geopolitical "zero result game." The mentality of those who wish to "contain" Russia has room for unilateral plans of deployment of the U.S. anti-missile shield in Europe. It is hardly accidental that the anti-missile base in Europe fits into the picture of the U.S. anti-missile system along the borders of the Russian (and consequently, Chinese) borders as a chip in a jigsaw puzzle. No doubt, an answer to this strategic challenge will be made on the strategic level, too. No one has yet abolished the interconnection between the strategic defensive and offensive arms. Many people in Europe are seriously concerned about the fact that the deployment of the national U.S. anti-missile shield would be the cause of negative consequences for disarmament processes.

The proposal the Russian president made to the United States to jointly exploit that Gabala radar in Azerbaijan and the recent proposals he made in Kennebunkport about setting up a regional monitoring and early warning system present an opportunity to find a way out of the current situation without harm to the dignity of any of the parties. As a starting point of genuinely collective efforts in this area we are ready to join hands with the USA and

other interested parties, primarily in Europe, to carry out a joint analysis of potential missile attack threats for the period up to 2020. Such collaboration, as president Putin stressed, could lead to a change in the quality of the Russian-U.S. relations in the sphere of ensuring security, taking them up on a higher level of trust. We could attain the level of trust our countries want so badly now, approaching genuinely strategic union relations that would enable us to move on in the direction of the creation of a collective security system, whose creation the founder fathers of the UN gave in their will to us. The intention to contain Russia is also clearly seen in the situation around the CFE agreement. Our approach to the work on this document is honest: we are claiming nothing but the observance of the concept for the sake of which it was concluded, equal security. However, the problem is that after the Warsaw Treaty Organisation was disbanded, the principle of equal security was distorted with the simultaneous preservation and enlargement of the NATO. Attempts to rectify the situation were stalled by the flat refusal of the members of the North-Atlantic Alliance to ratify the Agreement on the CFE updating it to new conditions under pretexts whose legal incapacity is clear to anyone familiar with the proceedings of the 1999 Conference in Istanbul. So, it all is again about politics rather than law, the genuine politics of containment.

The levels of armaments that according to the CFE the Warsaw Treaty member states could have, increased the NATO quota. It is not "equal security" any longer but the wish to obtain something that belonged to others. This situation is indicative of the attempt to revive bloc instincts and approaches and to return to the logic of the "zero result play." The CFE Agreement situation is a graphic example of the fact that any element of the global or European security architecture not based on the principles of equality and mutual benefit cannot be stable.

In the end, if we are unable to adapt this old tool to new realities, is it not the time to make a survey of the conditions we are all in to begin working out a new system of control over armaments and measures of strengthening mutual trust? Of course, if we agree

that the present-day Europe needs it. The sincere and honest discussions in Kennebunkport give us hope that ways to enacting the updated CFE can be found. This is possible if everyone lives up to their legal obligations rather than tries to hide themselves behind artificial political reasoning.

It could be that on the whole it would be better to "clear" the plane of the European policies of the cold war legacy, beginning to erect new structures of control of armaments and the system of trust-building measures that would meet the requirements of the time, since we are no longer adversaries, no longer willing to create a false sensation of an eventuality of a European war?

### COOPERATION WITHOUT TRUST?

The path to a greater trust passes through sincere communication and argument-based discussion as well as interaction that suggest joint analysis of threats. This is exactly what Russia is denied without any comprehensible reasons. In essence, what is wanted of Russia is its blind faith in the analytical prowess and good intentions of its partners. But given there are issues that are sensitive to our national security, this is not serious, to say the least. We will respond with an eye to maintaining our security, doing that on the principles of reasonable adequacy, leaving open the door for positive joint activities that could meet common interests based on equality.

Speaking in Munich president Vladimir Putin invited all our partners to participate in a serious well-argued discussion of the not at all satisfactory situation in the current international relations. We are confident that the time of the dual friend/foe attitude to Russia is gone. This is not the way to solve the problem of trust, and, correspondingly, cooperation. If someone intends to "rebuff Russia's negative actions", what can expectations of cooperation with us in the areas that our partners are interested in, be based upon? They should choose between containment and cooperation, including in such issues as Russia's entry into the WTO and the Asian Bank for Development, or the Jackson-Vanick amendment





whose legal grounds ceased to exist in the late 1980s.

Regrettably, even in such an absolutely clear issue as the necessity to crush the revival of neo-Nazi trends and insults of the memories of those who destroyed fascism, the stance many of our Western partners are taking is again based on the wish "to keep Russia in check."

In conditions of globalisation and the threats to security there is a vast difference between the existence of cooperation and its absence, as well as that between collective action of each individual state or a group of states they need to take alone or relying on somebody else's wisdom uncompromisingly offered as the sole recipe to remedy the world's problems.

We bear our responsibility for global affairs as no one else would bear it for us. We do not have an exceptionality complex but again there are no reasons why we should deem our analysis and our ideas inferior to somebody else's. Interaction with Russia is only possible on the basis of equality, respect of security interests and mutual advantage.

### **RUSSIA AND THE USA: RELATIONS OF EQUALITY**

So far the stabilising factor of close and honest working relationships between presidents Vladimir Putin and George W. Bush has been enacted in the Russian-U.S. relations, which was graphically demonstrated by the recent summit at Walkers Place. Both nations keep good memories of the joint victory over Nazism, which in its own specific manner combines experience of engaging in the cold war and withdrawal from it.

Should Russian-U.S. partnership relations of equality prevail, I am convinced that both nations would be able to achieve anything at all. What should not be allowed is to make the Russian-U.S. relations hostage to the electoral cycles in both countries, or still worse, to allow that to be done by some outsiders. That would mean "washing hands" off issues that are vitally important trafficking for our nations and the interests of the global stability. The fight against international terrorism, organised crime and drug traffic,

the search for realistic ways of environment protection, development of nuclear power industry along with the strengthening of the non-proliferation regime, space exploration and many other aspects — is it worth sacrificing all these areas of the dynamically developing cooperation for the sake of policies of containment?

It would be sad should the inertia of bloc approaches (that are theoretically codified by the return to the policies of containment) as well as unnecessary haste in solving the problems that could wait, provoke estrangement of Russia and the United States. This "shagreen leather" effect could put in place dynamics of its own in our relations, especially if ordinary Americans are persuaded that Russia is to blame for nearly all the troubles of their country.

In Russia we do not have such a widespread anti-American sentiment as can be found in some other places. If we were to remember George Kennan, I would like to see us not only quoting from his "Long Telegram" but as well following his advice about the way of the outer world's behaviour (without mentor's ways and imposition) in the post-Soviet period of Russia's development. In this aspect the establishment of the working group under the co-chairmanship of Henry Kissinger and Evgeni Primakov "Russia-USA: A Look into the Future" could hardly be more appropriate. Presidents Vladimir Putin and George W. Bush energetically supported the setting up of this group as well as the establishment of the group under Vladimir Lukin and Jessica Matthews aiming at unbiased discussion of issues of development of democracy and ensuring human rights and freedoms.

What is required of the either side is a wide unprejudiced view of things. Such an approach could be provided by perceiving Russia and the United States as two branches of the European civilisation with either contributing to its own "added value". We could sit together at a "common table" sharing the European world outlook. A practical formula to preserve the integrity of the Euro-Atlantic space in the global policies could be the tripartite interaction in international affairs — among the United States, Russia and the European Union. I cannot but agree

with Jacques Delors who believes that "the future development should lead to the attainment of a comprehensive concord within this "group of three". The former chairman of the Commission of the European Communities is correct saying that "Russia, the European Union and America are the three political forces that are in the habit of having disputes with one another" and that "every time differences of opinion set them against one another, each side tries to play a game of its own, risks of global instability grow dramatically."

An outstanding man of letters of the Russian emigration Georgi Adamovich once said that the pessimism is born when one stumbles upon people of whom there is nothing to expect. I am confident that neither Russia nor the United States can be referred to this category. I do not think that we have lost our ability to surprise the world. As single players, both Moscow and Washington are quite good at that. Why can't we act together? All the more so that we are not going to queue up in the global economics and politics. So why can't we be together, acting in the spirit of cooperation and healthy honest competition based on uniform standards and respect of international law? We do not have anything to contend, being responsible for the destinies of the world we share with our partners. By acting this way we would find ourselves at the height forecast by Alexis de Toqville of the great future of our two countries, incidentally "containing" those who are still trying to deprive the world of indisputable advantages of the Russian-American cooperation, and on the whole, the Euro-Atlantic partnership contain.

The July meeting of Russian and U.S. presidents with the participation of president George Bush, Senior showed how much can be achieved by "team work". Both leaders agreed to look for common approaches to solving issue of the anti-missile system and reduction of strategic arms, launching as they did a new joint initiative on the development of nuclear energy and non-proliferation. Symbolically, they also went fishing together, but definitely, not willing "to catch fish in murky waters". ■

Source: RF Foreign Ministry

# PUSHING POOL



A regular session of the Mercury Club was held at Moscow's World Trade Center in late September. The session was chaired by Evgeni Primakov, RF CCI president and chairman of the Board of Mercury Club. The theme of the discussion was "Development Priorities of Russia's Scientific and Engineering Potential. Objectives of interaction of Science, the State and Business."

**SERGEI IVANOV**  
First Deputy Chairman  
of the RF Government:

**E**teemed members of "Mercury CLUB"! I would like to have your opinion concerning the issue on our agenda today, "Priorities of Development of Russia's Scientific and Technological Potential." It is a very important theme. You represent science community involved in both fundamental and applied research. Also present here are businessmen and government officials.

I would distribute the roles in this original union today in the following way: generating ideas and making discoveries is what science should do, and it is for business to do its utmost to make use of results of research, manufacturing commercial products.

The state has always financed and will continue to finance fundamental science especially in the areas of ensuring national security, but applied science

should work closer with commercial entities and business at large. The objective of the state is to create fully comprehensible and transparent conditions for the joint activities of science and business.

Of late we have followed the path of creating technology parks, business incubators; we have developed such centres as universities and research laboratories that for many years have been coming up with different intellectually intensive products with a high added value.

In 2005 we set up special economic zones with an eye to putting advanced technologies into practice. These include Zelenograd, specialising in microelectronics and nanotechnologies; Dubna — IT and technologies of nuclear physics; St. Petersburg — high-tech products and Tomsk, developing new materials. 2 billion roubles were allocated to build the infrastructure for these zones.

A few words about the venture company. It is a 100% state-owned company with the charter capital of 15 billion roubles. By and large, this incubatory

regime should ensure all-round support of development of relations of partnership and mutual advantage between science and business.



The world practice knows a model called "pushing pool". "Push" here means a technological push, a situation whereby the state renders support to the innovation development based on know-how and science-intensive technologies, including subsidies and direct support of different economy branches. "Pool" here refers to demand-side policies pursued by the state in order to provoke the market to pay greater attention to the products manufactured in technological parks and business incubators. When these two vectors dovetail, the job is done, and it is done well. ■

**PAVEL IPATOV**  
Governor of the Saratov Region:

**A**s U.S. economist Bright correctly noted, "the innovation process is a unique process combining science, engineering, economics, business and the power." What must be noted is that the preponderance of perspective innovations has not been used for practical applications for the sole reason that all the participants of this process cannot find

a common language. Given the formation of new poles of competition it is important for the subjects of the



Russian Federation to move over to the innovation tracks. That is why the Saratov region is now addressing the problem of establishment of a full-fledged regional innovation system. We in the Saratov region are proud of considerable intellectual, research and industrial potential that was created throughout the history of the region with minimized natural resources, oil and natural gas that other Russian regions may have, meaning that the putting in place of the innovation sys-



tem is our chance to become a part of the present-day global economy. We have formed mechanisms and forms of support of enterprises. Banks, direct investment funds and venture funds operate in the region. We have established venture funds on both the regional and municipal levels and got them involved in the process at its early stages. But the initial stage in particular is the most vulnerable. Having established our 300-million roubles venture fund, we faced the problem of the lack of eligible projects.

Certainly, the legislative base is needed badly. The Law on the State Support of Specialised Subjects of Innovation Activities in the Saratov was adopted, but this law is written for a subject of the Federation, and I think that a subject does not have enough authority, so it should be changed to give us authority equal to that of the federal level.

In 2007 we allocated 145 million roubles for the development of innovation systems, and in 2008 this amount will be considerably higher. We hold competitions of innovation projects, but what we see is the absence of reliable ties between the state, science and business. We need to have some kind of grounds where businessmen and researchers could meet. In our region these are different exhibitions and forums. We had two salons of inventions, innovations and investments; we

The session participants included members of the Cabinet, officials of the RF president's administration, governors, State Duma deputies, members of the Russian Academy of Sciences (RAS), directors of R&D institutes, presidents of territorial chambers of commerce and industry (CCIs) and entrepreneurial associations, chairmen of the RF CCI committees, political analysts and journalists. The attendees discussed most burning problems of Russia's innovation policies. In this connection our editorial board thought it expedient to publish excerpts of most significant presentations.

are preparing a third salon to hold a conference of businessmen and researchers for the purpose of forming the region's guidelines of innovation activities. As a system of informal communication these exhibitions allow us to establish new communication routes and to begin to commercialise of results of research.

I would like to mention one more component, the so-called procedure of ensuring technological foresight. We do much in this direction. Our specialists sit at the expert club of the RF Ministry of Industry and Energy discussing these procedures. We have streamlined relationships between higher education institutions, research organisations and industrial enterprises. The Saratov State University has become one of the winners of the Russian Competition of educational institutions that practice innovation educational programmes within the framework of the national project "Education". The activities of the Saratov State Technology University is one of the examples of innovation partnership.

And finally, a few words about the work in the area of nanotechnologies and biotechnology. Within the framework of the federal target programme of the development of the nano industry infrastructure for 2008-2010, a non-commercial association "Saratovskiy Tsentr Nanotekhnologii" has been set up on the basis of a cluster of 15 civil and defence sector enterprises. We allocated 111 million roubles for the establishment of this centre.

Speaking of the biotechnology cluster, a number of enterprises are now involved in the research and production, as well as universities including the Saratov Medical University, the Agrarian University, a number of institutes specialising in plant biochemistry and biology and the Saratov branch of the State R&D Genetics Institute.

I think that with its innovation system and the infrastructure supporting it as well as the system of cadre training the Saratov region has every reason to look into the future with optimism. ■

### **MIKHAIL KOVALCHUK** director, the Russian scientific centre Kurchatov Institute.

One of the stumbling blocks on the path to the development of Russia's economy is shortage of energy capacities. Ours is a unique country, the only one in the world absolutely self-sufficient in energy. We have any type of energy resources: hydrocarbons for thermal stations, hydro resources and nuclear energy. I would like to draw your attention to the fact that the nuclear power technology set out on its way from the USSR, in particular, from the Kurchatov Institute, in 1954 when Kurchatov started up the nuclear power station in Obninsk.

At present a large-scale programme of development of nuclear energy has been declared. We have everything we

need to fulfil it. But we also need to get involved in energy saving so that we do not have to build new stations. Nanotechnologies provide a path to decreasing energy consumption. The example of using LEDs instead of regular incandescent bulbs can tangibly save billions of dollars. They sort of "complete the bodily building" uniting all its parts. This is some methodological and philosophical meaning of nanotechnologies.

There are three important points. First, a transfer to the nano-dimensions and the change of the paradigm of scientific development from attempts to comprehend the construction of the world so that it can be synthesised. This is followed by the coming together of non-organic nature in which we employ all the technologies, and live nature. This sit-



uation requires an inter-disciplinary approach instead of narrow specialisation. And it is now simple. If we combine atoms, what are we — physicists, chemists, biologists or geologists? We are again turning into natural scientists like Newton — but this time armed with of knowledge.

The use of nanotechnologies gives us the solution of two principally different problems. First, there is the novel technological culture based on the methods of manipulation of atoms. You need not build a computer whose screen would be so small that it would take a magnifying glass to watch it. The integrated circuit inside the computer would require different characteristics, different speeds. That is exactly what the formation of nano materials by way of manipulation of atoms means. And then there is a direct line to the formation of the market of principally new products in all spheres, including nano medicine, and, as a consequence, the change of the technological and socio-economic structure of society. This is one of the problems. It is clear.

The second task is entirely different. It is the building or the "launch" of the future. We have created unique technologies of microelectronics that should be combined with the constructions

created by live nature, with the building of principally new anthropomorphical engineering systems. And that means we have to do fundamental research.

One of the problems is the market. The second one is the future. We are now turning out masses of means of production. We produce unique high-vacuum equipment. For example, the units for molecular ray epitaxy, manufactured by the companies that separated themselves from the leading institutes, for example the St.Petersburg Physics and Engineering Institute. These companies manufacture atom-power microscopes and a wide range of other equipment.

There is a tremendous opportunity of putting the national projects to good use given the purchasing power of demand for certain types of products exists. We are actually speaking about selection of companies on the basis of priority directions, transferring to them intellectual

rights and material resources, with an eye to having guaranteed demand for their products. That is the domestic high-tech market is to be formed. All the countries went through this in their time. We need not be wary of it. Americans launched a series of similar programmes in 1974 that are still being implemented.

Speaking of the market our cooperation with the CIS countries could develop in the direction of forming the single regional market of products of nano industries. Provided we can a single technological space, we could also form one of the biggest regional markets. It can be that a potential mechanism of such a project can be implemented by realising on the inter-state level of the strategic initiative of the CIS countries in the area of nano technologies, given that many independent states are interested in the development of such an initiative. ■

**SERGEI MAZURENKO**  
**Head of the Federal Agency for Research and Innovations:**

The objective of installing the innovation economy was first formulated by president Vladimir Putin in his presentation of the fundamentals of Russia's policies in the area of science and high technologies up to 2010. To attain this goal is impossible without the symbiosis of science, business and the state, but it is important to begin adjusting mechanisms of such collaboration at the stage of generation of ideas.

I would like to dwell on other things than fundamental research — I mean the quest for applied research that can produce a final result, exactly what the programmes of the Federal Agency for Research and Innovations aim at. Those were actually the projects that for the first time caught the eye of business. First, those were the projects that are now being implemented along with activities in the priority directions of the development of Russia's scientific and engineering complex with an eye to their further commercialisation; second, those are the most significant innovation projects of the national significance, or VIP projects; third, the projects of

commercialisation of technologies to meet the requirements of the business community. Their implementation envisages concentration of financial resources of both the state and business community.

The conditions we are creating for the implementation of these projects envisage a five-fold overlap of sales volumes of commodities based on science-intensive technologies as compared to budget funding. Up till 2007 the state supported 12 most significant innovation projects with the funding target of 8.2 billion roubles, whereas non-budgetary funding contributed by private business amounted to 4.6 billion roubles.

By April 1, 2007 12 billion roubles worth of products have been turned out in the course of implementation of VIP projects. These are high-tech products, manufactured with the use of, in particular, nanotechnologies. The results are also there: the state is supporting attempts to solve such a significant problem as electricity saving using present-day sources of power on the basis of LED heteroclusters. The related aspects are now being studied and documents are being prepared for the building of plants to turn out this product.



Implementation of the projects will help us save 20% of power production capacities so we will not have to build new generating stations, efficiently using the existing instead.

Our proposal to the business community is to come up with their own suggestions on the implementation of different high-tech projects. In such cases the projects can be implemented on conditions of parity financing from the budget and the organisations that originate the project. The budget share in that would amount to 30% to 50% of the total costs to the tune of 300 million roubles.



I can give you examples of partnerships between the state and private business. In 3 months of this year Rosnauka received more than 50 applications from different companies for conducting R&D investigations. We selected 24 projects. Now 20

organisations are willing to implement one and the same project including Severstal, Norilsk Nickel, Sibirskaya Ugolnaya Energeticheskaya Kompaniya, Gazprombank, Sitronics and design bureau Saturn. The project's initiators think that more than

200 billion roubles worth of products will be turned out, more than a hundred times the amount of budgetary funding of these projects. We believe that this is a very promising form of interaction of science, the state and private business. ■

### ALEKSANDR NEKIPELOV

professor, vice-president of the Russian Academy of Sciences (RAS):

I would like to say a few words about the problem of interaction of academic science and business, I should say that over the past several years a great deal of important positive things took place in this area. First, it was acknowledged that the presence of strong potential of fundamental research is a precious asset rather than a burden for the nation that is pursuing the policy of modernisation. The growth of financing of the Russian academic science began in 1999. What was especially important for the Russian Academy of Sciences was the adoption of the project to dramatically raise salaries and re-evaluate the cadre potential. The 2nd stage of this project is now nearing completion. The salaries have grown dramatically; the structure of the R&D establishments has been improved with the accompanying updating of the base of test instruments. Significant changes were made to the Law on Science with an eye to raising the status of the state

academy and enhancement of independence of state-run academies in the area of financing and their right to opt for the best system of salaries.

