

TO PROSPERITY WITH COOPERATION

RUSSIAN BUSINESS GUIDE



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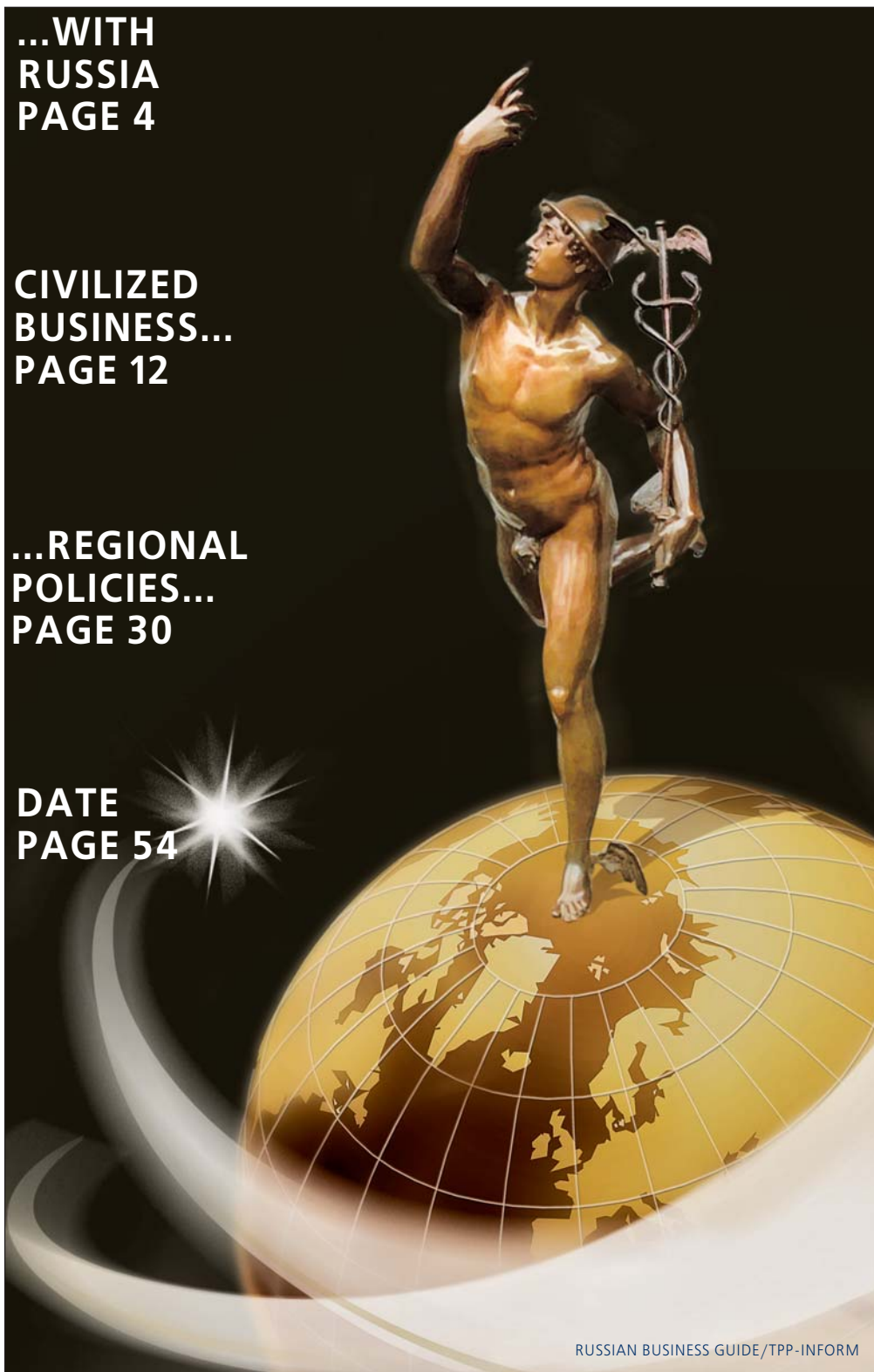


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The Chamber of Commerce and Industry (CCI) is a unique institution. Vertically, it represents the interests of all business tiers – small, medium-sized and large companies. Horizontally, its activities embrace all areas of entrepreneurship: industry, domestic and foreign trade, agriculture, finance and services. The Chamber of Commerce and Industry of the Russian Federation uses long-standing national traditions and the world's entrepreneurial experience to promote the development of Russian economy.

Yevgeny Primakov,
president of the Russian Chamber of
Commerce and Industry



WHAT IS RUSSIAN CHAMBER OF COMMERCE?