The RF president made a statement about the need to have a more flexible system of funding, based largely on subsidies. Even now we realise that the positive changes taking place in this country are leading to a significant rise of attention that business and the government are now paying to the academic science. The Academy has concluded a number of important agreements with major corporations and it is now earning about 40% of its budget. Of course we did not receive all this money from business in the full sense of the word. The revenues include money we have earned working on orders from government organisations and paid from the major non-budgetary accounts.

We believe that Russia's academic science can play a significant role. But this can only be possible given the specific environment is in place to enable formation of an efficient commercial



sector, which, acting in the typically business-like regimes would develop extensive cooperation with science, not only fulfilling orders for the equipment and apparatuses our Academy now has, but would also help combining resources and making corresponding investments. We know how this could be done. A holding company can be set up to manage RAS institutes. To make decisions of this kind the corrigenda of and addenda to the current legislation should be made, which we are still unable to make at present. ■

### VIKTOR ERMAKOV

chairman of the RF CCI Committee for the development of private entrepreneurship, small- and medium-sized business, president of Association of agencies for the support of small- and medium-sized businesses, "Razvitiye"

Some time ago we, quite like many other people in this country came to realise that the problems we faced in the area of small- and medium-sized businesses were not due to the lack of money; they were much more profound and serious. In 2006 the programme of support of export oriented innovation small- and medium-sized companies was adopted. Why the emphasis on export? Because the regional markets were unprepared to deal with innovation products manufactured by small-sized

businesses. We decided to link model programmes in five Russian regions to European markets. We succeeded in signing contracts with Europeans and could even draw money to fulfil these contracts in the EU countries with an eye to their market standards.



The scheme is absolutely simple. We identified five RF regions and concluded agreements with governors who confirmed their desire to develop regional policies along these lines signing correspondent agreements with them on behalf of the RF CCI. Then this scheme was approved and legalised by a RF Government decree.

As a result, small and medium-sized enterprises received subsidies enabling them to attend international exhibitions, to pass certification, to get funded and to receive European patents. And that amounted to EUR 20,000, a standard amount enabling them to protect intellectual property and to get a zero-percent unlimited credit. Incidentally, the actual credit interest is compensated for by the Ministry for

Science from its Science and Engineering Fund.

We selected a limited number of companies to participate in this project with an eye to working out an efficient model: EUR 3 mln for the support and linkup to regional markets, testing and marketing on the European markets; this is a very complicated configuration.

When we announced that all these preferences were in place having signed agreements with governors, we informed the media and the competition committee. We thought there

would be an avalanche of applications. But a day passed, then another, and a third — and there was nothing! We then set out to visit the regions. I personally had talks with managers of 500 enterprises and companies.

The very first question I was asked was what were the guarantees should they declare their ambitious plans, making their enterprises investment-attractive. Would corrupt bureaucrats and gangsters not take them away? My answer was: your guarantees are the agreement your governor signed. It is a political task, so no one would lay a finger on you. As a result, the

competition commission received 250 applications. We then looked at the list of innovation products, selecting 52. At present more than 20 companies have virtually succeeded in implementing their programmes. They began to conclude contracts, and now deliveries are in the pipeline, including small sized vessels, medical equipment and pharmaceuticals, construction materials, computer software, etc. We can now stand competition. Why do we think the project is a success? Because we have tapped the potential of Russian small- and medium-sized exporters for Europe. ■

**LEONID MELAMED**  
**general director of Russian**  
**Nanotechnologies Corporation.**

The state corporation "Rosnanotekh" was set up in line with the Law the State Duma adopted in July of 2007. Given that for us the state corporation is a new form of an organisation I would like to brief you on us.

What is the corporation's chief objective? To bridge the gap between fundamental science and commodities on the counters of sales outlets. On the one hand we count on our researchers who will be pleased to study anything, not knowing what will sell. By and large they are not interested in this. On the other hand we have businesses that are absolutely unprepared to market R&D results. They need to have at least industrial samples, some knowledge of technologies and other things. The corporation's objective is to solve this problem and its solution should be practical. The main objective of our corporation is to solve this dilemma. In our view its solution should be looked for



in two directions. First, investment, or I would even say, co-investment in significant nanotechnology projects. And these should be projects that produce the effect of a stone rolling down from the top of the mountain causing an avalanche.

And the second direction is to create or render assistance in the creation of infrastructure for the nanotechnology

area. The biggest task at hand is to take stock of the entire area we are in to identify the volume of projects that can produce practical results. And of course, creation of management bodies, including the board and scientific and engineering council and a team, or council of experts.

But I would like to single out one problem we are facing today, the problem of intellectual property. For example the Massachusetts Technology Institute in the United States has 3,000 patents in its portfolio, earning about a hundred million dollars annually in profits from sales of licences and copyrighted materials. Our institutes with a comparable number of personnel have about one-tenth of such a stock of patents. Clear, the reason is not inability of our researchers or inventors to generate patentable ideas. Under the current system it is more profitable to conceal innovations rather than try to define their market value. Unless we solve this problem our work in the area of nanotechnologies would be limping. We should solve this problem without delay. ■

**LEONID GOVOROV**  
**president of the Moscow Chamber of**  
**Commerce and Industry:**

Speaking about the development of the R&D potential, a very important issue must be underlined. I mean training of high-skilled workforce. This is a very serious problem for the state and a very serious aspect of partnership between the state and private business. Introduction of

innovations and new equipment is technically impossible without the available skilled workforce.

What has been created is an upside-down pyramid. We talk about training researchers and innovation managers but there are very few high-skilled workers. I am not saying we should not train managers, but we do have to give greater attention to the bottom of the pyramid, the shop floor personnel.

This is a challenge for both major companies and small-sized businesses operating in the innovation sphere. Some people tend to think that everything in it can be regulated by the market, but they are wrong. We need state support and a specialised programme of development of trade education that would also help solve a number of social problems. In this connection I would like to say a few words about



**EVGENI PRIMAKOV**  
 president of the RF CCI, a member of  
 the RAS:

In the course of economic and political reforms in the 1990s there was created a situation whereby we had to make a transfer to the innovation tracks. The situation is such: on the one hand the half-destroyed military industrial sector retained its vast innovation potential. On the other there was virtually non-existent central link, the present-day innovation economy, science-intensive industry oriented at civil consumers. What should be done under the circumstances? I will put this question differently: what should we not do under the circumstances?

First. It can be that at the current stage of the market development in Russia we should not give up the guiding, if not the predominant role of the state in the installation of innovation economy. The dynamics of R&D expenditures of the companies' own resources in the private sector is extremely small and slow-growing. At the same time in the majority of the developed countries it approaches 65% of the R&D expenditures, and even 75% in the EU.

Our situation is different, with totally incomparable figures. Under the circumstances, if we want to make a transfer to the innovation path of development, we should state most firmly that this is one of the top priorities of the state, so that the funding of this transfer should on no account be undervalued.

Second. On no account should we give up developing our military industrial sector. The thing is not only that man-

the role of chambers of commerce and industry.

The role these chambers play in the development of business and professional education in major European countries is well-known. Suffice it to refer to Germany, France or Austria, where the functions of these chambers are linked with flexible responding to the requirements of the market. These include devising of new training programmes and standards based on the guidelines provided by associations of entrepreneurs in dif-

ference of new generations of weapons is the demand of time. The thing is also that development of the existing innovation potential in the military sector enables us to use it in the civil sectors of our economy.

Today the aviation industry was discussed. Owing to Russia's specificity the optimal way is the use of expertise accumulated by the military sector in the civil branches of industry. By the way, it is not only the Russian specificity. The experience of the United States shows that the military engineering policies are one of the forms of innovation policies, too.

What is important for Russia is to create in the market conditions a mechanism of using innovation expertise of the military sector for the civil industries. This is rather one of the top priorities of the transfer of the Russian economy onto the innovation path.

Third. Production of science-intensive consumer products of the current generation cannot be the basis of Russia's technological strategy. This niche has already been taken by other countries, including China. We should pool our efforts on the directions that are characterised by high-tech investment opportunities. I think we should bear this in mind.

This is where industrial policies are needed. We are now engaged in the work on nanotechnologies, but this should be one of the directions of the industrial policies with an eye to singling out those production enterprises and areas that can become locomotives for the transfer onto the innovation tracks.

ferent branches of economy, as well as accreditation of training curricula and holding exams. I think these functions are to be delegated to the system of RF CCIs within the framework of partnership of the state and business. A great many of our chambers are well prepared for that, and many others are already involved in this work. For example, in Moscow programme "Shop Floor Cadres" has been devised and will soon be approved. Our chamber will get actively involved in its implementation. ■

Fourth. At the same time we should not give up stimulating private businesses' investments in financing research and development. We can speak about subsidizing R&D as many countries do. The state can give its guarantees for credits of small science-intensive companies. Russian exporters of high technologies can be granted some preferences. All these methods are universally practiced. This does not contradict the WTO principles.

And fifth. Successes in the innovation area cannot be achieved without significant support of science. Everybody realises that. But at the same time we should not put aside the fundamental research not yet demanded by the market at present, but which could bring certain results, be it even several generations later.



Just one example. About two-thirds of the world's innovations in the developed economies in the 20th century were based on the ideas and expertise of our fundamental science. So let us not throw away what was good in the Soviet period. ■

# THE DAWN OF EUROPE?



## Mikhail DELYAGIN

Almost throughout the entire period of history after Peter the Great Europe was for the best-educated Russians both the best-developed neighbour and the maker of the fashion laws, and also a model to follow in most diverse aspects, a source of inspiration, a symbol of a genuine civilisation, and finally the live embodiment of the things they strove to achieve, leading the way for the whole nation. Europe's grandeur was at its highest in the years of the agony of the USSR when (counterbalancing the over-pragmatic USA) it was viewed as an ideal human society. Since then this shining image has lost much of its lustre, not only due to this country's painful regaining a more realistic world outlook but also to the long path the Old World followed.

**W**e are now discerning more clearly in the relationships between the EU and Russia is constant giving up of the very "European principles" that make it attractive from the viewpoint of both culture and politics.

First of all there is something that affronts the eye and at times is bad for the wallet: the fact that a dialogue has been replaced by an aggressive monologue and that Europe totally disregards Russia's interests. Attempts to impose its legislation and allegedly "universally accepted" rules of the game aiming at attaining commercial profits go hand in hand with the continuing selfish application of "double standards".

However, the rejection of acknowledgement of the idea of equal cooperation with Russia (even though its phrasing is, no doubt, finely civilised) is nothing but the reflection of the general degradation of European systems of management.

The great European politicians are long gone. The ones that are running Europe currently are unwilling to shoulder responsibilities over the problems the

new EU members are facing, including those that are caused by the destructive egotism of its "old" members." One example is their indifference to unemployment in Poland running at nearly 20% or the 12% unemployment in Germany. The question arises more and more often: why should we need such Europe? To answer it will take an attempt to understand how deep, long-term and destructive are European problems. Europe's key problem is its lack of inner heterogeneity, its high economic — and on top of that also cultural — differentiation, as well as difference and most often lack of compatibility of the models of both the state and commercial management. Europe's development is still controlled primarily by national bureaucracies. But in their midst, especially in small countries and the new EU member-states, infantilism, the lack of responsibility and the wish to shift adoption of all principal decisions on Brussels is still there. As a result, there is at times nobody to make such decisions and Europe's development is guided by hopelessly outdated ideological principles. Europe's great achievement that has really enriched the treasure house of the global experience is its know-how of putting up with different problems, which is currently being sub-

stituted for by mainly the art of closing the eyes on its problems. If the U.S. bureaucracy is largely oriented at the search and attainment of development of the controlled management system as a goal, Europe orients itself at preserving the status quo.

The fundamental weakness and instability of the European civilisation can be traced along the path of the growth of immorality of its elite that casts its shadow on the entire European population. The EU rapturously applauded the political repression of the Serbian opposition. In exactly the same way it named the elections in Afghanistan and Iraq democratic (in contrast to the elections in Belarus that were held in conditions other than the occupation of the country by foreign troops).

What is also shocking is another sign of Europe's moral decay — its bold rewriting of its own history, in which, allegedly, Russia and the USSR played a negative role. In essence the EU is encouraging the turning of hatred of Russia into a chief criterion of democracy in some of its new member-states. No "universal humanitarian" illusions concerning Europe should exist for us any longer.



Given all our weaknesses, Russia's foreign policies are based on the acknowledgement of existence of difference of opinion and dissent, whereas the EU flatly rejects that. At present the EU adheres to the U.S. line, claiming to be the carrier of unique and genuine values. Let me in this connection shed some light on a number of fundamental questions.

To begin with, the relations between the EU and the West on the whole with Russia are overshadowed by a natural cultural shock experienced by the West. For nearly two decades Russia did not have any interests of her own, the fact that everybody has grown accustomed to. Facing the reality now when Russia has such interests raises a new wave of fears in the West.

These fears feed the wish to try to get Russia under control, primarily, where supplies of its hydrocarbons, natural gas and electricity are concerned. Our assurances of this country's reliability and the guarantees it offers for the uninterrupted supplies have nothing to do with Western intentions and are thus not paid heed to. The West does not need guarantees of the reliability of supplies; it needs to have control over them. Hence the claim to obtain an access to our pipelines, known as the "Energy Charter Agreement" and projects of building pipelines from Central Asia to Europe by-passing Russia and the recently voiced demands that we raise domestic price for natural gas, bringing them to the level of export prices, and many other things.

The second objective cause of the current state of our relations is the EU manageability crisis. I would not even try to fence off the present-day Russian bureaucracy: it really is horrible and I am its enemy. But do you think that the present-day Russian bureaucracy is less Europe-wise than it was in the Soviet Union?

I do not understand why working with Gazprom is nowadays viewed as a threat, whereas during the cold war it was regarded a great success. I do not understand why while bashing at xenophobia in other countries the EU cherishes and cares for its own xenophobia in the commercial sphere.

#### ▼ Mikhail DELYAGIN

Born in 1968. Graduate of the Economics Department of the Lomonosov Moscow State University. 1990–1993 acted as an analyst at the Expert Group under the RF President Boris Yeltsin, and in May of 1994 he was appointed Chief Analyst of the Analytical Department under the RF President. He worked as a counsellor under several vice-premiers, and as the counsellor of the Chairman of the Russian Government. In 1998 he founded and became head of the Globalisation Problems Institute. Since March 2002 he was Chairman of its Presidium and the scientific chief, and since April 2006 its director. Mikhail Delyagin is one of the best-known Russian economists. Professor Emeritus (2000) of the Tsiling University (China), professor-researcher of the Moscow State Institute of International Relations (2003). A full member of the Russian Academy of Natural Sciences (2004). Mikhail Delyagin is the author of more than 700 articles published in Russia, Germany, France, Finland, China, India, etc, and 7 monographs, with "Economics of Non-Payments" (1997), "Ideology of Resurrection" (2000), "The Global Crisis. General Theory of Globalisation" (2003) and, "Russia After Putin. Is the Orange-Green Revolution Inevitable in Russia?" (2005) among his best-known writing. Delyagin is the leader of a team of authors of the book "The Practice of Globalisation: Games and Rules of a New Epoch" (2000). He is fond of travel, diving and mountain-skiing.

The reason behind the EU manageability crisis is simple. This association unites so many non-homogenous countries that working out compromises requires extraordinary efforts. On the other hand it is clear that each compromise is achieved disregarding interests of third countries. Nothing bad about that, but in the situation where there is a conflict of interests between the EU and third countries, the compromise is achieved at their expense. As a result, in talks with the EU we are always faced with such EU positions that ignore our interests without any chance of remedying the situation. Why should European self-actualisation be achieved at the expense of Russia? Why is the EU so

energetically re-writing history to the detriment of Russia?

The most often-used set phrase in Europe is "Russia is owing us...". Everybody is talking about rapprochement, which should only be achieved at Russia's expense. I think this is the core of the problem of difficulties in the Russia-EU relations.

But let me tell you one thing: Russia owes nothing to anybody. Until the EU realises this, Russia should keep away from the European Union because it is not adequate in its actions, and our relations would continue to suffer from — at best — the crisis of misunderstanding. ■



# CHRONICLE OF INTERNATIONAL ACTIVITIES OF THE CHAMBER OF COMMERCE AND INDUSTRY OF THE RUSSIAN FEDERATION



**September 3, 2007.** A foundation session of the Russian-Vietnamese Business Council was held at the RF CCI. Vice president of the Chamber Georgi Petrov stressed that the establishment of the Council is evidence of the growing interest of interaction of business circles in both countries.

**September 5, 2007.** The organisational session of the Russian-Egyptian Business Council was held at the RF CCI. RF CCI president Evgeni Primakov drew the attention of the participants to the significance of involving Russian regions and small- and medium-sized companies in the implementation of the project of establishing in Egypt of a Russian industrial zone. The participants adopted the draft Charter of the Russian-Egyptian Business Council and approved the line-up of the Russian Chapter of the REBC.



**September 6, 2007.** Within the framework of the official visit to the Republic of Indonesia of president of the Russian Federation Vladimir Putin, a Russian-Indonesian Business forum was held in Djakarta. Its organisers included Russian and Indonesian chambers of commerce and industry. The event was attended by nearly 100 Russian and more than 350 Indonesian entrepreneurs. According to Russian president, both countries have good opportunities of cooperation in such areas as prospecting for oil, natural gas and natural resources; construction of infrastructure objects, telecommunication and IT as well as peaceful use of space. Agreements were signed between leading Russian and Indonesian companies totalling nearly \$4 bln.

**September 12, 2007.** Russian-Vietnamese Business forum was arranged in Moscow within the framework of the official visit to the Russian Federation of prime minister of the Socialist Republic of Vietnam Nguen Tan Sung. The forum was organised by the chambers of commerce and industry of Russia and Vietnam. An agreement on cooperation between Russian and Vietnamese CCI as well as more than 10 commercial agreements between Russian and Vietnamese companies were signed.



**September 14, 2007.** A regular session of the Russian-South Korean Business Council was held at the RF CCI.

Issues of bilateral relations, the state and prospects of the development of Russian-South Korean economic cooperation were discussed.

The Agreement on cooperation in the area of information exchange between the RF Chamber of Commerce and Industry and Korea's Association of International Trade was signed.

**September 17, 2007.** A regular session of the Russian-Latvian Business Council was held at the RF CCI. Issues of perspective directions of interaction of the two counties, including the problems of regional and transborder cooperation were discussed. The agenda also included organisational issues.

**September 18, 2007.** The Russian-Venezuelan business forum took place at the World Trade Center, organised by the RF CCI and the Russia-Venezuela Entrepreneurial Council. The forum was timed to the holding in Moscow of a meeting of the co-chairmen of the high level Russian-Venezuelan intergovernmental commission. Speakers at the session included deputy Chairman of the RF Government, chairman of the Russian Chapter of the Russian-Venezuelan high-level commission Aleksandr Zhukov, and vice-president of the Bolivarian Republic of Venezuela Jorje Rodriguez, both of whom underlined high dynamics of the develop-

ment of the Russian-Venezuelan trade and economic cooperation.

The Venezuelan side proposed studying the possibility of arranging a sea ferry communication between Margarita Isle and port Guaira, establishment of a joint Russian-Venezuelan bank, construction of different objects and facilities in free industrial zone Barcelona, etc.



**September 26, 2007.** The session of the Russian-Turkish Business Council and the Russian-Turkish business forum took place at the RF CCI.

RF CCI president Evgeni Primakov spoke about the dynamic development of the trade and economic cooperation between the two countries. In his word of address Kurtulush Tashkent, Ambassador Extraordinary and Plenipotentiary of the Republic of Turkey in the Russian Federation also mentioned the rapid development of economic contacts and the successful implementation of the Plan of activities for the development of cooperation between Russia and Turkey.



**September 28, 2007.** The international conference "Automobile Business in Russia and China: Development Trends and Cooperation Prospects" was held at the RF CCI. The event was organised by the RF CCI Committee for entrepreneurship in the automobile area, the Chinese Association of Automobile industries, the Amalgamation of Russian Car-Makers, and Information agency AK&M.

Issues of formation of the Chinese car sales markets in Russia, enhancing the throughput of the logistics networks and formation of pricing policies by automobile manufacturers were discussed.



# ECONOMICS



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# SOUTHERN GATE: A POSITIVE TREND



September 20-23 the 6th international investment forum "Sochi-2007" gathered more than 10,000 participants from several dozens of countries in that Black Sea resort city. The three days of its work brought \$23.3 bln in investments to the Russian economy. 169 investment agreements and a protocol of intent worth together \$22 bln were concluded within its framework, with another package of agreements worth \$1.125 bln concluded within the framework of the 4th Russian-Chinese investment forum.

From the vantage point of infrastructure development the Russian Federation is one of the world's most prospective markets. That was what President of the Russian Federation **Vladimir PUTIN** stated at the forum.

**Issues of infrastructure modernisation are currently the key factor of this country's economic growth and a rise of living standards of the citizens of the Russian Federation.** We expect that the huge potential of both the state and private investors will be taken advantage of in the process of implementation of the initial projects of modernisation of the utilities sphere, the power industry, transport and communications. That will be profitable for both the state, and private investors. We aim at working out clearly comprehensive rules of the game in these areas to stimulate private initiative as best as we can. I will say that pre-conditions for that have already been created. And I very much hope that the new government under the new premier will continue moving along the same line. Speaking of the conditions created for the development of private initiative, I also mean other things than macroeco-

nomical factors, for example economy growth rates, the continuous decrease of inflation and its curbing, a certain balance between the strengthening of the Russian national currency and the balance between this and the very development and creating development stimuli. In our view all these are large-scale long-term conditions that will stimulate the arrival of long-term capital investments from both the state and — I repeat — private investors.

As for the state, to the best of my knowledge it has initiated installing the required institutions to facilitate its own investments and to stimulate private investors. What I mean is establishing such institutions as the Investment Fund and the Bank for Development. I would like to stress that these two organisations received RUR300 bln this year alone. Moreover, we envisaged installing a mechanism to replenish this financing annually, provided, of course the money is efficiently used. Long-term complex development programmes have also been launched in the Far East, the

Baikal territory, in the south of the Russian Federation, including the place you and me are in now. Finally, standard concession agreements have been worked out and approved. Now investors can use this significant tool of establishing partnership between the state and private capital in full. The first of these major projects is already underway in St. Petersburg, it is the high-speed westerly railway line. This will be followed by other projects that have in principle been selected and the work has been going on them for quite some time.

Besides, several special economic zones have already been enacted. Today I had a chance of making sure that this mechanism has also been set in motion. The law on special economic zones in seaports and airports is to be adopted before the yearend. Here we are also expecting private investors.

The government has endorsed the programme of development of electric power sector. As you know, the reform of UES Russia is nearing its completion.

"M-Industriya", a team of companies, will erect a 250 hectares artificial Black Sea offshore "Federation Island" near Sochi — with a 700,000 sq m construction area. The project is to be financed from non-budgetary sources with a tentative investment exceeding \$62 bln. A consortium of Russian and foreign companies that have years of expertise of creating complexes using hydraulic fill and gravel island technologies in Russia, the UAE, the Netherlands, Singapore and other countries has been set up.





We have been going about it step-by-step; certain corrections have been made. You know about that, you sure have followed these moves, but I want to stress, I think these corrections were well grounded and to the point. But the main thing is the principal vector of development of our economy; the vector of economic policies has been maintained and will be maintained in the future. And we have already said that the scope of problems to be solved in the electric power sector alone is in essence tantamount to a second electrification of the entire country. Many of you who work in different regions of the Russian Federation know that inadequate electricity supply has become a factor restraining the development, including this southern part of the Russian Federation. However, billions of private roubles have already arrived in this sector this year. But, of course, demand is much greater.

These moves by the state are a direct "go-ahead" signal to investors to launch long-term investment projects in creating infrastructure. Let me stress once again: we expect that no other than private investors will play a constantly growing role of development initiators.

A year ago we already discussed plans of development of Russia's south. Much has been done since then. Quite good results were achieved in certain areas. Capital investments into the economy of this federal district grew by 15%. Rates of industrial production have for a second successive year been higher than the average Russian rates. These are very comforting and gratifying indexes; a good trend.

By and large, investment attractiveness of Russia' south has also been growing. And even though a number of projects, for example those for the northern Caucasus, are still being elaborated, the positive investment dynamics has remained high this year, including the northern Caucasus. At the same time there are factors that restrain economic growth. The main thing, there is a lack of ready investment platforms to stimulate further business development. First and foremost, I mean the territories with engineering and transport infrastructure and necessary energy supply, which I spoke about earlier. This is a serious problem, and it should be solved by other approaches than just those within the

frameworks of the federal and regional programmes underway now. Apparently, what is needed is a long-term strategy of the growth of Russia's south, linked with different projects of territorial and town-planning development. A strategy that would clearly identify sectors and directions, to which priority support will be rendered in the coming few years.

The key precondition of the development of Russia's south is increasing efficiency of its transport infrastructure. You know that in the past much of the cargo traffic has been going through this "southern gate" en route to Europe and Asia. So investments into technical re-equipment of seaports and airports are still the most sought-for investments, and the greatest demand for capital investments is for the technical re-tooling of our seaports, river ports and airports, building new and modernising existing motor roads and railways. Good prospects are also opening up for joint projects aiming at the preparation of the 2014 Winter and Paralympic Games. We would like to see that this really large-scale, global project is used for the creation here in Sochi of a most advanced sports, recreation and tourist infrastructure to the best of our ability, and for that matter, any infrastructure at all. The fact that the Olympic games will be held here is in itself a stimulus for launching projects, without which we cannot do. And of course, millions of people will take advantage of it for quite a long time; it will also be a boost for the economy at large. We are prepared to deal with private investors, including foreign investors along these lines. And I would like to stress that there is not going to be any "national"(in the brackets) discrimination in the activities of the RF government agencies that will select contractors. What is needed here is to look for just two components, the price and quality. I think I do not need to remind you that efficiency of implementation of these plans will depend on coordinating efforts of the state and business. And certainly, on the support of the local authorities.

In conclusion I will emphasise once again that the state plans to continue investing in Russia's south and other regions of the Russian Federation using most advanced market tools of development, and financing mechanisms. However, we all expect that both Russian and foreign private investors will act as equally interested partners. ■



Vnesheconombank plans to invest no less than RUR 117 bln into the project of construction of the 147.4 km toll motorway from Krasnodar to Kabardinka via Abinsk. Representatives of Vneshtorgbank, the RF Ministry of Transport and the Krasnodar administration signed an agreement sealing the plans At "Sochi-2007".



The Kuban district concluded 13 contracts worth Euro 13 bln at "Sochi-2007". 9 agreements were concluded with Russian companies; the rest were signed with Swiss, Austrian, Canadian and UAE firms. The biggest project is the construction of the recreation resort complex "Golden Mile" in the town of Anapa to be built by the St.Petersburg-based "Balticpromgroup". Investments are to exceed Euro 2 bln.



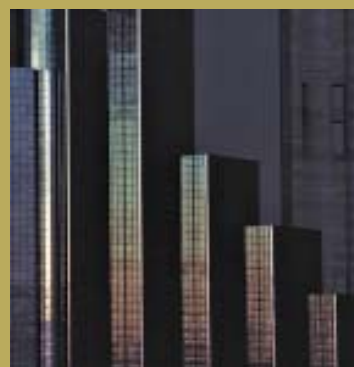


The financial corporation "UralSib" presented its new project, the closed shareholding unit trust "Yug Rossii" at the forum. Four biggest Russian banks are the principal shareholders of the fund, who intend to invest into the construction of especially significant social facilities in the region.



Ten hydroelectric and pumped storage units will be built in the Krasnodar region, Dagestan, Kabardino-Balkaria, Karachaevo-Cherkessia and North Ossetia-Alania along with 8 minor hydroelectric stations. A corresponding agreement was signed within the framework of the "Presentation of Russia's South" at "Sochi-2007". Investments in the projects are expected to exceed \$44 bln.

The Nicosia-based Attleboro Holding Ltd will build seashore spa hotel "Chernomoretz Park" in Sochi. Canada's Genesis Genetics has concluded an agreement on the construction of three agricultural facilities: a combined fodder plant, a gilt breeding enterprise for 4,000 hogs and a 100,000-hogs breeding mega complex. "Van During Management AG" (Austria) will build 6 construction materials supermarkets in Krasnodar, Novorossiysk and Sochi. It will also build the "Karasun" housing complex in Krasnodar.



An agreement on a construction programme, according to which corporation Glavstroj will meet the needs of the construction sector of the entire Krasnodar region, was signed at the investment forum.

Three plants are planned to be built in Ust-Labinsk: a gas-concrete block with an annual capacity of 420,000 cu m; a plant to manufacture 20,000 tonnes dry concrete material annually; and a silica products plant with 60 million conventional units annual capacity.

The Republic of Karachaevo-Cherkessiya presented the project of a 276.5 km federal automobile main road from Cherkessk to Adler at the international investment forum. It will help dramatically change the paradigm of the Caucasian cargo traffic, considerably unloading the "Kavkaz" and "Don" main roads. It will also ensure an access to the Black Sea shores to nine regions of the Southern federal district.





# SOCHI-2014: RUSSIA'S GREAT AMBITIONS

RF Deputy Minister of Economic Development and Trade  
**Stanislav KUZNETSOV** in a talk with a RBG correspondent.

**S**tanislav Konstantinovich, our foreign readers are businessmen of different ranks and directions. Many are now genuinely interested to learn more about Sochi in view of the recent decision of the IOC to hold the 2014 Winter Olympic Games in that city. Long before that a programme of development of this mountainous climate resort was adopted. You were one of its authors, and you are now implementing it. Can you give us some details about this programme? What makes it unusual?

A little more than a year ago the RF government adopted the federal target programme (FTP) titled "Development of Mountain Climate Resort Sochi 2006 to 2014". It then aimed at ensuring this country's participation in a tender for the right to hold the Olympic games. The project is extremely interesting and important for this country's development and quite ambitious, in the good sense of the word. The programme is worth RUR314 bln (about \$13 bln). It envisages building sports facilities, enlargement of the transportation, engineering and utility systems, enhancing infrastructure, communications, TV and making the city of Sochi itself better. Originally, two projects were worked out: the first counted on our victory. The other one aimed at developing the city along the everyday lines with an eye to establishing a mountain climate resort here. That was exactly how we positioned ourselves at the stage of preliminary IOC fact-finding procedures to assess our capabilities. As a matter of fact right from the start we worked having both eventualities in mind. We have never tried to conceal the fact that we were doing our best to implement the first stage of the programme trying to show to the IOC and the world community that Russia was all but ready for making real an

enormously complicated project the country needed so badly.

I'd like to emphasize that we have managed to both show our preparedness and succeeded in demonstrating the degree of our preparedness, as well as winning appreciation of the IOC appraisal commission. We managed to show all our strengths by demonstrating models of different sports facilities, erecting pavilions at all the would-be Olympic sites, and making a clean breast of our vision of the types of facilities and ways of their construction, of the pluses and minuses, and finally, of what must make them the world's best facilities.

Actually all bodies of authority including the president are now involved in this work. We could not but be happy when at the final press conference the appraisal commission acknowledged that the work we had done deserved respect. Before that our ratings on the IOC lists were not high enough. At the moment Austria was the top contender, closely followed by Korea, whereas Russia and the city of Sochi were down at the bottom of the Olympic eligibility list. So our efforts helped raise the country's ratings dramatically, and we found ourselves in the Top Three group of contenders.

In the several months before the voting, which, let me remind the readers, was slated for July 4, 2007 we continued working hard and never tried to dust the eyes of the IOC commissioners. They got us right. The result is known.

#### And how did it go?

In Guatemala we tried to make Russia's presentation tactically and strategically correct. No doubt. President Vladimir Putin played a major role in it all. At the press confer-



ence he spoke in English, and succeeded in bringing across to the audience the main thing: Russia's enormous desire to host the Games and our guarantees that all the facilities we presented would be built. As I see it, it was the decisive argument. Closer to the end of his presentation our president even switched over to French, and the IOC members were really impressed. As for us we were on the jitters, we sat there holding one another's hands. Let me stress that, and there is nothing to be ashamed of, as in the months of joint work we got the real feeling of working in a good team, touching elbows, and feeling real fellowship. I am sure that only this team could make us all equally inspired to get such a result. The moment the Chairman of the Olympic Committee Jacques Rogge announced Sochi the winner we were the happiest people in the world! We could not conceal our feelings. The stress of our sleepless nights splashed out. The IOC decision was the supreme and the fairest assessment of the work we had done. Just imagine: we had been outsiders who, nevertheless, had coped with the task of doing such a detailed, well-planned and nice work! This is more than just an example of more than just good organisation of all our activities. It demonstrates the whole nation's potential. It is the supreme satisfaction of the work we have done, and if you will, our national pride. You would agree that for the first time in years Russia demonstrated the world its

▼ **Colonel Stanislav KUZNETSOV,**

born in 1962, a graduate of the All-Union Defence Ministry Red Banner Institute and of the Law Institute of the RF Internal Ministry. In 1998-2002 he worked at the Foreign Relations Department of the RF Internal Ministry. In 2002 he joined the RF Ministry of Economic Development and Trade working as head of Administrative Department, and later headed its General Management Department. In 2007 he was appointed Deputy Minister. S. Kuznetsov, Dr. Sc.(Law) has a working command of German and Czech.

might, and this is only fair. Millions of Russians experienced an emotional uplift. It all was happening in the dead of night, but people would stand by the monitors and TV screens waiting for the IOC decision, and they took this victory as a national idea, as the world's objective recognition of Russia's global role. That is what I can say.

As for the FTP, after July 4 we have forgotten all about its Version 2. We are now making some alterations in the wording of certain provisions. Correction of the programme is not out of the question. Design of virtually all the Olympic facilities has been started, and we hope to complete it by this autumn so that by the yearend or the early 2008 we can move over to Stage Two, selecting contractors and construction companies. Our ambitions are unchanged: we wish to make Sochi the world's best mountain climate resort, and we are looking for the best ways of erecting the world's best sports facilities. That is what the designers are currently engaged in. We closely follow their work, overseeing its different stages. We have the Russian Union of Architects involved in this, as well as Italian and major companies from South Africa, Canada, the USA and other countries within the framework of competition procedures.

At present we are completing work on allocation of plots of land. The problems involves land tenure and as the experience of other countries that held Olympic Games shows, this is the top priority issue. We have studied the world's experience, so now we realise what we have to do to solve such problems and in what way. First of all, our activities should be transparent and understood by the public, taking into account everybody's interests by seeking compromises.

The top priority of the implementation of the programme is currently road-building as well as the creation

of a transportation infrastructure as a whole. On June 1, 2007 we commissioned a new airport runway. That was a unique event. The runway is built using the state-of-the-art technologies, it has no seams. There is only one analogue to it, the St.Petersburg runway. Ours will be extended to 3,200 meters, so any type of aircraft can land here. The construction of the airport will be completed by mid-2008. Its administrative building will be very unusual, and I think many people would be surprised at the look of it. But I would like to emphasise that the city of Sochi well deserves having an airport like this. Russian Railways (RZD) is engaged in designing operations here with an eye to laying down a 2.7 kilometre spur line to connect the railroad terminal directly with the airport.

**And what about the investment component of the programme?**

The number of investors working on the programme will undoubtedly grow every year. Given that the projects include hotels and tourist infrastructure, investment-wise they are very attractive. All the world's leading construction firms and top tourist companies are showing interest in them. We will have tenders to select investors, but this will be the next stage. At present only 4 Russian investors are working on the programme. This is due to the fact that the Olympic facilities are being built on the basis of existing buildings and bought-out plots of land owned by these investors. They include Gazprom that is engaged in the energy projects, Interros and its subsidiary "Roza Khutor" that are building Alpine ski facilities, the company "Bazoviy Element" that will build the Olympic village in the Imeretinskaya Valley, the company "Krasnaya Polyana" that owns land and construction sites at the existing Alpine ski resort. In future we will also support Russian investors, but regardless of the fact that theirs is private

business, we will oversee their activities so that they fulfil their obligations. This is connected with both the stringent requirements of the IOC and the terms of implementation of the federal target programme. We are building not only Olympic facilities, but also the world-class Russian mountain climate resort!

**Next year hands-on work on the projects will start, and it is known that foreign companies are also willing to participate. What procedures are worked out for them? Is there a list of facilities to be erected, where can it be and the main thing, what kind of guarantees the Russian government is going to offer investors?**

By mentioning government guarantees you have underlined the most important factor. The guarantees include our victory in Guatemala, the right to hold Olympic Games. I meet many people who are interested in our project, including foreign ambassadors and captains of big business. I liked the phrase one of them said at such a meeting: "Well, if the most scrupulous IOC investigation confirmed your ability to build all that is planned, we need no other guarantee." And I am fully responsible when I state that investors should have no fears of anything dangerous happening to their investments in Russia. Risks are either minimal or non-existent. As for the second part of your question, our directorate supports a website where we place information about the tenders we arrange, and the list of projects. But to attract the best investors we will have to do some extra work. We hope that the media will help us, we will appreciate that. They ought to help us liquidate the current deficit of information.

The government of the Russian Federation intends to ensure complete openness of work on this project. Some people doubt the immaculacy of the tenders we arrange, but let me reassure you that the Ministry of Economic Development and Trade does much to ensure the exceptional transparency of all procedures. The tender jury are the people who worked out the laws on public procurement, top lawyers and technology experts who are qualified to fully analyze all the submitted projects.



**Because we speak about implementing one more National project, who will be responsible for the preparations of the 22nd Olympic and the 11th Paralympic Games in 2014?**

In my view, it is more than a National project... In line with Rule 39 of the IOC Charter and the contract signed by Sochi mayor Viktor Kolodyazhni and president of the Russian Olympic Committee Leonid Tyagachev, the Organising Committee of the Olympic games must be set up within 5 months. To minimize any mishaps we are now scrutinizing the world's relevant experience.

**How will the authority of the federal and municipal bodies of power be distributed?**

The FTP has a most scrupulously detailed description of this. Let me remind you that the funding will mainly be done from the federal budget. This amounts to more than RUR185 bln. It is planned to earmark more than RUR9 bln from local budgets. Non-budgetary financing is to reach some 40% of the total, up to RUR118.3 bln. The budget for the construction of sports facilities will be about RUR35 bln, with RUR9 bln to be spent on the utility infrastructure, RUR49 bln going to the power facilities, RUR116 bln to the transportation infrastructure, and RUR50 bln to the hotels infrastructure. In 200<sup>6</sup> we plan to spend about RUR25 bln from the federal budget, with 8 billion roubles to be used for the creation of the transportation infrastructure. We realise that the programme should not be loss-making, so we expect that the multiplication effect would be conducive to the increase of revenues to the budgets of all levels. The cumulative gain of the gross regional product will have amounted to about RUR341 bln by 2015, with an average RUR50 bln in revenues annually. These figures are very good.

I must admit that Sochi-2014 is much hard work, first and foremost due to its schedule, especially with regard to the terms of instalment of the transportation infrastructure. We have to pierce the rock to build a tunnel in the complicated seismic conditions and rugged topography. This will take years. Even western experts agree that what it will take will be unbelievable straining of

all the force we can muster. So we have to assess our potential as best as we can. The current structure of project management can meet the requirements of the current stage in full.

**You started talking about the difficulties this region faces, and that means that most advanced technologies will be used here. Sochi can be viewed as a technological testing ground. Can you give us some concrete examples?**

We certainly are doing our best to apply state-of-the-art technologies that can reduce the cost of the project considerably. The uniqueness of the natural climatic zone here sets forth this requirement. Your readers abroad would be interested to learn that there are very few places like Sochi in the world. In winter the seashore temperatures amount to +18°C to +20°C, with the sun shining brightly and the exuberant subtropical greenery all around. And 20 minutes later you can find yourself in Krasnaya Polyana 2,500 meters above sea, high up in the mountains where you will admire gigantic snowdrifts and majestic mountainous landscapes. We intend to preserve this uniqueness and at the same time to demonstrate it in full.

Solution of sophisticated technical problems is also envisaged. For example, one of the sections of the FTP is dedicated to building of the most advanced telecom systems. At least three satellites will receive the signal from on-land transmitters. We will have to ensure the operation of 80 TV channels for direct coverage of the Olympic games, and that means that we will introduce digital TV, trunk communication and fiber-optic lines.

I think that by 2014 Sochi will turn into a totally different city. Its present-day population is 400,000, and we expect this size to grow to 700,000 to 800,000 by the start of the Olympic games. The tourist infrastructure will become considerably better, and modern hotels, spas, and rest homes will be built. There will be new roads and electricity lines. The building of the second stage of the Sochi power plant is in the pipeline along with a seabed branch of gas pipeline and a 350MWt-plus electricity transmission line; a power plant in Adler will be built from scratch along with a number of sub-stations.