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TOGETHER WITH RUSSIA

The fifth congress of the Russian Chamber of Commerce and Industry will be held December 8, 2006. What has been done and is to be done?

Viktor MAROV

RBG

A congress is a most important event for any public or political organization. What are the main results and problems of the development of the system of chambers of commerce and industry in Russia after the previous congress?

Many people say that the main result of this five-year period is the increase of the Chamber's role in the development of national economy. The delegates of the congress will see if this is true but...

The Chamber's initiatives and proposals were supported at the state level and in business and public circles of the country. High rates of economic growth recently played an important role in the development of chambers of commerce and industry. Russia has the third largest gold and currency reserves in the world. The state debt, which accounted for 84% of the country's GDP in 2000, has reduced to 9%. This is one of the lowest rates in the world. The contribution of Russian businessmen to the achievement of strategic goals of the country's development is obvious. Business has become a proactive resource of Russian society and is the state's natural partner in ensuring macroeconomic and political stability and the development of socially-oriented market economy.

The Chamber favored the creation of equal and transparent competition conditions, promoting and protecting civilized business interests. But it also supports the government's policy of reinforcing the state's regulating role in economy.

The world practice shows that property and competition have stopped being the sole instruments guaranteeing the development of effective economy. No country, which has successfully resolved the problem of fast modernization in the past 100 years, could do without this or that variant of a major state program of industrial development. As a rule, this has been done as part of long-term indicative plans. Russia cannot be an exception of this rule. The Chamber's concept of state industrial policy, which needs an attentive approach of the government, has aroused a wide public response in this connection.

The development of the economy of knowledge and innovations is being sped up across the globe. The Russian Chamber of Commerce and Industry is helping the country's transition to an innovative model of economic growth.

A great deal should be done in this sphere. Innovations lack demand in Russian business and the situation is critical – only 8-10% of innovative ideas and projects are being used in Russia.

The Chamber helped draft laws on special economic zones and the governmental program on creating high-tech parks. The first Moscow international forum on this issue was held on the Chamber's initiative. Local chambers

of commerce and industry are proactively involved in these projects in all the regions where they are being implemented. The Chamber believes that the Russian innovation system should focus on the branches of the future, including biotechnologies, nanotechnologies, the industry of intellectual services, alternative energy sources, etc. This will ensure the country's successful development.

The state and business investment policy should be constantly amended to pursue the strategic line of the develop-

NO COUNTRY, WHICH HAS SUCCESSFULLY RESOLVED THE PROBLEM OF FAST MODERNIZATION IN THE PAST 100 YEARS, COULD DO WITHOUT THIS OR THAT VARIANT OF A MAJOR STATE PROGRAM OF INDUSTRIAL DEVELOPMENT. AS A RULE, THIS HAS BEEN DONE AS PART OF LONG-TERM INDICATIVE PLANS. RUSSIA CANNOT BE AN EXCEPTION OF THIS RULE.

ment of Russian high-tech production. If necessary, these measures should include imports of industrial equipment, which Russia does not produce.

The Chamber assigns priority to one more problem – the support for small and medium-sized business. A number of legal documents aimed to reduce and ease the tax and bureaucratic burden on small business were adopted. But the problem of creating more favorable conditions for its growth is being resolved slowly. Russia's small business falls behind developed countries by 3-4

times. The state should do the following to alter this situation:

First. Russia needs a regime of maximal assistance to innovative business activities. Small high-tech business accounts for two-thirds of new vacancies in the West.

Second. Small companies should be reoriented from mediation, which currently accounts for 60-80% of their activities, to real economy.

Third. The state should work out a program to develop small business in provincial towns. Moscow, St. Petersburg and regional centers account for some 70% of small enterprises today.

Fourth. Legal and economic incentives should be put into effect to boost big business investment support for small business.

People, their health, knowledge, public and individual state are the main subjects and resources of socially-oriented economy. Any normal state should

strive for satisfying the needs of its people. The Chamber is involved in the implementation of governmental projects on society's recovery. Russia is facing a serious demographic crisis. Two-thirds of the country's territory are not properly involved in economic activities as a result. This problem concerns Russia's territorial integrity and national security. Therefore, the Chamber is proactively involved in the development of Russian eastern regions.