Prospecting for the construction of a second road to Krasnaya Polyana is underway now. A light railway will run next to it from Adler to Grushevaya Polyana. Olympic Park is being built in the Imeretinskaya Valley that will have 5 Ice Palaces, 2 hockey palaces, a figure-skating palace, a curling palace and the skating oval, as well as a big stadium with spectatorship capacity of 40,000 where the Olympic Games opening and closing ceremony will be staged. Much attention will be given to putting in order and setting up new utility facilities. An annual growth of the arrival of workforce is planned at the level of 18,000 to 20,000, and in 2012-2013 the figure may rise to 120,000 to 150,000 of builders. No later than by the yearend two new Alpine facilities will be commissioned.

**You are speaking about it all with such inspiration that I am under the impression that for you personally that Sochi-2014 will be the project of your life, something to be proud of. You sure will have something to tell your children and grandchildren...**

I've got something to tell right today... We are looking into the future with confidence, and the main thing is we realise that the state is giving its all to — first and foremost — raising the living standards of our citizens and making the stay of our guests in this country comfortable. ■

Contributed by Svetlana Tivanova



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# THE MOSCOW REGION: RUSSIA'S SUPPORT POINT



A Talk with **Boris GROMOV**,  
Governor of the Moscow Region.

**C**overnor, allow me to begin by quoting the Russian press: "In 2000 to 2006 the budget of the Moscow region grew more than 10-fold. Last year's results indicate that the Moscow region was the Russian record-breaker with 6.5 million square metres of newly erected housing. Besides, modern plants and agricultural enterprises, schools and kindergartens, sports palaces and trade complexes arose around Moscow. They all are a reflection of the general upward trend of the economy of the Moscow regions." These are also the results, which you personally can be proud of. But just the same I would like to begin by touching upon the theme that is so close to you, patriotism. We tend to think that the patriotic component is important for the breakthroughs the region has been making. Is that so?

By and large, yes. But as a matter of fact, it's not only about the Moscow region, the whole of Russia is working for the good of its different regions and

the country as a whole. Speaking about our region it would be more appropriate to say that we do very much for the patriotic education of the people, primarily the younger generation, and I view this as my personal duty. We are willing to help people regain their sense of importance on the land they live, to revive their sense of unity and pride of themselves and their country. Only in unity, in concord and people taking pride in their native land, we can think and efficiently work, developing and raising our economy, developing our production, encourage our manufacturers, raising living standards and being useful to our country.

**Many people were surprised to hear you state that public health services require one fifth of the regional budget. Everyone knows that serving in Afghanistan you always tried to win a victory minimizing potential losses. In Russia today we view such an approach to saving the supreme value, human life, as one of paramount significance.**

Indeed, ages of Russia's history have shown that the authorities had little or no interest in saving human lives. Things cannot go on like this. We have finally realised that the time has come to take cardinal measures to save the nation and the people in its different regions. The national projects president Vladimir Putin has initiated are targeted at this, as well as the efforts undertaken by regional authorities.

The Moscow region is seriously engaged in the hands-on work of improving the demographic situation. We wish to put an end to the decrease of the number of population in the region and to have preconditions for its increase to 7 to 8 million people by 2020. And with this in mind we have allocated one fifth of the regional budget for the public health service.

**What do you view as the principal directions of the economic and social development of the Moscow region?**

The main thing is that stability and a turn to planned creative activities have now been ensured.

The regional budget is now in excess of 200 billion roubles, and we are planning to double it in a couple of years. No other Russian region has such progress. In the near future this index is expected to grow steadily, and we are planning to double the gross regional product of the Moscow region already in 2008. Generally speaking, keeping the growth rates as they are is the crux of the problem. Not all branches of economy are capable of keeping it, but the leading ones operate steadily. Here I would mention construction, especially housing construction.

We had some problems in agriculture, it took too long to thaw after being frozen at the end of last century. It has finally overcome that. The Moscow region is now the biggest agricultural producer in the Central Federal district. We have succeeded in doing that thanks to integrating profit-making agricultural companies with the loss-makers, as well as affixing them with industrial and finance-and-credit organisations. We now have more than 160 large associations of the holding type.

**What were the roles of the authorities and entrepreneurs in achieving that? What are the principles upon which they build their relations? You are a citizen and a patriot, as the majority of Russians. But business is essentially supranationalistic. Business goes where there is profit. How do you view this in your activities?**

We respect business and pay attention to it. The principle is just one:



the economy would not develop unless backed up by business, and no region can flourish without the proper interaction of the authorities and business. One cannot exist without the other. Authorities maintain control and support. Business exhibits initiative, entrepreneurship and tenacity. These are the communicating vessels.

This year we are completing the fourth regional target programme of development and support of small-sized enterprises (SMEs) the Moscow region started in 2004. The financial support of the SMEs is the best indicator of the role the authorities play in the operation of small-sized businesses. In 2003 the Moscow region allocated 20 million roubles for the support of our SMEs, and more than 150 million roubles last year.

At present we are working out a new regional target programme for 2008-2012 that will take into account present-day realities. The programme envisages encompasses 37 points, and the most important direction of its development is innovation SMEs. There are more than a hundred of them operating in different industries, defence sector, medicine, IT and space research. For the first time we envisage parity financing the municipal entrepreneurship development programmes from both the regional and federal budgets.

**There are no huge amounts of natural resources around Moscow, so entrepreneurs have to develop without becoming dependent on oil, for example. And the region succeeds in it. How do you do it?**

In the absence of natural resources and high-profit sources of revenues we have another most efficient resource, the manufacturing sector. Last year its deductions to the state budget amounted to 63 billion roubles in taxes, duties and dues. And the Moscow region was responsible for about 32% of that amount.

There are dozens of enterprises of the national significance that are currently putting out competitive products. Their potential is uniquely combined with the powerful science-and-engineering complex.

Another component of our success is the favourable investment climate. We try to persuade investors that the Moscow region can offer them the optimal conditions and terms. We try to persuade them to believe in the regional government and heads of municipalities and districts. With this in mind we are doing our best to keep as high an economic profile as we can.

And I think, they believe us. Investments in the fixed assets have almost doubled since 2000, reaching 225 billion roubles by the end of last year. Foreign investments have increased almost ten-fold in that period, amounting to \$4.7 bln last year. This year again our economic development is characterised by a significant growth of investment activities. Investments into the fixed assets of all financing sources grew almost 2-fold in Q1 2007 as compared to the same period of 2006; with foreign investments grow by almost 50% in this period.

**There is Moscow, the capital city, and there are the suburbs and the Moscow region with certain problems in their relations. Where do you think the evolution will lead both sides?**

There is not going to be anything special. They will both continue to be partners. They would become more beautiful, better in all respects, with people's welfare growing. Life will be more comfortable. You are talking about evolution, aren't you? The evolution will go on. People themselves will ensure it. They will do everything to dramatically transform the city and the region.

Of course we could picture many things about the future of transport, medicine, services sphere, etc. This is an exciting business, but we — you and us — are realists. Scientific analysis and forecasts based on reality could produce a realistic picture.

We are currently working out the general plan of the Moscow region's development up to 2020. We think of putting in place the economic "growth support points" and improving the living standards. This will be done taking into account the diversity of the types of development of any one territory with an eye to working out present-day standards of organisation of the housing, industrial and recreational spheres.

The structural and technological modernisation of the processing industries will take place, including the branches of the defence sector. This in turn will lead to the development of a cluster of high-tech industries, based on advanced R&D and scientific support. Modernisation will stimulate further growth of the Moscow region's industrial potential and emergence on its territory of new industrial facilities. Integration of the mainline automobile transportation network into international transport corridors should be the moving force of the targeted transformation. As a priority we will have to build the Central automobile ring road and to re-distribute transit and cargo traffic to bypass Moscow. We are now working on this project hard, and that will dramatically change the entire Moscow region's image. ■

Contributed by Nikolai LOBODYUK

▼ **General Colonel Boris GROMOV,**

Hero of the USSR Boris Gromov was born November 7, 1943 in Saratov. A graduate of the Suvorov Cadet School in Kalinin (1962), the Leningrad Higher Military Commanders School (1962), the Mikhail Frunze Military Academy (1972), the USSR Military Academy of the Joint Chiefs of Staff (1984).

He did three stints in Afghanistan as Army 40 Commander-in-Chief, and was in charge of the withdrawal of the Soviet troops. In 1989-1990 he was the Commander of the Kiev Military District, then took the positions of first deputy USSR Defence Minister, first deputy Commander-in-Chief of the Land Armies of the Russian Federation, the chief military expert of the RF Foreign Ministry (in the rank of deputy minister). After that he was elected the USSR People's Deputy and a deputy of the RF State Duma. In 2000 he was elected governor of the Moscow region.

Boris Gromov is president of the International Association "Twin Cities", and head of the All-Russia veteran organisation "The Combat Brotherhood." B.Gromov is a winner of awards "Distinguished Services" (2nd and 3rd degrees), the Order of Lenin, two orders of "Red Banner", orders of the "Red Star" and the medal "For the Services in Battle". Boris Gromov is the author of "The Limited Contingent"; he is a USSR Master of Sports (Handball).

# TECHNOLOGY PARKS: INNOVATION GROWTH POINTS

Leonid REIMAN, RF Minister for Communications and IT.



**R**ussia has come to realise in full that only the manufacturing sector of economy can ensure production of high-tech products with a weighty share of added value thus ensuring this country's worthy place on the world markets. Given that your ministry has worked out the programme of creating technical parks and is now engaged in implementing it, how can it help solve this problem?

Indeed we regard industrial, or technical parks as the most significant prerequisite of formation of the general infrastructure of Russia's innovative technological development. As far back as in January 2005, Russia's president set the task of working out a corresponding programme. We have coped with it, and in 2006 the RF government adopted the state programme "Establishing in the Russian Federation of High-Tech Industrial Parks." We effectively crossed the boundaries of regulation of an individual branch of industry, getting down to the business of creating infrastructure to support innovation development of the entire country.

The programme laid the foundations of a number of initiatives targeted at

the government's support of high-tech industries, outlining a single policy in the area of development of a new economy. I would single out the main thing, an increase of the size of budgetary financing of development of science. As a result of a large-scale analytical investigation "Russia IT Foresight" potentially most productive directions of IT development have been selected.

The whole world is aware that we are not short of new ideas. But we should make these ideas work with an eye to getting commercially efficient products. Originally we assumed that technical parks would be exactly the means to bring closer together researchers, technology experts, financiers and marketing experts, spearheading their efforts so that scientific discoveries could be turned into competitive products.

Finally, commercial production should be organised on the basis of industrial parks, including those in special economic zones. Greater attention will be paid to using them in the development of priority business directions. In a word, technology parks should be the environment in which high-tech direction would attain synergy effect.

#### **In what areas are technology parks planned to be established?**

Nanotechnologies is the field that is believed to be one of the most promising areas, as investigations prove that these technologies could be used for most different applications — from microelectronics and space research to food industries, agriculture or medicine. We plan to install a commercialisation infrastructure that would make

a single cluster out of a big number of industrial parks that carry out research in the field of nanotechnologies. That would unite well-established centres of nuclear physics in Novosibirsk, Nizhni Novgorod, Sarov, Troitzk and Obninsk, coordinated by the parent organisation, the Kurchatov Institute.

Let's take a concrete example. If nanotechnologies are our near future, the problems of the power industry are what we are facing today. All the cities where there are oil, gas and coal companies there are also design and R&D institutes, established in the Soviet time. It is understood that these organisations with their still insufficient material base have to outsource work on many projects, processing results of seismic prospecting, for example, to western companies. "Brain drain" and loss of staff are a sideline problem. So we are proposing establishing a network of innovation industrial parks in the energy field. The work on putting in place two industrial parks in Novosibirsk and Tyumen. Kemerovo stands a good chance of being added to the programme as well as two autonomous districts, Yugra in the Hanty-Mansiisk and the Yamal-Nenets districts. We believe that their contribution to the programme could help us form a single cluster of the means of scientific and engineering support of the domestic fuel and energy complex.

#### **What are the principles to base industrial parks on?**

To select them we studied international expertise and consulted specialists in different Russia's regions. The conclusion we made was, first, an industrial park should be self-sufficient right from the start so that its performance



should not be dependent on government financing. An exception can be made for business incubators that are to support small innovation companies while they are growing. Second, such a park should be able to withstand any attempts to change its field of activities. We are now engage in a very scrupulous selection of our would-be partners, all the more so that there is no shortage of potential Russian and Western investors, and simultaneously we are giving them guarantees that they would earn adequate returns on their investments. We realise that the performance of a technology park should meet the interests of both any individual region and the entire country.

Technology parks should become innovation growth stations that in the near future would predetermine the character of Russia's national economy. Three directions are to be singled out in their activities. First, the real estate aspect of their establishment and maintenance. Second, having a diversity of services for its residents, for example, offices (call centres, shared reception rooms, conference halls and negotiations facilities) or services of the shared-access centres, like specialised laboratories and centres of data processing. We are talking about a package of financial and legal services, logistics and organisation of activities of a customs terminal. Let me stress: we are not speaking about preferences, it is all about taking into account the specificity of high-tech industries while engaging in export/import operations. No doubt, an industrial park should have its own patent counsellor, a notary and bank representative offices. A complex of social programmes should also be enacted in such parks, including medical care and housing.

**In which regions the programme of installing industrial parks is now underway, and what will their specialisation be?**

At present we are establishing them in 7 pilot regions, including the Moscow, Novosibirsk, Nizhni Novgorod, Kaluga and Tyumen regions, in the Republic of Tatarstan and in St.Petersburg. Each will specialise in its own field stipulated by its educational, research and cadre potential. They would mainly spe-

▼  
**Leonid REIMAN**

was born in 1957 in Leningrad. A graduate of the Leningrad Bonch-Bruевич Electrotechnical Institute, he took a number of managerial jobs at the Leningrad municipal telephone network. In 1999 L.Reiman was appointed chairman of the RF State Committee for telecommunications, then the RF Minister for telecommunications and IT, RF Deputy Minister for transport and communications. Since May, 2004 L.Reiman has been the RF Minister of Communications and IT, chairman of the Board of the JSC "Svyazinvest", a co-chairman of the intergovernmental commissions Russia-Hungary, Russia-Romania, Russia-Israel and the Russian-Chinese Subcommittee for IT and communications, a member of the RF Government's Council for nanotechnologies.

Dr.Sc. (Economy). Merited Worker of the Communications Area of the Russian Federation, the winner of the Order "Distinguished Service" IV degree (2005) the winner of government awards in the area of education and the field of science and engineering, a winner of the top award "Themis" (2003) and the annual "Person of the Year" (2005).

cialise in the area of IT, nanotechnologies, nuclear physics, innovation energy production, biotechnologies and medicine.

**What will the sources of their funding be?**

The funding of the programme of setting up industrial parks up to 2010 will be done in equal proportions by the federal and regional budgets, with the total amount of more than RUR16 bln. This funding will be used to reclaim the plots of land set aside for these parks, to build engineering communications and social infrastructure facilities. We also count on private investors to finance these projects. We expect their investments to exceed state funding by the ratio of 8 or so.

**Can we say that there already are first results of implementation of this programme?**

Yes, we do have some results. At Stage One ending in 2006 we did our selection of plots of land for the technology parks, working out corresponding business models and projects, as well as budget documentation in most regions. At Stage Two in 2007 we began erecting engineering infrastructure facilities, also engaging in land reclamation to make them attractive for investors, as well as setting up organisational and legal institutions of technology parks' management.

At Stage Three in 2009 we expect private investors to complete construction of basic facilities and objects. By that time we must identify anchor res-

idents and policies of their activities in the technology parks.

Stage Four envisages full-time operation of technology parks and the implementation of the programme of innovation backing.

We assume that by the end of 2001 some 75,000 new jobs will have been created in the 7 regions we are talking about.

The aggregate product of resident companies in the technology parks is expected to reach the amount of \$40 bln with an average revenue produced by one employee at \$600,000. In a word we are confident that technology parks will enhance this country's investment attractiveness, helping us boost the volume of our exports. ■

Contributed by Gennadi Mukhatdinov



The meeting discussing issues of implementation of the State programme "Establishing in the Russian Federation of High-Tech Industrial Parks". Akademgorodok, Novosibirsk. June, 2007.

# TECHNOPOLIS: TATARSTAN'S INNOVATION STRATEGY



Interview with **Rustam MINNIKHANOV**,  
prime minister of the Republic of Tatarstan

**M**r Prime-Minister, the republic has been demonstrating its successes with enviable continuity, especially in the socio-economic sphere; what in your view is the secret of successes scored by Tatarstan lies?

Nothing secret about it. We have our own model of the republic's development, whose chief elements were tested as far back as the 1990s, and after that they were supplemented and modernized in line with Tatarstan's inner and external situations.

I would say that the first element of this model is a strategic approach. We have always come and continue to come from the concept that solution of the most important tasks of development of economy and the social sphere require application of complex measures and sufficient lapse of time for their prolongation.

Quite evidently there are acute problems that need to be solved as fast as possible. But erection of long-term foundations of sustained development is based on the careful consideration of all the available resources, their timely use, and the main thing, getting tangible returns. The main tools we use in our strategic approach are mid-term and long-term programmes of socio-economic development.

I would call innovation the second priority element of our development model. Let me emphasise right from

the start that our understanding of the term includes both its industrial and technological aspect, as well as the managerial and educational ones.

Quite evidently, introduction of the state-of-the-art technologies in our production sphere and a switchover of our economy to the innovative path should go hand in hand with serious rebuilding of the entire management sphere, starting from the workshop floor all the way up to an entire branch of industry.

That is why the republic has always urged Tatarstan's companies to be aggressive in introducing the most advanced managerial tools companies all over the world are using and improve their production control and marketing skills, including activities on foreign markets.

Innovative management methods are used at the level of the government. Tatarstan is the first region to introduce the tools of indicative management of economy and social sphere. We are doing our best to set up the infrastructure of what is known as "the electronic government", enlarging the sphere of services rendered by the state that both the ordinary people and businessmen can take advantage of using the latest of information technologies.



The "electronic government" supports an information and analytical system devised for making managerial decisions. The government of the republic now uses the method of electronic documentation that considerably reduces dead time before we come up with important managerial decisions.

And speaking about the educational aspect of innovation, leading educational institutions now train would-be specialists to master fundamentals of management of innovations. Elements of innovation training are also included in the curricula of higher schools and secondary vocational institutions.

At the same time I would like to emphasise the most important thing: no matter what types of programmes are considered and approved, we always try to focus on the social aspects of Tatarstan's development. Our republic was the first in Russia to implement a large-scale project of liquidation of slum dwellings, resettling people in comfortable housing, and of gasification of rural areas. We have also begun implementing the programme of social mortgage that will become an important contribution to the realisation of one of Russia's top priority national projects "Procurable and Comfortable Housing for Russian Citizens."

As you can see Tatarstan has no secrets whatever. Any region can take advantage of our experience.

**Late last year the Congress of the republic's businessmen was held in Kazan. It was said at the congress that 25% of Tatarstan's residents are engaged in business, whereas only 15 years ago there was not such a layer of society as the organised influential**



**group of entrepreneurs. How can authorities find a common language with business and what is the role of small- and medium-sized businesses as seen by the republic's authorities?**

As I have said, a top priority component of our model is its orientation at innovation. We pin great hopes on small and medium-sized businesses, as they are the fastest to introduce advance research-consuming technologies, manufacturing as they do samples of commodities that will then be manufactured by larger companies.

The chief supporting elements of the innovation infrastructure including the "Idea" technopark and the "Master" industrial park on the Kama have been set up with the assistance of the republic's government. In 2007 we have been engaged in the setting up the "Khimgrad" technopolis in Kazan. Construction of the special economic zone "Alabuga" is also going on at a fast pace. Small- and medium-sized businesses are the basic structural units involved in these projects.

Understandably, to implement the plans financial organisations oriented at high-risk venture projects should be in place. Therefore we view small and medium-sized businesses as locomotives of Tatarstan's innovation development. Never willing to diminish the role of other types of entrepreneurship, operating in the manufacturing sector, in trade and services, I think that at the present stage we should concentrate exactly on the innovation direction. I am confident that the synergy effect will tell favourably on other small and medium-sized companies. Aware of that we have established the Investment Venture Fund of the Republic of Tatarstan and the Stabilisation Pledge and Insurance Fund of the Republic of Tatarstan.

So we view small- and medium-sized businesses as locomotives of Tatarstan's innovative development. This is not to play down the role of other types of entrepreneurship in the production sphere, in trade and services; I still think that at the present stage we should concentrate exactly on the innovations direction. I am convinced that the synergy effect would tell favourably on other small- and medium-sized companies.

As for a common language with entrepreneurs, instead of generalisations I would give you a concrete example. Within the framework of the implementation of the project "Electronic Government of the Republic of Tatarstan" a special Internet portal, "The State-to-Business" was set up for entrepreneurs to provide answers to any questions they may have, even down-to-earth ones — about filling in different forms, preparing reports or other documents, etc. They are also free to participate in Internet tenders bidding for a state order. Moreover, each addressee can put a question to any government official and have a guarantee of an official answer to it. So we are talking with our entrepreneurs on-line. We intend to increase the range of the services rendered by the state on the Internet.

**You have mentioned that the main thing about the cluster principle is the main principle of the development of the republic's economy. It is clear that this is one of the links within reach that if clutched can help raise the entire chain of economy. Can you elaborate on this?**

Indeed, we think that the cluster method is one of the most promising approaches to the economy branch management. We have set ourselves the goal of the development of four basic clusters, including petrochemical, automobile and aviation building and the power production sector. These are exactly the sectors where the most efficient industrial complexes are. In order to render them more dynamic, we are going to urge them to boost their innovation components, primarily by further development of the network of technoparks, innovation technology centres and technopolises.

With an eye to achieving this we have established a full-fledged financial network oriented at the support of investment projects, that has control of very sizeable financial resources. For example, the Investment Venture Fund is involved in the implementation of nearly 50 projects worth about 2 billion roubles. Two more funds have been established in Tatarstan with a total budget of 1,100 million roubles; they are oriented at commercialisation of the results of R&D agencies.

I think your readers would be interested to learn more about one of the con-

crete projects. This year we have begun setting up the "Khimgrad" technopolis at the premises of the "Tasma" Works in Kazan. It will render comprehensive support to small— and medium-sized petrochemical companies. The technopolis will be operating linked with major republic's petrochemical enterprises and leading educational institutions. It will be built around its core unit, the Industrial park that would arrange and ensure preconditions for the small- and medium-sized companies to develop their own production, including building premises for them. Aside from that there will be in the technopolis the High Technologies Park, the Corporate University, a logistics centre, a raw materials exchange and several units of the socio-economic sphere.

This will enable us to create added value throughout the entire cycle of the republic's production of petrochemical production starting from working out a concept, and all the way down to marketing ready products. The project is a large-scale one; its investment capacity will amount to no less than 12.5 billion roubles. However we expect that by the end of 2011 "Khimgrad" will have turned out some 10 billion roubles worth of products annually, with an average workforce of 9,000 people. The taxes it will pay to the budgets of all levels are expected to amount to 3 billion roubles a year. Creation of this technopolis is not a remote task. We plan to commission its first stage already by the end of this year. ■

Interview by Vitaly Makarov

**Rustam MINNIKHANOV.**

Born March 1, 1957 in the village of Novy Arysh, Rybno-Slobodski District, the Tatar ASSR. Graduated from the Kazan Agricultural Institute and the Institute of Soviet Trade (by correspondence). He began his working biography as a civil engineer at the Association "Selkhoztekhnika"; then was the senior and chief energy engineer at a forestry farm. From 1983 to 1996 he took jobs in the administration agencies, and from 1996 to 1998 he was appointed finance minister of the Republic of Tatarstan, and has been head of the republic's government since 1998. Dr.Sc. (Economy), 2003. Minnikhanov is a winner of state awards including Order of Friendship and Order "Distinguished Service to the Republic of Tatarstan". R.Minnikhanov is married and has a son; he goes in for automobile sport, and is a Merited Master of Sports.

# AT THE AEROSPACE SALON MAKS-2007

(AUGUST 21-26, 2007; ZHUKOVSKI)



**Vladimir PUTIN**, president of the Russian Federation: "Russia will continue developing the International Aerospace Salon "MAKS" as the platform for the conclusion of business contracts. We are proud that within a rather short time "MAKS" not only took a place of honour among the world's aerospace salons but has also consolidated its position as one of the leaders in the field."

**C**ompanies from more than 100 countries with a record-breaking number of participants, amounting to 540 Russian and 247 foreign firms presented their products at MAKS-2007; 23% of Russian and 32% of foreign exhibitors were newcomers.

The Russian aviation holding "Sukhoi" and Italy's Alenia Aeronautica (a subsidiary of the group Finmeccanica) announced setting up a joint venture to market and service the Russian medium-haul aircraft Sukhoi SuperJet-100 within the framework of their strategic partnership agreement. The "Sukhoi" equity in the venture amounts to 49% with 51% owned by Alenia. Commercial manufacture of the Superjet is scheduled for 2008. This aircraft family is being designed with an eye to ensuring maximum unification of the components of the glider and systems of the aircraft: its wings, fins, airframe, engine, flight deck and other basic aircraft systems and components.

The average-weighted forecast of the number of airliners to be manufactured is 800 to 900; the optimistic forecast puts the figure at about 1,200.

The International aerospace salon ILA 2008 to be held in Berlin was also presented at MAKS-2007. On the initiative of BDLI, the German Union of Aerospace Industries, the Russian Federation was extended an invitation to attend with a special status of "the priority partner"; this status is to be granted to Russia on the permanent basis. It suggests that the organisers of the exhibition will pay especial attention to Russia's display and its business programme, thus making ILA a platform for the future development of cooperation between Russia and Germany as equal partners.

The companies Alcoa and the United Aircraft-Building Corporation (UABC) signed an agreement on cooperation in the field of technological develop-

ment for the manufacture of aircraft of a new generation in line with the UABC strategy of growing to become the 3rd world's biggest aircraft manufacturer by 2015. Alcoa intends to deliver quality materials, modern concepts and production technologies for the design and manufacture of the new generation civil aircraft. Plans of strategic cooperation also envisage setting up in the Russian Federation of the Alcoa Centre for Aerospace Technologies (ACAT) for a wide range of R&D activities.

The Perm-based Engine-Building Complex presented its latest product: an advanced gas generator for passenger and cargo aircraft. Implementation of its plans will help create preconditions for bringing Russian aircraft companies close together with an eye to mastering new technologies of design and production of engines for civil and military aircraft competitive with the state-of-the-art products of leading Western firms.





The JSC "Ilyushin Finans K" signed the following contracts for:

- ◆ The delivery to Iran of 5 medium-range TU-204-100 planes. The contract is worth more than \$200 mln, and deliveries are scheduled for 2009.
- ◆ The delivery to Cuba of 3 An-148 and 2 TU-204-100 aircraft. The contract is worth about \$150 mln.
- ◆ The delivery to the state-owned Transport Company of 6 An-148 aeroplanes with an option for another 6 aircraft. Besides, 6 TU-204-100 planes will be delivered to the JSC "Avialinii-400" (Red Wings) air carrier on terms of the 15-years financial leasing.
- ◆ The delivery to the JSC "Perm Engine Plant" of 15 PS-90A1 engines for the Il-96-4001 and 12 PS-90A2 engines for TU-204 aircraft.
- ◆ The collective purchase with the Voronezh Share-holding Aircraft-Building Association of 34 An-148 aeroplanes.

*The JSC "Ilyushin Finans K" was incorporated in 1999 and is engaged in financial and operational leasing of Russian-made aircraft as well as financing of export operations. Its principal share-holders include the JSC "United Aircraft-Building Corporation" (27%), the Russian Federation represented by the Federal State Property Management Agency (22%), the group "Natsionalnaya rezervnaya korporatsiya" (26%) and Vnesheconombank (21%).*

The JSC "Grazhdanskiye Samolyoty Sukhogo" and the "Uralskie Avialinii" airlines signed a letter of intent for the purchase of 5 Sukhoi SuperJet-100s. The "Utair" airlines announced its plans to hold within a month a tender for the replacement of its current fleet of Tu-134s. The plan envisages purchases of 20 aircraft with an option for the purchase of another 10 aeroplanes. The suggested models include An-148, Sukhoi SuperJet-100 and Bombardier aircraft.

The "Atlant-Soyuz" airlines and the U.S. aircraft builder Boeing announced signing of a contract for the delivery of 4 Boeing 737-700 planes. Based on the catalogue prices, the contract is worth \$249 mln.

"Rosoboronexport" (ROE) signed a contract for the supply to Indonesia of 6 multi-purpose combat aircraft, including 3 Su-27SKM and 3 Su-30SKM-2 planes. The contract was signed by Sergei Chemezov, head of ROE, and Indonesia's Ambassador to the Russian Federation. Three years ago ROE sold Indonesia 4 multifunctional fighters Su-27SK (2) and Su-30MK (2). After the delivery against the new contract two more fighters will be required to form a full-fledged fighter squadron. Previously Indonesia announced its plans of purchasing 18 to 24 "Sukhoi" military aircraft.

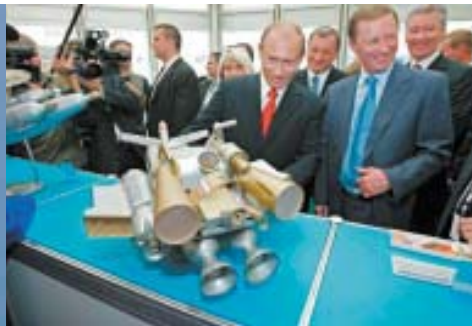
The MiG aircraft-building corporation made a debut presentation of a dummy "Skat" drone designed to attack both previously detected stationary targets, primarily enemy's air defence systems in the conditions of air-barrage, and mobile on-land and marine targets, when "Skat" can be used to perform combat tasks both autonomously and as part of a manned aircraft group. The "Mikoyan R&D bureau" jointly with a number of leading Russian research centres and manufacturers carried out investigations aimed at identifying the general design and basic specifications of this vehicle; the programme for the development of required technologies has already been adopted.

The "Moscow Design Bureau "Kompas" presented Russia's portable satellite navigator GLONASS/GPS. One of the strengths of this receiver/indica-

tor of different satellite systems that in the near future will be capable of connecting to the European navigation system Galileo currently under construction, is the use of a selection of electronic maps devised by the RF Joint Staff. Rather inexpensive software devised for this apparatus makes it reliably noise-immune when used in terrains of complex topography.

*The Moscow Design Bureau "Kompas" was set up in 1947. At present it is engaged in the delivery of all types of domestically manufactured aircraft equipped with radio compasses and the development and manufacture of navigation equipment for all types of military aircraft as well as flight-path monitoring systems for any type of aircraft and smart weapons. The company is one of the leading Russian design bureaus of GLONASS equipment as well as special software for portable receivers for individual users.*

**F**or the first time Russia was called an investment-attractive country, included on the list published annually by the international consultancy Ernst & Young. Respondents of a survey the consultancy carried out gave the first three slots to China (48%), USA (33%) and India (26%), followed by Germany (18%) and the Russian Federation (12%). The leading top managers think that China is the best place to build industrial enterprises and it is both convenient and profitable to open head offices of major companies and establish research centres in the USA; that it is profitable to create call-centres in India. What investors get in Russia is a large-sized market and high rates of profitability of doing business in Russia (not less than 30%).



# TAKE OFF CLEARED!



**Sergei IVANOV**, First Deputy Chairman of the Government of the Russian Federation, chairman of the Board of the JSC United Aircraft-Building Corporation.

The second direction is the civil sector, funded from the programmes "Development of Russia's Civil Aviation in 2007-2010 up to 2015" and "Modernisation of Russia's Transportation System." Direct government investments into the development of high technologies will amount to more than \$750 mln in 2007 alone, with a gradual annual increase of the allocations, so that by 2015 \$20 bln will have been invested.

By implementing these plans Russia will come even with other global market players, enabling us to integrate into the world's group of high-intellect nations to actually retain its advanced position on the world's aircraft engineering market, attracting investments from abroad. In Russia, products of the aviation industry are highly intellect-intensive: 1 kilogram of long-haul civil aircraft is worth \$1,000 and 1 kilogram of military aircraft is \$3,000, compared with \$20 per 1 kilo of a motor car. We think that the position of the Russian aircraft engineering on the world's aviation markets should be that of the 3rd biggest producer after the USA and Western Europe.

**R**ussia's achievements in aircraft engineering equipment are universally acknowledged. However, the 1990s crisis hit as badly as other branches. It was not accidental that in 2005 experts and specialists came up with the idea of creating a strong corporation as an umbrella organisation for major aircraft producing companies. It was also decided to increase the role of the state in the civil aviation sector. This is not our invention, this is the approach different countries use. At present the

two-pronged approach to the support of this industry is in use in Russia. Its first direction is the military aircraft production, which has always been one of our strengths, giving us a serious competitive edge. Funding of companies engaged in this sector is done according to the Federal target programmes "Development of the Defence Industry Sector in the Russian Federation in 2007-2010 and in the period up to 2015", and the "National Technological Base" programme.

We have a plan of activities for the near future, in which the JSC "United Aircraft-Building Corporation" (UABC) is to play a very important role. The plan's priorities include design, production, sales, exploitation support, after-sale and guarantee servicing, as well as modernisation, repairs and utilization of the aircraft equipment, and application of new technologies.

We are now working out the plan of the corporation's strategic development till 2015. In a nutshell, UABC will



engage in creating the entire range of aircraft. After the necessary re-structuring it will have three business departments for the military, transport and civil sectors correspondingly. We are going to reach the full production capacity by 2015.

As for the area of military hardware we hope to meet the demands of both Russia's Airforce and the requirements of the development of the system of military and technical cooperation; we plan to build both fifth generation fighters and update existing vehicles for the military purposes. For example, after we begin commercial production of Il-96-400, it can become a platform for "airborne radar", long-range radio electronic reconnaissance planes or a refuelling tanker. In the civil aviation segment our priority is the international project of designing the medium-haul SuperJet 100. "Sukhoi" is already at it in close cooperation with a number of European producers. Its takeoff is slated for the end of this year. The portfolio of reliable orders for SuperJet-100 numbers more than 100 firms. According to experts, the key specifications of the jet will make it at least 10% more efficient than its existing or devised analogues elsewhere in the world. This significant edge will enable us to make claims to take up half of the entire market of the jets seating up to 100 passengers, whose number can amount to almost 2,000 liners worth about \$40 bln. We have also another competitive edge, our high profile. Our current and new partners are willing to work with us.

As for long-haul airliners TU-204, TU-214 and Il-96, we will continue working on improving their qualitative and exploitation features.

I should stress that the government's support of the aviation sector would not be limited only to funding it; it will also provide guarantees to private investors, both domestic and foreign, in the development of the mechanism of the state and private sectors partnership. I am confident that implementation of our plans will enable Russia to increase its share in the global production of civil aircraft and equipment from 1% to 5% by 2015, and to 10% to 12% by 2025. This will make this country the world's 3rd biggest aircraft producer. ■



#### JSC "United Aircraft-Building Corporation (UABC).

The corporation was established in line with the February 20, 2006 decree of RF President Vladimir Putin, and was incorporated in November of 2006 with the charter capital of RUR96.7 bln. The share of the state is 90.1%. Sergei Ivanov, RF first vice-premier, is the Chairman of the Board. The corporation was established to consolidate Russia's aircraft-building companies and increase their competitiveness on the global market.

At Stage One of its formation, the government transferred to the UABC charter capital its packages of Aerospace Holding "Sukhoi" (100%), company "Ilyushin" (86%), JSC "Tupolev" (90.8%), "Financial Leasing Company" (58%), JSC "Ilyushin Finans K" (38%), and the plants "Sokol", Nizhni Novgorod(38%), "Gagarin Aviation Association", Komsomolsk on Amur, (25.5%), "Chkalov Aviation Association", Novosibirsk (25.5%) and "Aviaexport Association" (15%). Private investors traded 32.8% of their shares in Corporation "Irkut" for 9.9% of the UABC equity.

At the second stage of the formation of the UABC share-holding companies "MiG" and "Kazanskoye Aviaproizvodstvennoye Predpriyatiye im. Gorbunova" with the state participation will be 100% UABC-owned.

# "SALYUT": A NEW DEVELOPMENT VECTOR



The above headline was also the theme of a news conference the management of the Federal State Unitary Company "Moscow Machine-Building Enterprise "Salyut" (MMBE), one of the leading Russian engine manufacturers, organised for journalists within the framework of aerospace salon MAKS-2007.

RF President Vladimir Putin signed a decree on the establishment on the base of the Moscow engine-building enterprises "Salyut", a new structure in the aviation field. The enterprise was amalgamated with the Omsk-based engine-building "Zavod im.Baranova" and four other stock companies.

What were the grounds for this? Why no other than "Salyut"? According to Yuri Eliseev, his company was better suited than other merger bidders in terms of its financial status, its cadres, and in other respects. The production programmes of the companies forming the new association are 90% dependent on "Salyut" orders. As for the integration process, it began in 2002-2003, long before the above-mentioned presidential decree. Added to the Moscow-based "Salyut" were the Voskresensk machine-building works "Salyut" (Moscow region), "Pribor" (the Transnistri Republic) and Design Bureau "Gorizont" (Moscow). In 2002 "Salyut" purchased the blocking package of the Kishinev-based JSC "Topaz" (Moldova), which at the time cost a mere \$960,000. At present only its production grounds are evaluated at \$30

mln. But that is not what counts the most. The point is that "Topaz" is a former USSR defence sector enterprise, whose first stage was commissioned in the late 1980s. There never was a second stage as the "perestroika" (restructuring) began. Thanks to its purchases of enterprises like "Topaz" and "Pribor", "Salyut" can solve quite a few political and economic as well as social and moral problems.

The Omsk-based Zavod Imeni Baranova, headed by Yuri Eliseev's deputy Andrei Shutov, is also a part of the new integrated structure. Efficient measures were taken to revive the works that once employed 28,000 people. By the time Andrei Shutov became its head, there were only 5,000 employees left. The works is now moving over to new horizons of its development.

By and large, during the discussion of prospects of the new integration structure it was noted that new constructions should be designed here, new technologies devised and pilot samples must be produced for the follow-up transfer of technologies to other peripheral works and plants to engage

**Y**uri Eliseev, "Salyut" general director and his colleagues spoke about the company's achievements and development perspectives, and primarily about integrated association of companies for the production of aircraft engines of the new, fifth generation the company has installed.





in their commercial production, in particular to Omsk. And the personnel of "Salyut" is already involved in that.

It is also of no little importance that Moscow is the only place on earth where there are the Moscow State University, the Bauman Higher Technological Institute, the Moscow Aviation Technological Institute, the Moscow Energy Institute and other mainstays of the Russian science. According to Yuri Eliseev, there is no other place in Russia to train specialists with a high basic educational level in any engineering specialisation, whose number at "Salyut" exceeds 100. The MSU trains mathematicians. The MATI trains technologists. And Eliseev believes, "Salyut" was fortunate enough to have been founded 95 years ago exactly in Moscow. This makes it possible to establish a head enterprise of gas-turbine engine building in this particular place, Moscow, as the presidential decree sets out.

More than that, the decision has been made to set up a technology park on the "Salyut" territory, and the work on the project undertaken jointly with LUKoil is already underway. The specific line of this industrial park can be tentatively defined as "Energetics of Gas-Turbine Engineering". Gas-turbine engineering and the gas-turbine engine itself, Eliseev thinks, are of the most serious strategic importance. They are important for the defence sector and for ensuring energy security of the country as well as for solving transport problems (including railways, automobile roads and waterways).

At present literally the entire high-technology world is involved in developing and updating gas-turbine engines. But the Russian engine producers find it hard to meet even one-fourth of the nation's total demand, with the total



capacity of all the enterprises in this segment catastrophically low.

The "Salyut" general director drew the attention of journalists at the "Salyut" stand to the updated AL-31F-M1 engine for the Sukhoi aeroplanes with the 13.5 ts thrust and a longer operation life that has passed the entire cycle of state tests and was added to the RF Airforce armoury. Other exhibits here included separate units of the engine of the third stage of modernisation, AI-31F-M3, the specifications of whose separate modules place it close to a fifth generation engine as well, as the latest perspective designs of the design bureau, the latest information and production technologies, a wide range of new generation engines for the railways, automobile industry, the power branch, transport of natural gas, etc.

Within the MAKS-2007 programme of demonstration flights of the state-of-the-art Yak-130 aircraft that is now added to the RF Airforce armoury, "Salyut" presented its engines AI-222-

25 currently going through the final stages of state testing. "Salyut" has completed creating technologies for the full cycle of assembly, testing and delivery of the AI-222-25 engines to the RF Defence Ministry and foreign customers. That means that it is ready to start commercial production of the AI-222-25 in Russia in line with the agreed-upon cooperation with Ukrainian colleagues at JSC "Motor Sich" and the state-run "Ivchenko-Progress." The Su-27SM aircraft equipped with the "Salyut" engine AL-31F-M1 was presented at the "Sukhoi" static parking, side by side with a Su-27 aircraft equipped with the balanced nozzle and the vectored thrust, designed by "Salyut" and the JSC "Klimov" at the static stand of the Gromov Test Flights Institute. In a nutshell, the Moscow-based machine-building production enterprise "Salyut" presented its projects of producing new generation gas-turbine engines that will begin to be installed on Russian aircraft in 2015. ■ R

Sergei Tivanov



# CORPORATION OF THE ECONOMY OF THE FUTURE

President Vladimir Putin tabled the bill "On the State Corporation for the Assistance in the Development, Production and Export of High-Tech Industrial Products "Rostekhnologii" at the State Duma. The corporation is to be set up for the purpose of rendering assistance to designers and manufacturers of high-tech industrial products, setting up a sales system for the realisation of these products and results of intellectual labour to attract investments into civil industries and the military industrial complex of the Russian Federation. **Sergei CHEMEZOV**, general director of the Federal State Unitary Enterprise (FSUE) "Rosoboroneksport", one of the originators of the new idea, answered questions of a "Parlamentskaya Gazeta" correspondent.



**W**hat in your view is the problem of the low pace of development of our industries?

First and foremost, it is inefficient operation of our producers. However, the recipe to overcome stagnation has been found. I mean the idea of setting up state corporations in the essential economic sectors.

Over the past 12 to 18 months quite a few such NGOs were established in the Russian Federation, based on their equity and financial contribution. They are set up to perform managerial, social, financial and economic as well as other functions. At present these include the Utilities Reform Fund, the Bank for Development (Vnesheconombank" and ARCO (the Agency for Restructuring of Credit Organisations", to name but a few. Another one is soon to be established on the basis of Rosatom, and a number

of other companies that will develop the network of automobile roads, and will even control provision of pharmaceuticals to the population. To date the federal government's expenses on state corporations amounted to about RUR800 bln, but in the near future they will exceed 1 trillion roubles. A brief reminder: the total state budget spending this year amounts to about 5.5 trillion roubles.

It is exactly these huge amounts that provoke opposition of sceptics, who argue that state corporations are "non-transparent" black holes gobbling up billions of roubles. The regulation in line with which equity the state corporations receive to include in their charter funds becomes their property also adds up to their anxiety.

**Can there really be something in what they are saying? Is it proved know-how or we just follow someone's footsteps? And if so, was it a path to success?**

Let's take a look back at Franklin Delano Roosevelt, the 32nd U.S. president who was elected in 1932 at the lowest ebb of Great Depression. Not later than 100 (!) days after his inauguration he had U.S. Congress pass the basic part of the bills he founded his New Course on. It led the country out of collapse in very short time. As for us, even 17 years was not enough to fully recuperate after the crisis. The situa-

tion in Russia in the 1990s was quite similar to that of the United States in the 1920s and 1930s. But Americans solved their problem faster than us and in a more efficient way, even though at the start of our reforms our potential was immeasurably higher.

The main leverage Roosevelt resorted to in overcoming the crisis was state interference into all spheres of the socio-economic life of his country. The state gained control of B2B relations, production and sales of products, reforms of the banking system, regulation of agriculture and even succeeded in restoring the purchasing power of the rank-and-file Americans. After Roosevelt's 6 years in power the economic situation in the United States improved dramatically, and the crisis was overcome.

No other than Roosevelt initiated establishment of state corporations in low-profit segments of economy as well as in the segments that needed huge investments with long pay-back periods. He was right to believe that only "an enterprise owned and run by the state" is capable of operating in important sectors of economy on the no-profit basis. At the same time, endowed with state authority the corporation remains "as flexible and proactive as a private company", acting efficiently, steadily avoiding red tape.



This organisational and legal form has won the world, encompassing the developed multi-billion economies and former colonies. State corporations turned into a tool to meet the financial requirements of many strategic branches of economy against the background of inability of the state to be an efficient investor and use investments wisely. Simultaneously, a state corporation is also a reliable harness for unrestrained market acts, the quest of super profits even to the detriment of strategic interests of whole nations.

#### **Why should such corporations be set up in the area of military and technical cooperation?**

At present, due to the outdated equipment the defence sector enterprises turn out hardware and military equipment of mainly the 3rd generation. To be competitive on the global market we need to manufacture the 4th or even the 5th generation equipment. However, the production base of the defence sector industries has changed but little from the 1980s, with 1.5% to 2% of annual equipment updating rates instead of the required minimum of 8% to 10%. Speaking of innovation technologies, in the 1960s and 1970s the U.S. defence sector was ahead of the USSR by 10% to 12%. Unfortunately, in the 1990s the gap continued to widen.

A way out of this situation is technological revamping, I would even say, what we need is systemic projects of technological revamping. Pin-point purchases of even state-of-the-art lathes and machinery will not change the situation the way it should be changed, failing to change the entire technological process. What we can get at the output (but not always) will be products with some sort of improvement whereas what we rather need is products that are qualitatively new! The next point is diversification of production. I mean acquisition of assets in the civil sector of economy. Previously that had to do largely with problematic and strategically significant enterprises. For example, Rosoboroneksport gained control of AvtoVAZ carmaker when in 2005 it was almost broke. Had things were allowed to go the way they always had, we would have efficiently lost domestic industry of light cars. Later ROE got under its control over 66% of the equi-

ty of VSMPO-Avisma, the biggest Russian producer of titanium. We fully realised that the time came to start exporting high-tech titanium components and parts rather than selling titanium bars. The ultimate goal of diversification we are carrying out is to have production and sales of present-day competitive products on both the inner and foreign markets.

Another problem is generation of advanced ideas and their uptake by producers. Until now we have been using results of discoveries and research of Soviet scientists of the 1970s — 1980s. We need to update our bank of innovation ideas and discoveries fast in the interests of industrial production. However, technological revamping, diversification and working out of know-how with the follow-up introduction in the production processes are expensive. Budget allocations alone would not be sufficient. Funding from both private and strategic investors is needed, and the use of own funds of enterprises in dire straits. Given that any one factory or plant cannot cope with that, a state corporation can efficiently solve this task.

The main argument of those opposing the notion of state corporations is they would eliminate competition between enterprises clustered together within the framework of a single state-controlled structure. I can counter that opinion by saying that there is in the Russian economy a number of branches — for example, aircraft engineering, ship-building, machine-building and some others, where clusters of intellectual, financial and production as well as human resources are badly wanted. Defence sector enterprises should first of all get back on their feet to compete with the world's

leading manufacturers rather than with one another and to market high-tech products. We need to use this potential wisely to consolidate our positions on the global market to be able to offer our highly competitive military and civil products. And, certainly, to saturate the domestic market with quality goods. This is the front-burner issue to be addressed without delay.

I think that in about 2 to 3 years we will feel tangible results of the new policies. Take aviation for one. Perspective plans for 2008 to 2012 have it that more than 430 Il-96s, TU-204s and 334s, Sukhoi SuperJets and An-148s are to be manufactured. These are concrete figures that speak of the strategic course of the United Aircraft-Building Corporation. Its strategic goal is an increase of Russia's share in the global production of civil aircraft to 5% by 2015 from the current 1%, and to 10% by 2025.

And finally, we need to take advantage of the global, and in particular, European expertise. The very strong national — rather than state — giants of the size of BAE Systems and EADS that have their own production lines, technologies and capital linked together; manufacture the most advanced military and civil products in demand all over the world. Their labour productivity is twenty times higher than ours.

#### **Is there any alternative to the creation of state corporations?**

At a glance, there is. But the problem is how efficiently enterprises of a different organisational and legal form can act in the area of foreign trade in the conditions of the present-day Russia.

#### **Sergei CHEMEZOV**

was born in 1952 in Cheremkhovo, the Irkutsk region. He is a graduate of the Irkutsk National Economy Institute. In 1983-1988 he acted as a representative of experimental industrial association Luch in the GDR. In 1999-2000 S. Chemezov was general director of Promeksport, and later — deputy general director of Rosoboroneksport (ROE) and since April 2004 he has been its general director. ROE is Russia's sole intermediary in the area of export of defence products, military hardware and equipment. S.Chemezov is a full member of the Academy of Military Sciences, Dr. Sc. (Economy) authoring more than 60 publications and monographs, chairman of the Trustee Committee of the RF Foundation for the Support and Development of Physical Culture and Sports; a winner of the Medal of Honour, the 4th Degree Distinguished Service Order, a number of government's medals and Orders of the Russian Orthodox Church. S.Chemezov was the winner of the "Person of the Year-2004" prize, and the winner of the Academy of Military Sciences Aleksandr Suvorov prize.



Take, for one, the institute of state-and-private partnership that quite frequently gets stuck. It can easily be accounted for: the periods of returns on investment are very long, and that is not the thing that can attract private investors. Here's just one example. 13 to 19 aircraft were planned to be built in the first year after the launch of the programme "Development of Russian Civil Aviation Equipment in 2002-2010 and up to 2015". Budget allocations were received in full, but the plans of getting non-budgetary funds involved were totally disrupted. In the end only 8 aircraft were made.

The federal state unitary enterprise (FSUE) as an organisational form of a company incorporation has also shown quite good results; ROE is such an enterprise.

But the current law considerably limits the rights of FSUEs rendering them dependent on bureaucrats in ministries and different agencies. For example, it is mandatory for us as a FSUE to obtain an approval for any transaction worth more than \$50,000 from the owner of the property, the state. Every year ROE concludes 1,200 to 1,300 contracts with customers abroad, and has quite a few deals, commission agreements, banker's guarantees, etc, with Russian companies. That's a total of 2,000 to 2,500 documents, so all told, our business is a very slow affair.

A stock company, as another form of business organisation, is infrequently not up to the mark either. Let's imagine for a minute that ROE has become a joint stock company. It would then lose its authority to act on behalf of the state the way it does now. At the same

time many countries almost never ask questions when it comes to the guarantees on the contracts we conclude. This year alone our guarantees amounted to \$1.5 bln.

And another problem may rise in such an eventuality. At present 44 representative offices ROE has abroad are registered as departments of Russia's trade missions or embassies. But in line with the Vienna convention neither an embassy nor a trade mission is entitled to host commercial companies under their roofs. Moreover, our foreign traded partners would also be wary of a stock company based on the assets of ROE, treating it as just another commercial company.

#### So what does ROE suggest?

Some time ago we began to realise that the model of running the defence sector with the help of FSUEs got outdated. We also realised that the boundaries of the state sector should not be too narrow at the stage of transition from the strictly regulated administrative economy to market mechanisms. It should be changed qualitatively. Setting up associations in the form of state corporations will allow us to mobilise our own funds and resources for the development of different activities without reliance on huge amounts of budget money. I think that issues of pricing will be solved easier within the framework of a state corporation, especially if long-term production cycles are used, as well as create attractive conditions for high-skilled managers. Without doubt, the government sets the rules of the game but the execution of what is planned (including the tactic and even strategic management of a whole industrial branch) should be entrusted to businesses.

In a longer-term perspective after production facilities are on-stream and networking has been completed, the state corporation will be ready to enter the IPO market, making a stride forward on the path of establishing economy of the future.

That is why we came up with an idea of establishing on the basis of the FSUE ROE the state corporation Rossiiskiy Tekhnologii (SC RT) comprising the state intermediary in the area of arms and military hardware sales, and its branches and affiliated companies,

including the JSCs Obyedinyonnaya Promyshlennaya Korporatsiya, Oboronprom, RusSpetzStal, Corporation VSMPO-Avisma, AvtoVAZ, and others. The status of a state corporation will enable it on the one hand to represent the interests of the state and on the other to act as a founder of stock societies, to purchase shares and hold packages of state shares in trust for it. It will thus be something in between a stock company and the federal state unitary enterprise.

We have come up with a legislative initiative and prepared the necessary document approved by the relevant ministries and agencies. We hope that the bill would pass all the readings under the current line-up of the State Duma and the corresponding procedure of the approval by the Federation Council, and finally, by president of the Russian Federation.

In line with the bill the FSUE ROE should be turned into a joint stock company. After that we plan to transfer 100% of its shares to the charter fund of the state corporation Rossiiskiy Tekhnologii. In turn that would be formed on the basis of the federal property, contributions of the organisations whose shares will be owned by Rossiiskiy Tekhnologii and other revenues.

By 2012 all the companies managed by ROE will hold IPOs. VSMPO-Avisma, AvtoVAZ and the helicopter holding Oboronprom can even hold them as early as 2009.

In conclusion I would like to mention that the creation of state corporations and state holdings is not a cure-all even for the defence sector. It is not the final but rather an intermediary organisational form that will in time be replaced by a new progressive structure that would meet the requirements of the day. As is known, this is the philosophy of development. ■





# ENTERING THE WORLD'S TRANSPORT SYSTEM AT 250 km/h



The JSC Russian Railways ("RZD") is one of the world's biggest railway companies as regards the volumes of haulage and the length of its tracks, along with other majors, the United States and China; it offers its customers a full range of services of a high-class railway company. That makes it unique. As a component of the integrated railway network with the 1520 mm gauge RZD is currently seeking to ensure deeper integration into the Eurasian transport system and servicing transcontinental traffic. **Vladimir YAKUNIN**, president of the JSC "Russian Railways" has told us about the company's plans for the near future.

It is a well-known fact that Russia's territory is crossed by transport corridors "West-East" and "North-South", most optimal from the economic point of view. The former has the support of the powerful infrastructure of TransSib, the world's longest mainline connecting Moscow to Vladivostok. Direct access to China on the one end and to Europe on the other makes this corridor the shortest present-day "continental bridge" between the EU and the countries of the Asian and Pacific region. To add to this the capacity of the TransKorean mainline, which after its pending re-commissioning can connect to the Trans-Siberian mainline.

The "North-South" corridor is rapidly becoming a link of the line between the Baltic states and the Persian Gulf and India. At present there is only one link missing, direct connection between Iran and Azerbaijan. RZD is currently working on a joint project with both countries to build a new railway line from Kazvin to Resht to Astara that will help solve this problem.

Another promising project is the Northern transport corridor "East-West" that will connect the Eastern shores of North America with Halifax, Norway, Finland, Russia, the Central

Asia and China. The project known as N.E.W. was designed by the IURW as far back as 2000.

I would like to mention that in 2007 we took a number of new steps aiming at consolidating our global market positions. For example, the protocol identifying basic projects within the framework of cooperation of the Commonwealth countries in the R&D area was signed at the 45th jubilee session of the CIS Council for Railway Transport attended by heads of railway agencies from Bulgaria, Latvia, Lithuania, Estonia and Finland.

We are also in agreement with Chinese Railways Ministry about cooperation in haulage of crude. It should be stressed

that the share of railing of crude amounted to 10% of the total volume of foreign trade cargo hauled in 2006.

Within the framework of a visit of the delegation of the Russian Railways to Pakistan, we discussed our participation in reconstruction and building railway lines in that country. We have also signed a bilateral Memorandum of Understanding with the Austrian Federal Railways within the framework of the project of extending the 1520 mm broad-gauge tracks from Slovakia's Kosice to Bratislava and Vienna. This will enable us to organise traffic from Russia to Western Europe via Ukraine and Slovakia. The estimated cost of the project is to \$1.2 billion.



RZD carries 1.3 billion passengers and 1.3 billion tonnes of cargo a year. The length of the tracks in operation amounts to 85.5 thousand kilometres, including 42.3 thousand kilometres of electrified lines.

The services RZD rendered to our customers abroad in 2006 were worth \$492.1 million, whereas our foreign partners earned \$409.6 million in the services they rendered us.

RZD has set up 97 affiliations and related entities. Some of the most significant include the construction and mortgage company Zheldoripokeka, the telecommunications company Kompania TransTeleKom and Elteza, a group of electrotechnical works. Companies Russkaya Troka, TransKonteiner and Torgoviy Dom RZD have established themselves as serious foreign trade partners on the markets abroad. RZD representation offices are opened in North Korea, China, Poland, the Czech Republic, Finland, Germany, Hungary and Estonia.

To single out the most important one out of quite a long list of recent events I would mention the 2nd international business forum "Strategic Partnership: 1520" that took place in late May of 2006, at which 600 delegates from more than 30 countries discussed ways of turning "the space 1520" into a dynamically developing haulage and logistics network.

In June of 2007 a statement was signed in Moscow on the setting up of the joint venture Eurasia Railway Logistics with the participation of railways of Russia, Germany, Poland and Belarus. The goal of the venture is to optimize the traffic via international corridor No.2 from Berlin to Warsaw, Minsk, Moscow and Nizhni Novgorod.

An agreement was also signed with Deutsche Ban AG on the setting up and management of a joint venture to be engaged in haulage and logistics.

One of the top priorities of the Russian Railways is organisation in Russia of high-speed railway lines with trains travelling at the speeds of 250 km/h to 300 km/h. We are planning to begin with Moscow-St.Petersburg, and St.Petersburg-Helsinki lines, taking on the projects of building Moscow-Nizhni Novgorod, Moscow-Sochi, Moscow-Samara and Moscow-Yekaterinburg lines. We also plan to establish high-speed traffic between cities with million or more population, Omsk and Novosibirsk, Novosibirsk and Krasnoyarsk.

What is important in this context is selecting a reliable strategic partner as well as finding principal technical and technological solutions. Our experts are in negotiations with manufacturers

of high-speed rolling stock in Germany, Italy, France and Japan.

In April of 2007 we signed an interim contract with Germany's Siemens AG on servicing of 8 Velaro Rus high-speed trains; the first one is to be delivered to Russia in December of 2009. And last July commercial production of high-speed electric multiple-unit trains began at one of the Siemens works in Kroefeld-Jurdingen. These trains will commute between Moscow and St.Petersburg at the speed of 250 km/h. The contract is worth more than EUR354 million, with Siemens to service the trains for the coming 30 years provided the run of each train is not in excess of 500,000 km a year.

In November of 2006 a share-holding agreement was signed in Helsinki in the presence of RF president Vladimir Putin and Finnish president Tarya Halonen by the JSC Oy Karelian Trains Ltd, which announced an international tender for purchases of

motorcar rolling stock. Results were announced last June. The first electric high-speed trains are to start commuting between St.Petersburg and Helsinki in Q4 of 2008. The travel time will be reduced to 3 to 3.5 hours from the current 5.5 hours so that 147 minutes would be saved only on the Russian lap of the route. By 2010 there will be 4 pairs of high-speed trains running the route at the speeds of up to 220 km/h.

We are also pinning great hopes on the implementation of the memorandum on 5-year plan of activities we signed last March with France's SNCF, which envisages bilateral cooperation in the area of organisation of high-speed and super-high speed moving traffic, including purchases of the rolling stock. We highly assess the agreement between Russian Railways and Italy's Finmeccanica on the implementation of the project of designing a regional high-speed train running at 160 km/h as well as working out the price proposal for the purchase of 50 electric multiple-unit trains. We have agreed to set up a working group for the coordination of technical specifications, designing and manufacturing of high-speed rolling stock for Russia.

Collaboration with our foreign partners will allow RZD to catch up with the trend of high-speed performance exhibited by other railway companies so that Russia could enter the elite "club" of the world's high-speed countries. ■

Prepared by Sergei Slutzkov  
JSC RZD Press Service





# KALUGA REGION: AREA OF DYNAMIC DEVELOPMENT

**Anatoli ARTAMONOV**, Governor, the Kaluga region.

The present-day economic and social situation in the Kaluga region is on the whole stable with positive trends predominant in the essential economy branches and social sphere.



**T**o a great degree investment processes determined the welfare of any RF region dynamic of its population growth over the last several years. We came to realize that a long time ago, and in the last several years we were gradually closing the gap between the moment we started creating favourable investment climate and the present-day pursuit of aggressive investment policies based on the presence of a favourable taxation regime, conditions of fair competition, low administrative barriers and the infrastructure required for the development of businesses.

A clearly comprehensible legal and favourable administrative environment have been established in the Kaluga region with an eye to enabling companies with long-term plans to run their businesses efficiently. The government supports the investment and innovation activities, granting them tax preferences and government guarantees.

The favourable business climate and sustainable economic development stimulated growth of investor interest. Foreign investment amounted to

\$127.1 mln in 2006, a five-fold growth over 2005. Our foreign trade turnover increased by 25%. The main goal of enhancing the region's investment attractiveness in the planned period is to boost investment activities in municipal formations of all levels. In this connection we paid especial attention to updating information about vacant industrial facilities and platforms, plots of land and real estate fit for the placement of different production facilities. We now have our web site, <http://www.inkaluga.ru>. From both the geopolitical and economic points of view the Kaluga region is a unique territory for the creation of multifunctional special economic zones of different lines of activity. Therefore the region has been aiming at the furnishing of investment platforms — industrial and science parks with the necessary engineering infrastructure for the placement of new production facilities, welcoming both domestic and foreign capital.

An especially significant investment project last year was the construction of a 700-hectare industrial park near the settlement of Vorsino, Borovsk district. This year the Swiss "Nestle" pet food plant began operating here, a symbolic foundation stone was laid into a Samsung Electronics LCD TV plant, and the Maxi Group will soon begin erecting an electrical smelting plant. A number of other production facilities will also be placed at Vorsino.

We have worked out the concept of installing a 136-hectare "Kaluga Yug" industrial park on the right bank of the Oka river with a modern central engineering and transportation infrastruc-

ture. The arrival to the region of automaker Volkswagen can be called the biggest 2006 investment project. Its plant is being built at the Grabtsevo industrial park. The volume of attracted investments is close to EUR426.4 mln. The emergence of new major enterprises in the Kaluga region has proved its reliability as a business partner in the implementation of significant large-scale projects. Due to the growing demand for workforce one of the priorities we are facing is making our region attractive for employees from other regions and CIS countries. The Kaluga region is one of the 10 pilot regions involved in the programme of assistance to repatriation of Russians living abroad.

Another priority of the short-term regional economic strategy is introduction of innovations. According to the national rating agency "Ekspert", our investment potential gives us the 2nd place on the list of regions of the Russian Federation boasting of the best prerequisites for innovation development.

The R&D resources of the Kaluga region include results of research of high technologies and activities of science-intensive production companies in the areas of nuclear power, energy-saving technologies, laser and fiber optic electronics, remote control apparatuses and devices, electronic instruments and pharmaceuticals, agriculture, etc. Basic elements of the innovation infrastructure are already in place. These include the Kaluga Central R&D Institute and leading R&D bureaus, higher education institutions, the regional Chamber of Commerce and Industry, business incubators, technology parks and the tech-



nology transfer network that ensures evaluation and selection of devised technologies and devices, rendering assistance to the establishment of small- and medium-sized high-tech businesses, as well as conducting patent studies and rendering legal assistance. We are now addressing the problem of forming a single system based on these separate elements.

In 2006 the Kaluga region was one of the winners of the competition for the installation and development of the infrastructure to support small science-related enterprises held by the RF Ministry of Economic Development and Trade. The victory made us eligible for the receipt of 70 million roubles from the federal budget for the support of small-sized innovation companies. We have completed work on the installing and registering the non-commercial organisation "Fund for the Promotion of Transformation of Venture Investments into Small-Sized Companies in the Science and Engineering Field based in the Kaluga region." The property the fund owns is made up of allocations from both the federal and regional budgets in equal shares of 70 million roubles, 140 million roubles in total. The fund will support interesting proactive projects devised by small companies in various areas, including microelectronics, telecommunications, nanotechnologies, medicine and biotechnologies, pharmaceuticals, IT and others.

Our most important and resource-intensive goal is perfecting and developing transfer of technologies to stimulate the spreading of expertise of territories with high innovation potential (Obninsk and Kaluga) to other districts of the Kaluga region, developing

human resources of the region's innovation infrastructure.

The target area for the installation and perfecting of these mechanisms is Russia's first science city, Obninsk, where an industrial park specialising in the field of biotechnologies, pharmaceuticals and new materials is to be created. Here we have a complete production circuit starting with R&D and clinical testing of different substances all the way down to commercial production of pharmaceuticals. Thanks to the creation of a new specialised biotechnology and pharmaceuticals complex, new modern production facilities will be built.

Investments and innovations area regarded key points of the region's growth. The basis of the region's dynamic development is the major industrial complex that was built over many decades that currently turns out more than 30% of the gross regional product.

A great emphasis is also laid down on the development of machine-building and metal-cutting industries, as well as the paper and pulp, construction materials and food industries.

In the past six years the output of industrial production increased by more than 80%. A sustained economic growth is registered in the industrial complex this year, too. The present-day industrial production index is 14% higher than in the corresponding period of 2006. It is also higher than the average for the Russian Federation. Railway machine-building enterprises, including the JSCs "Kaluzhskiy Zavod Remputmash" "Kalugaputmash" and "Kaluzhskiy Zavod Transportnogo Mashinostroyeniya" are steady leaders in the regional ratings of volumes of industrial production.

The region has a significant potential for the provision of service infrastructure of national railways transport. The leader in this area is "Kaluzhskiy Zavod Remputmash" plant. Its contribution to the regional economy is significant. The plant is responsible for 3.8% of the region's total industrial production. The plant's management pays great attention to upgrading skills of its employees. Every year students of technical schools and higher education institu-

tions based in Kaluga and other regions are trained here.

With the support of the regional government this plant concluded cooperation agreements with "Cummins Power Generation Ltd (Britain), Plasser und Teurer Export von Bahnbaumaschinen GmbH (Austria) and Simpex Hydraulic GmbH (Germany).

In 1995 the management of "Kaluzhskiy Zavod Remputmash" initiated and organised the first International Exhibition "Road-Building Machines" that has now grown into a major annual international salon showing new types of products and present-day technologies in railways machine-building, being a venue for the discussion of directions of this branch's development and prospects.

One of the biggest region's enterprises, a leader in the manufacturing of power industry equipment is "Kaluzhskiy Turbinnyy Zavod." It is a unique enterprise with a multi-function production structure and a design bureau boasting of the best Russian specialists in turbine building, and its group of researchers. Its 60 years of rich expertise have enabled KTZ to design and manufacture thousands of pieces of power-production equipment used most efficiently in different parts of the world.

Manufacturers of metal construction structures and equipment JSCs Agrisovgaz, Zavod Metallicheskih Konstruktsiy "Ventall" are also on the rise.

Our region is the Central Federal District's leader in the production of paper. The biggest manufacturer is JSC Troitskaya Bumazhnaya Fabrika, turning out parchment paper for the packaging of fat-containing foodstuffs and pharmaceuticals. The Kaluga region owes its status of the biggest producer of safety matches to the Plitspichprom company.

To our satisfaction this list of economically active enterprises can be continued. Economic development is the basis for achieving the top priority goal of the region's socio-economic development, raising the living standards of population.



The region has worked out and adopted at the level of legislature the Programme of Raising Living standards of the region's population. Its objective is to form the organizational and administrative mechanism to ensure attaining the population's worthy living conditions and their continuous long-term growth. The social policies we pursue are directed at ensuring equal access of wide segments of population to basic components of social welfare: health services, education, social insurance and so on, based on the efficient use of budget allocations. Especial attention is paid to the support of mothers and children, providing extra help to pregnant women and women with children under 3 years of age. The Kaluga region is a leader in the development of the institute of adoptive families.

Further transformation in the social area will be directed, on the one hand at conducting target state support of socially unprotected population groups, protecting homeless children, orphans and disadvantaged families, and on the other — at creating economic conditions for able-bodied population to earn better life quality. The region's government adopted the plan of development of the agro-industrial complex (AIC) and implementation of the priority national project Development of the AIC for 2006-2007 that sets out the short-term policy of development of the complex. Its priority directions include accelerated development of cattle breeding, development and support of small-size farms and engaging young people in the activities in the rural areas by way of implementation of the programme of procurable housing.

Housing remains one of the most acute social problems for many residents of the region. Much work is being done to develop mortgage crediting. According to data of the Agency for mortgage crediting in terms of amounts of mortgage credits the Kaluga region has for two years been the leader in the Central Federal District.

Within the framework of implementation of the priority national project "Procurable Comfortable Homes for RF Citizens" our region won the competition for the selection of RF regions eligible to participate in the federal

target programme "Home" for 2002-2010. In 2006 the regional target programme "Procurable Housing in the Kaluga Region" was worked out and approved. The programme aims at the practical implementation of the same-name national project in the Kaluga region. Concrete steps of implementation of the planned developments will primarily be made with an eye to stimulating housing construction, especially low-rise housing. Budget funds are spent on the formation and engineering preparation of plots of land to be distributed among individual construction firms. Creation of communal infrastructure for the plots of land selected for the development of multi-storey buildings in Kaluga will be funded from the federal budget. Similar projects are in progress in the towns of Obninsk and Kirov.

One of the most complicated problems is procurement of housing to young families. We have decided to run a large-scale experiment for the construction of low-rise housing construction. In Kaluga, 200 houses for young families complete with the necessary infrastructure are to be built in 2007.

2007 is to become the year of active creation of industrial points of growth in the Kaluga region. We will work on the consolidation of the region's posi-

tions on Russia's investment map, obtaining financial independence and thus becoming capable of really increasing welfare of the region's residents. This year we plan to increase the influx of budget revenues by 50%. The task is not easy, but we must cope with it to achieve the goals we have set for ourselves. The 2007 budget underlines the need to create conditions for efficient management of federal and regional finances based on the principle of result-oriented funding. This will require optimisation of the network of budget-funded enterprises, as well as rational and efficient use of budget money.

18 months ago we set ourselves the objective of reaching the level of a nodonation region; we are coping with it successfully. Now the time has come to set a more complicated task, namely halting the population decline. Russia's strength is more than just its natural wealth. First and foremost, our wealth is our people. This country cannot grow to become a global power again in the conditions of the annual population decrease. The only way out is to do everything for the people, so that they would not search happiness in a foreign land, living and working in native surroundings, rearing children and enjoying the company of their grandchildren. This is what we should concentrate on. ■



# FORMATION OF THE NATIONAL TRANSPORT SYSTEM: PERSPECTIVE GOAL OF RUSSIAN PRODUCERS

**Vladimir TARABRIN** Chairman of the Board of TVEMA Group, Dr. Sc (Technology). Development of any company is impossible without innovation strategy based on the latest advances of scientific and engineering progress. The TVEMA Group does all it can to use principally new breakthrough technologies and engineering solutions as well as innovative theory developments at the stage of devising, design and manufacturing.



**U**se of advanced, economically efficient transport technologies facilitate development of present-day means of diagnostics of railways tracks and their elements with an eye at ensuring greater travel safety.

Global experience shows that this largely depends on the state policies targeted at:

- establishment of favourable conditions for investments;
- protection of the domestic market;
- raising the competitiveness of domestic products;
- installing prerequisites for the promotion of products on foreign markets.

At present there are virtually no manufacturers in Russia of a whole range of spare parts, without which production of advanced world standard diagnostics equipment is impossible. Commercial production of measurement, control and diagnostics systems to be employed as a uniform mechanism in the system of control of railway traffic is also absent.

Development of joint investment programmes involving manufacturers of diagnostic equipment and transport machine-building enterprises, as well as federal bodies of the executive within the framework of the partnership of the state and private business can help solve this problem. At present the chief users of the means of diagnostics usually conclude short-term agreements (up to 12 months) for the supply of transport machine-building products. This approach does not allow coming up with efficient working schedules with an eye to manufacturing new perspective models. Given the absence of long-term agreements the system of products price formation needs to be optimised. At present the pricing mechanism is tuned to its minimization. As a result, the profitability of the product cannot get higher than 5% to 7%. The mechanism of price adjustment owing to the fluctuations of prices of raw materials and spare parts is also absent. We at TVEMA believe that while making a transfer to concluding

long-term agreements it would be expedient to base calculations on costs of ready-made product's "operational lifetime" rather than its selling price. Thus the maintenance of the manufactured product would be raised to a new level. It should also be noted that many companies and organisations currently tend to work out their development strategies independently, however the adoption of a uniform state strategy would enable them to use their R&D, engineering and financial potential in the future in full.

We think that with preparations for the implementation of large-scale state projects directed at the development of the railway transport the time is opportune to analyse the situation and decide on establishing conditions for the extension of participation of Russian companies in the implementation of investment projects in the area of creation of perspective high-speed means of diagnostics for their comprehensive usage on railway mainlines.

Correct organisation of manufacture of advanced means of railway track diagnostics, including all units and spare parts, fully meets the interests of national security. This will enable the Russian transport infrastructure to avoid any dependence on foreign suppliers in the long-term perspective. The provision of



basic diagnostics instruments for such an important strategic area as Russian railways should in most cases be done only by Russian suppliers.

In light of the development of the concept of putting joint investment programmes into practice for the production of automated equipment to diagnose the state of the railway infrastructure, in the past several years TVEMA specialists began introducing principally new advanced complex mobile devices of transport infrastructure diagnostics.

One example is the project "INTEGRAL" in which we are involved in together with stock company RZD. It is a high-speed diagnostics complex of infrastructure controlling elements that solves the acute problem of increasing the speed and reliability of RZD passenger and cargo traffic. The use of a multitude of gauging and measurement subsystems on this diagnostics train gives us serious advantages in carrying out planned checking of the condition of infrastructure elements:

- reduction of dead time for the measurements using specialised mobile equipment and optimisation of the train traffic schedules;
- decrease of diagnostics labour costs;
- decrease of the number of mobile traction units carrying diagnostics equipment;
- increase of reliability of the analysis of defect development dynamics on the basis of the integrated data monitoring;
- simplification of analysis results feeding to facilitate defect-correction procedures with the help of the automated task setting subsystem AS-TS;
- maintaining a single archive of data received from different subsystems;
- optimisation of schedules of current

maintenance and repairs of the infrastructure elements.

The INTEGRAL diagnostics complex comprises the systems performing the following:

- measurement of track geometrics;
- checking rail condition;
- detecting rail defects;
- checking the overhead system;
- visual inspection of line superstructure elements;
- geo radar measurements;
- measurements of obstruction clearances;
- instrument positioning;
- monitoring automatic devices, remote control systems and radio communication equipment.

The complex ensures simultaneous synchronous monitoring of more than 100 basic parameters and indices of condition of the track and the overhead structures, railway automated devices and train radio communication in travel at both the high speed (up to 120km/h) and at low working speeds.

All the components of the diagnostics complex are integrated in a single high-speed on-board control and computing centre that receives and processes measurements data and video images in an online mode. The results of measurements are used to identify the indices of the infrastructure condition for each system component.

In updated versions of "Integral" the company uses more and more often new resource-saving technologies that help efficiently save financial and human resources. Another step in this direction is the new passenger-technological railway inspection train bus "VOSTOK" that

develops present-day trends of technological aesthetics. The bus can run at speeds up to 130km/h. The vehicle will be manufactured in several modifications with two driver cabs each. All the modifications envisage a WC and a shower compartment. To maintain the optimal temperature regime the bus will have heaters and roof air-conditioners in all its compartments. The buses have three two-bed compartments. The capacity of the power unit is enough to haul an additional platform with tools and equipment for track repairs.

In Version One the train bus is equipped with track checking and rail spotter equipment. It has the control room and a recreation compartment with a canteen. In Version Two the latter is replaced by a passenger salon seating 15 people to carry 1 or 2 teams to sites of track work. Additionally, a manual tools box is installed underneath the bus body. Version Three (without track checking and rail spotter equipment) has 53 open-air passenger seats instead of the sleeping and recreation compartments and the control room. The body of the bus can withstand the effects of climatic factors (humidity and temperature) making it fully operational within the temperature range of -50°C to +45°C and 98% relative humidity.

The presented systems are the latest in a wide range of the TVEMA group production list. The company turns out its products to ensure quality solution of problems of greater reliability, operation speeds and economic efficiency.

The rich experience the TVEMA personnel have accumulated over the 15 years of its existence shows that continuing work in contact with specialists and management of RZD and other organisations produces positive results. ■ R





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# **SOCIETY & THE WORLD**



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# 2007: THE YEAR OF RUSSIAN

The history of the Russian Centre of International Scientific and Cultural Cooperation (RosZarubezhCentre) is more than 80 years long. At present it exists as a state-run department of the RF Foreign Ministry with representation offices in 67 countries. Its activities consist mainly of provision of cultural and information materials, promotion of Russian culture worldwide and maintenance of contacts with Russians abroad. 2007 is a special year for the RZC: in January 2007 President Vladimir Putin signed a decree announcing it the international Year of Russian. **Eleonora MITROFANOVA**, RZC head, has this to tell about the significance of events on its programme.



**T**o begin with, our Centre has always paid great attention to the promotion of Russian. As a matter of fact our representation offices abroad form a unique system of support of the Russian language studies. More than 8,000 people a year attend classes of Russian at the RZC offices abroad. The innovation of the past several years was we began holding examination tests that give successful students special state-authorized certificates to confirm their degree of command of Russian. The staff of our offices abroad assist in recruiting foreigners willing to study at Russian institutes of higher education and maintain contacts with their graduates, whose number is more than 500,000 worldwide.

Incidentally some of them were in Moscow in early October attending the 2nd Global Forum of graduates of Soviet and Russian colleges, institutes and universities.

And speaking about the Year of Russian in particular, its programme began in January at the 25th international linguistic exhibition "Expolang-2007" held in Paris under the patronage of the consort of the Russian president Lyudmila Putina and her French counterpart, Bernadette Chirac, the consort of the former French president.

On the whole more than 890 events in 76 countries are planned to be organised this year. They include Days and Weeks of Russian, festivals of the Russian literature and language arts, Russian holidays, forums of students of Russian, academic conferences and workshops, crash courses for foreign teachers of Russian, master classes of leading Russian specialists, Olympiads of Russian language, literature, history and culture, a number of interactive events on the Internet and telecommunication networks and many-many other events.

What are the goals we are trying to achieve? Undoubtedly, to ensure complex promotion of Russian, drawing attention to it as a language of business and cultural communication.

Last May the Governmental commission for our fellow countrymen living abroad held a conference on the status

of Russian in different countries. 43 politicians and heads of different organisations catering for Russians abroad, associations of teachers of Russian, cultural and educational organisations of Russians abroad, university lecturers and schoolteachers, and of course linguists from 20 countries gathered in Moscow. Sergei Lavrov, RF Foreign Minister, greeted them at the opening ceremony. We were happy to welcome such important guests in our country. The conference agenda included issues of updating the skills of teachers of Russian abroad, provision of up-to-date literature, exchange of experience accumulated by different educational institutions as well as information and methodical support rendered to schools and higher education institutions where Russian is taught.

At a glance, everything may look fine: Russian is used by many people and is quite popular. But not everything is fine. We are now facing anti-Russian sentiment and ousting of Russian from the curricula of educational institutions in the former Soviet republics, a decrease of the number of Russian schools and as a result, the decrease of the numbers of Russian-speakers, especially among the younger generation. According to statistics, on average

Russian, one of the most important languages of the world is the mother tongue of 238 million people.



60% of the Lithuanian population have this or that degree of command of Russian, but the figure is only 17% in the group of children and teenagers up to 15 years of age. The number of Russian speakers among the population of Kirghizia halved during the years of the republic's independence. De-Russification is going on at a rather high pace in Turkmenia, Uzbekistan, Moldova and western Ukraine. That is why we are trying to involve in studying Russian as many young people as we can, making them realise that Russian is a means of nation-to-nation communication and a business tool. That is exactly why RosZarubezhCentre intends to present within the framework of the Year of Russian the widest possible range of Russia's achievements in the humanitarian, cultural and educational spheres, as well as in science and technology, and of course, in our economy.

The crowning event of the programme of the Year of Russian abroad will be Russia's participation in the 20th international exhibition of languages and culture "Expolingua" in Berlin, where our national language will be given the status of a guest of honour. The exhibition was slated for November 16-18, 2007, and the chief slogan of the Russian display will be "Russian: A Key to Better Understanding and Business Partnership." Specialists from about 20 higher education institutions, education centres and publishers The Russian delegation included specialists.

We sincerely hope that we are doing something that will help promote and develop Russian culture abroad, contributing to the building of a positive image of the great Russia, whose cultural policies are based on lofty moral principles and traditions. ■

**Eleonora MITROFANOVA.**

A graduate of the Moscow State Institute of International Relations under the USSR Foreign Ministry, she began her career as a post-graduate student rising to the position of the senior scientific counsellor of the State R&D Institute of Marine Transport "Soyuzmorniiprojekt" In 1990-1993 she was general director of the consultancy "Ekoles", and in 1993 she was elected a deputy of the RF State Duma. In 1995-1999 she acted as an auditor of the RF Audit Chamber; currently she is at diplomatic service. In 2001-2003 E.Mitrofanova was UNESCO deputy director for education, science and culture. In 2003-2004 she was first deputy Foreign Minister of the Russian Federation and sat at the collegium of the RF Foreign Ministry. Since August of 2004 she has been head of the Russian Centre for the international scientific and cultural cooperation under the RF Foreign Ministry. Dr. of Economics E.Mitrofanova has good command of English and Spanish, and has been awarded with the Order of Peoples' Friendship. She is married and has four children.



At present, RosZarubezhCentre manages the only state-run system of Russian training courses abroad. The courses are available at 46 centres in 39 countries. On average, more than 8,000 foreign citizens are annually trained at the courses.



**Russian Speakers Around the World**

| Countries                             | Number of Russian speakers |
|---------------------------------------|----------------------------|
| Asia                                  | 4,076,680                  |
| Western Europe                        | 7,952,100                  |
| Eastern Europe                        | 19,060,000                 |
| Middle East and Northern Africa       | 1,449,150                  |
| Africa                                | 121,120                    |
| Latin America                         | 1,155,175                  |
| North America, Australia, New Zealand | 596,000                    |

**Regional Ratio of the Number of Course Attendees,%**

|         |    |
|---------|----|
| Europe  | 56 |
| Asia    | 24 |
| Africa  | 16 |
| America | 4  |

# WE WILL DIGITIZE MATTER ITSELF...



Science has become one of the top priorities in the development of society, without which there can be no future for a state claiming to take leading positions. RF Minister of Education and Science **Andrei FURSENKO** had this to say to our correspondent Sergei Leskov about its significance in the present-day society.

**A**ndrei Aleksandrovich, as they say the main thing about science is its quality. Has Russian science grown stronger after the 1990s crisis?

The situation is getting better all the time. We now have new quality results, even though they are still not of "superior significance." The material and technological base is improving, and as a result young researchers are no longer willing to go abroad, having been given the hope that here in Russia they can become real researchers. By the way, young researchers are now speaking more often about their work environment and prospects of career growth rather than wages. The general atmosphere of stability cannot fail to tell on the

academia. For quite some time I haven't heard them moan about the dying science. For example, a short while ago Robert Aimar, general director of the European Centre for Nuclear Research told me that in the past several years Russia has become the most stable supplier of high-tech equipment for the Big Hadronic Collider (atom-smasher — E.Nik.) And my German colleagues, a number of European ministers and I have agreed to launch a new large-scale research project, in which Russia will have one of the key positions, devising a gigantic X-ray laser using unbound electrons in Hamburg.

**Quite a few researchers think that the state should be more generous about funding sciences rather than trying to manage academic life. What is your idea of the interaction of the state and academia?**

Two principal aspects are important in the area of management of scientific activities. First, the scientific environment should be preserved and developed. Should the number of researchers decrease to a level that will be lower than a certain critical mass, at which self-reproduction of scientific circles, and moreover, its extension, is viable academia can be broken down to pieces. The government should not dictate its priorities; it should oversee the observance of the previously set rules. And indicators that characterize the quality of research are not provided by the state; researchers have to formulate them themselves; still they

must exist and be monitored. Second, requirements and needs of the state and society should on the whole coincide. The state formulates the order and researchers fulfil it. Even as they work on the pre-set theme, some brilliant parallel ideas can emerge, the way it happened with the Internet that grew up from the foundations laid down by the U.S. Strategic Defense Initiative.

**What does society expect from science at present? What can science offer to tax-payers who are not in the know of all the complex issues?**

All told, everyone is interested in improving the quality of life, which is linked with the problem of security, public health system, housing, medicines, construction materials, clothes, etc. Besides, we should develop fundamental research as a base for different applications the present-day economy needs. I could mention quite a few successful breakthroughs of global significance Russian researchers have had along these lines. But there is not enough money to go round. I think that the obstacle to the development of science and its efficient funding is the fact that researchers themselves fail to come up with a list of prospective research directions. Academia is unable (or unwilling) to tackle on the problem of working out uniform opinion on priorities in funding research projects. And this is extremely important.

**Several years ago you were one of the people who began working out state**





programmes of innovation projects development. Experience of developed countries indicates that innovations are the most efficient mechanism of the building of the most precious economics of knowledge and GDP growth. What is the current situation in this strategic field?

The most important thing is the attitude to innovations of our society. 5 years ago there was much opposition to this idea even on the part of most "advanced" ministers. We were told then that the state support of innovations was something of "the devilish temptation", and the market would put everything in its place. At present everyone is sure that the state should buy into infrastructure to create conditions for venture activities. Many innovation projects that happened to be supported by the state 5 years ago are now earning 5 roubles per each invested rouble annually, as was expected. Quality goods are now produced in Russia, for example foodstuffs, pharmaceuticals and high tech equipment.

**No matter what we blame the Soviet period for there were quite a few major research projects that helped consolidate this country's international profile. They also helped form the ideology of society and inspired the younger generation. Is the present-day Russia's science capable of offering equally weighty projects to the society?**

I think that nanotechnologies can be exactly the kind of project you are talking of. The scope of this initiative is really unique, being primarily tar-

▼ **Andrei FURSENKO**

was born in Leningrad in 1949. A graduate of the State Zhdanov University, working a junior researcher, head of a laboratory, deputy director for research at the Ioffe Physics and Technology Insititute under the USSR Academy of Sciences. In 1991 he became vice-president of the Centre for Prospective Technologies and Design in st.Petersburg. In 1994 to 2001 Andrei Fursenko was general director of the Regional Fund for the Scientific and Technological Development of St.Petersburg. In 2000 he was appointed chairman of the Council of the Fund "North-Western Centre for Strategic Development, in 2001-2002 he was first deputy minister of Industry, Science and Technology of the Russian Federation. Since March 2004 Andrei Fursenko, Dr.Sc (Physics and Math.) has been RF Minister of Education and Science.

geted at civil production. Nanotechnologies is not a name of some new type of products, as some people tend to think. We are now entering the era of the global "Lego" meccano. Nanotechnologies make it possible to manipulate particles the size of atoms, using them as Lego elements to create a principally new world. The main thing here is ability to build. The final product will be the designer's task, as building skills are priceless. Nanotechnologies will revolutionize the world the way IT did. First, the human mind has digitised information thus bringing about the arrival of computers and the new quality communications. And now we will use nanotechnologies to "digitise" matter itself. All that is material will be totally digitized, and the analogue world will become outdated. Researchers in the field of nanotechnologies will finally forget about narrow specialisation, becoming nature philosophers of the days of Isaac Newton, when different scientific disciplines were integral rather than being separate. ■

By Sergey Leskov



#### RUSSIA OKAYS NANOTECHNOLOGIES DEVELOPMENT

The setting up of "Rosnanotech" and the official approval by the RF government of the federal target programme of development of the Infrastructure of the Nanoindustry in the Russian Federation in 2008-2010" are a promise of a new status, more money and bigger expectations. The programme aims at creating advanced infrastructure of the nation-wide nanotechnological network with an eye to implementing and developing the potential of nanotechnologies in Russia. More than \$11 bln will be allocated to fund the programme, including more than \$1 bln of private investments. The logic the project designers follow is the federal programme should prepare industries for the introduction of nanotechnologies. A special body to coordinate this work, the RF Government Council for the Development of Nanoindustries will be created to operate side by side with the state corporation "Rosnanotech." The priority directions of development include creation of dual-purpose nanomaterials, technologies for nanoelectronic and nanophotonics, carbon nanomaterials as well as nanotechnology-based medical preparations. Establishment of a uniform system of management of the Russian nanoindustry is also planned.

Stage One of the fulfilment of the programme will see the establishment of a system for information exchange and methodical support of regulatory mechanisms of the development of nanotechnologies. Ten research and education centres will be set up in a number of higher education institutions. The final goal is to come out on the market with a commercial product, but the start is getting down to the business of standardization and metrology. Particulars of the final commercial nanoindustry products will be determined by the state programme of nanoindustry development up to 2015. The government will look at it not earlier than in the first quarter of 2008. The Russian nanotechnology corporation is to be an investment and foreign trade operator with the task of implementation of nanotechnology projects in Russia and abroad, including projects with participation of foreign capital.

# GEO-DEMOGRAPHY AND GEO-ECONOMICS IN THE 21<sup>ST</sup> CENTURY

**Sergei NEBRENCHIN**, Dr.Sc (History), professor.

Extreme overloads of the Earth civilisation's habitat are registered at present against the background of the world's dramatic geo-demographic changes. In the past 100 years the population of our planet has grown almost 5-fold. Experts say that by mid-21st century it will grow to 9 billion from the current 6.6 billion people. Africa, Asia, the Central and South America, Australia and the Pacific Rim countries will have the highest pace of growth.



**T**he most populated countries by mid-21st century will be India with 1.529 bln people, China, 1.478 bln, the USA and Pakistan — 349 mln each, Indonesia — 312 mln, Nigeria and Brazil — 244 mln each, Bangladesh — 213 mln, Ethiopia — 170 mln, Mexico — 147 mln, the Philippines — 131 mln, and Vietnam — 127 mln people. Russia, Egypt, Iran, Japan and Turkey will be have about 100 million population each.

The biggest number of major ethnoses will be found along the "Afro-Asian arch" of instability. Each one out of five people in the world will live in Asia and northern Africa. It is here where currently there is the geo-demographic tension capable of gravely affecting the geopolitical situation and the global balance of forces.

Evidently, the current representatives of the Hindu, Confucian, Muslim, African and Latin American civilisations will in future have global predom-

inance. In this respect the catastrophic fall of the size of the white race that has played the most important role in the historical genesis of the global civilisation, causes serious concern. According to forecasts, this century will see the continuation of processes of ageing and decrease of the sizes of the "Old World" peoples; thus the demographic crisis in Eastern Europe could hardly be overcome. The share of Europeans in the total number of the global population will decrease to 7% from the current 12%. A moderate growth of U.S. population will be due to the high birth rates of Afro- and Latin Americans, immigrants from China, India, Muslim and other countries. The grave demographic situation will persist in Belarus, Russia and Ukraine, where the annual decrease of the number of Slav population is catastrophic.

Further growth of the number of population is a grave danger to the destinies of mankind. Based on research, the total Earth population in the 21st cen-

tury will not exceed 10 to 12 billion people. The living space per an average statistical head based on natural and cultural- hygienic requirements should not be less than 1.25 hectares. The aftermath of the increase of the number of the world population viewed against the background of unfavourable geological forecasts and further deterioration of the habitat can be catastrophic.

The rapid growth of urban population is becoming a grave geo-demographic problem. In mid-2007 the total number of urban residents, close to 3.3 billion people, has become equal to the number of the residents of the world's village. The change of the ratio of urban to rural population directly affects the character and contents of global geopolitical, economic, social, cultural and other processes.

Further development of the world will to a greater degree be determined by the growth, and new numbers of active geopolitical and geo-economic subjects of international relations. Added to the traditional centres of force represented by the United States, West European countries, Japan and Russia, will be China, India, Brazil and Iran, with Malaysia, Indonesia, Bangladesh and Mexico as runners-ups. All of them have a significant demographic potential. The GDPs of the developing countries will in short term exceed that of the developed nations in terms of buying power parity, resulting in a new wind of competition for resources and markets.



Experts forecast that the main contribution to the maintenance of high dynamics of world economy will be made by the new globalization leaders — China (annual increment of the GDP equal to 7.7%) and India (6.6%). According to their share of the global GDP, by 2020 the global leaders will include China (23%), the USA (18%), India (8.4%), Japan (4.6%), Russia (3.2%), Germany (2.9%) and Brazil (2.4%). The new centres of global force will be the leaders of innovation. In 2020 China will be responsible for 20% of the global R&D, with the whole of Asia's share of 45% , and 28% for the United States.

China's achievements in the present-day world, in which it is becoming the biggest world market and the principal U.S. creditor, result in the actual breakdown of the former economic system. According to experts, by 2025 65% of the world's industry will be based in China, Taiwan, Japan and Vietnam. This is a convincing proof of the fact that the historic epoch of Western global predominance is nearing its end.

The growth of the world population and acceleration of the processes of urbanisation in the "third world" countries, the breakup of traditional lifestyles and mass migration of the world's population are going on hand in hand with the dramatic increase of the anthropogenous pressure on the mankind's habitat in general and on the planet's natural resources in particular. In the period up to 2020 the total global consumption of primary energy resources will grow by about 30%. The developing nations will be responsible for two-thirds of this increment.

According to experts, we can expect that energy resources and food will become principal items in short supply, simultaneously turning into the strategic resource of mankind's survival in the short- to-medium term perspective. This process is already on the rise. The volume of quality foodstuffs is decreasing while prices for all foodstuffs are growing fast. All around the world the share of genetically modified products is on the increase, and the situation on the global fuel and energy market aggravates.

The biosphere is more and more actively responding to the rapid

growth of population and the aftermath of "global progress". The World Health Organisation says that the pace of increase of the incidence of dangerous diseases including AIDS and "bird flu" is more than 10 times higher than the rates of population growth. Experts think that the incidence rates and the scope of global diseases can result in a dramatic reduction of the planet population.

The growing geo-demographic misbalance is further aggravated by the deepening of the global social differentiation. According to experts of the UN World Institute for Development Economics Research, half of the world's wealth (taking into account property and financial assets of the world's population) is owned by 2% of the world's population. The share of the poor who make up the demographic majority of the planet population living mostly in Asia, Africa and Latin America, is but 1% of the global welfare. Almost 90% of the world's wealth is concentrated in North America, Europe and the fast-growing Asian and Pacific Rim countries, including Japan and Australia. There are now 500 dollar billionaires in the world at present. At the same time the USA and Canada with their share of 34% of global money and assets are home to only 6% of the world's adult population, whereas a single person of the rest of the Earth population on average owns about \$ 2,200.

According to the UN World Institute for Development Economics Research, there exist vast social disproportions in the world both between different civilisations, sub-civilisations and states, and within the borders of any one state. In particular, 10% of the rich in the United States control 70% of that country's wealth, 61% of the national wealth in France is owned by that country's elite, 56% in Great Britain, 44% in Germany, etc. At present, average revenues of the richest Russians are almost 50 times higher than those of the poor.

The process of social stratification in the present-day world has reached monstrous dimensions. The outrageous social injustice in the world threatens with hard-hitting revolutions and other social upheavals. The situation is further aggravated by social polarisation that is growing against the background of ethno-religious separation of different nations and countries and deterioration of inter-civilisation contradictions in the world, the growth of the number of conflicts and wars for control of territories and natural resources. Especially dangerous is the emergence and development of the present-day demographic misbalance in the context of a rapid degradation of the current system of international legal relations. This situation is fraught with the danger of further aggravation of the global geopolitical opposition. ■



# MAGIC RUSSIAN WINTER

Glance of the Moscow photographer **Aleksandr STRELINIKOV**





# CHRONICLE OF INTERNATIONAL ACTIVITIES OF THE CHAMBER OF COMMERCE AND INDUSTRY OF THE RUSSIAN FEDERATION



**October 4, 2007.** RF CCI president Evgeni Primakov met with the management of the chambers of commerce and industry of Moscow, Berlin, Paris and Beijing.

He pointed out that international trade and investment cooperation was dynamic, growing faster than planned, thus stipulating intensified business exchanges. This creates the favourable environment for the partnership in the C5 format (including chambers of the five capital cities — Moscow, Berlin, London, Paris and Beijing). Pooling the efforts of the 5 chambers is a positive phenomenon, so the RF CCI supports C5 initiatives and is prepared to render assistance in their implementation.



**October 5, 2007.** A meeting with the delegation of the Korea Importers Association (KOIMA) led by its vice-president Ms. Soon Han Kwon took place at the RF CCI. The KOIMA delegation included people from about 40 companies operating in the areas of petrochemicals, chemical and pipe-manufacturing, water management, ship-building, machine-building, medical and foodstuffs industries high technologies and consumer goods retail sales. The sides expressed their interest in the continuation of interaction between Russia's CCI and KOIMA.

**October 10, 2007.** The Moscow Investment forum "Russia TALK", annually arranged by the Russian-British Chamber of Commerce in association with the Chamber of Commerce and Industry of the Russian Federation was held at the RF CCI Congress Centre.

Attending the forum were Sergei Katyrin, RF CCI vice president, and more than 200 Russian and British businessmen. Britain's

State Minister Lord D. Jones, and president of the Russian-British Chamber of commerce led the British delegation



**October 11, 2007.** Vice-president of the RF CCI Sergei Katyrin met with a delegation of the Association of Portugal's Entrepreneurs led by vice-president Antonio Fernando Couto dos Santos. The Portuguese side proposed establishing a centre for the support of Portugal's business circles interested in cooperation with Russia and a similar centre at the Russian CCI for the Russian entrepreneurs, aiming to establish partnership relation with Portugal.

**October 12, 2007.** RF CCI vice-president V. Strashko greeted the delegation of Austria's Federal land of Vorarlberg led by Kuno Ridmann, the chamber president and the Government Adviser Karl-Heintz Rudisser. The government and the Chamber of economics of Vorarlberg are greatly interested in boosting its cooperation with Russian partners also on the regional level. In this connection the participants of the meeting discussed possible directions of cooperation between Russia's CCI and business circles of Vorarlberg. The staff of the profile RF CCI departments spoke about the activities of the chambers of commerce and industry in the Russian Federation as well as the objectives and tasks of activities of the RF CCI.

**October 15, 2007.** President of the RF CCI Evgeni Primakov met with a delegation of the Union of Turkish Contractors led by Erdal Eren, president of the Union. In the course of their conversation the interest of Turkish companies to extend their activities primarily in Russia's regions was expressed. E. Eren invited E. Primakov to attend the conference to be arranged by the Union of Turkish Contractors in April or May of 2008 within the framework of the programme of events of the Year of Russia in Turkey.




**October 22, 2007.** The Afghani Investment Agency held a presentation of perspective projects of economic cooperation at the RF CCI. Based on the results of the session a protocol was signed by Boris Pastukhov, RF CCI senior vice-president and chairman of the Monitoring Committee of the Russian-Afghani Business Council, and president of the Afghani Investment Agency (AIA). The protocol states that a list of top priority projects the Russian side is interested in will be prepared and tabled for the consideration of AIA not later than Q1 of 2008

**October 22, 2007.** A seminar titled "Day of Iran's Economy" was held at the RF CCI Congress Centre. The seminar was arranged with the support of the RF CCI and the Russian Chapter of the Russian-Iranian Business Council. The seminar participants learnt about Iran's present-day economic situation with an eye to extending Russian-Iranian business ties. Attending the seminar was Georgi Petrov, RF CCI vice-president, members of the Iranian delegation representing 30 state enterprises and private companies led by I. Al-Eshag, chairman of the Teheran CCI, Golamreza Ansari, Iran's Ambassador to the Russian Federation and about 100 Russian businessmen.



**October 24, 2007.** The Agreement on cooperation in the area of mediations between the RF CCI and Italy's Society for Mediation in dispute settlement (SIMED) was signed at the RF CCI. On behalf of the RF CCI the agreement was signed by V. Isakov, RF CCI vice-president, and by Michele de Meo, SIMED vice-president.

A graphic of a world map composed of many thin, overlapping lines, creating a sense of motion and global connectivity. The map is centered on the Atlantic Ocean, with the Americas on the left and Europe/Asia on the right.

Sojuzpatent is proud of its history which has got the roots in the times of the USSR (the Union of the Soviet Socialist Republics) - the country which united 15 republics - now each of them being an independent state (the Commonwealth of the Independent States). We think that the great history makes us work hard to prove every day that we are the best firm in the IP field.

"Sojuz" in the Russian language means "Union" and this was the most popular and respectful word in the Soviet Union. Only the best companies and enterprises were given the honor to include this word in their names. As you remember the Soviet spacecrafts were named "Sojuz" (the famous USSR-USA joint space venture "Sojuz-Apollo" is an excellent example). Sojuzpatent received this corporate name as the quality distinction feature and had been rendering services to the clients under this name since then.

Sojuzpatent became the premier IP firm in the USSR. That is why for more than 70 years Sojuzpatent had been acting as the only patent and trademark attorney's firm in the USSR allowed providing IP services internationally. Sojuzpatent was the unique patent and trademark agent for foreign firms and entrepreneurs in the USSR. Sojuzpatent had been also assisting Soviet inventors to ensure patent protection for their inventions and Soviet companies to register their trademarks all over the world.

The major focus of our activity since that time remains the same - We are doing IP services internationally. We are glad to serve as the solid bridge to Russia and other CIS countries from abroad ensuring safe innovation and IP commercialization activity of our foreign clients in rapidly growing but very complex Russian and CIS market. Intellectual property can be the tool for your success in Russia or it can be used by your competitors against you. Sojuzpatent provides the full range of IP prosecution and enforcement services every day proving with hundreds minor and significant cases that doing business in Russia can be a safe and stable venture.

We use to say "Russia is not "Wild Wild West"... if you have proper business partners".

Our patent and trademark attorneys and IP lawyers are highly qualified to resolve any IP issue arising in Russia and the CIS. Please make you choice of the partner in IP services carefully.

Sojuzpatent is playing an important role in forming Russian IP case law. Many of our cases are referred now as precedents. Our attorneys are involved as experts from the private sector in the developments (and amendments) of the Russian IP regulations.

We are also active participants in major Russian and International IP professional associations: AIPPI, LES, Marques, INTA and others. Since 1967 Sojuzpatent had been serving as the headquarter of the Russian National Group of the AIPPI.



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