These problems cannot be resolved without cooperation with the legislative power. The Chamber is a public organization and most bills on entrepreneurship were drafted together with parliament members. For instance, the Russian taxation sys-



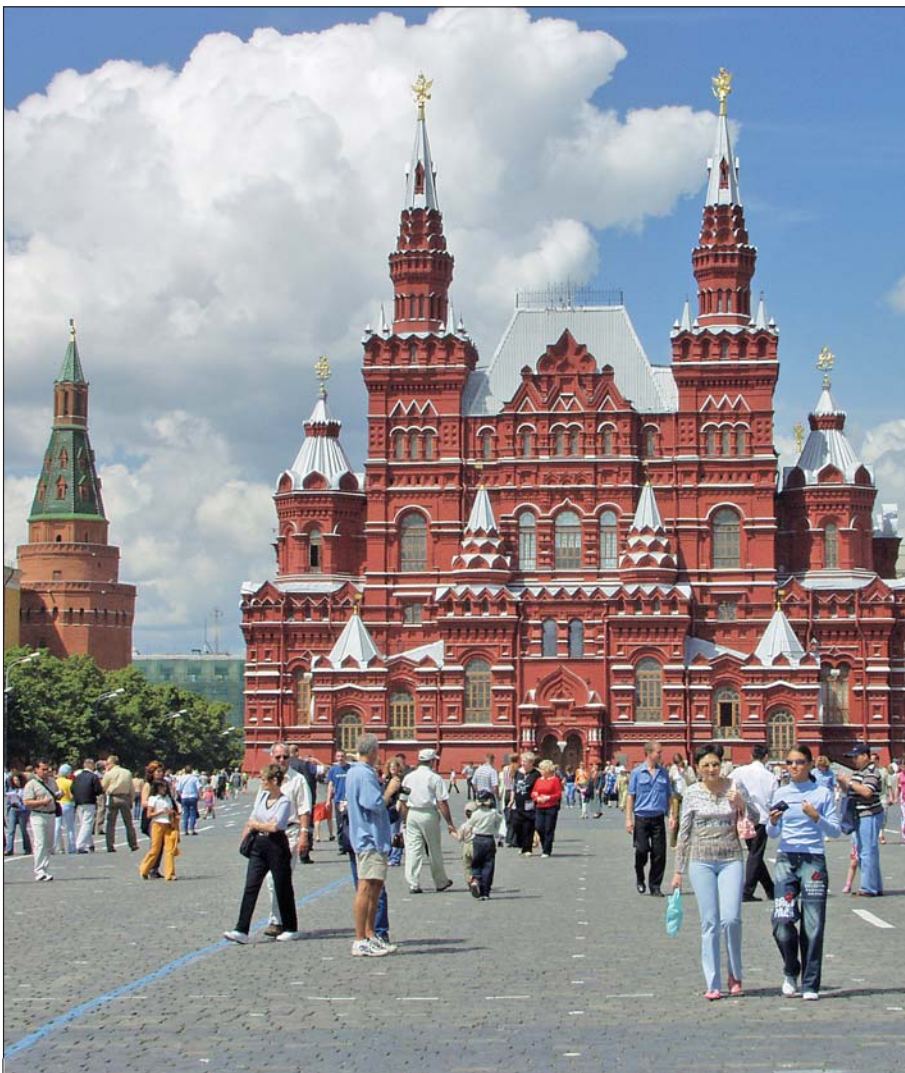
tem is awkward and bureaucratized, and lacks a precise functioning concept. Several tax novelties resulted not in the reduction but in the increase of tax burden for most proactive investors.

Therefore, the search for possible constructive tax privileges to increase innovation activities of business entities will continue. The Chamber will keep seeking alternative ways of settling disputes, which are inevitable in business, with account for close links between lawmaking and law enforcement. The Chamber drafted a new version of the activities of its Arbitration Court and formed a board of intermediaries for reconciliation procedures.

Business support is another sphere of the Chamber's activities. It resumed an issue of certificates of the origin of goods in 2002, and created a system of training and attestation of product experts and a system of quality of services in the sphere of inspection, marketing and evaluation activities, involving the Defense Ministry.

However, a great deal should be done in this field. One of the goals is the formation of the electronic environment of business as only 5% of Russian companies have Web sites. Besides, only 10% of Russian firms take part in exhibitions.

Here are some results and problems. They should be resolved with participation of foreign partners, especially, if this is beneficial to both sides.



AND SO WE WILL WIN!

Sergey FILATOV, EDITOR-IN-CHIEF AT THE RUSSIAN CHAMBER OF COMMERCE AND INDUSTRY, POINTS TO SPECIFICS IN RELATIONS BETWEEN THE RUSSIAN GOVERNMENT AND BUSINESSES



On May 10, 2006, Russian President Vladimir Putin sent his address to the Russian Federal Assembly. It attracted the attention of the business community because it reflected a lot of ideas and proposals voiced earlier at forums hosted by the Russian Chamber of Commerce and Industry. We suggest the readers evaluate the assonance between the presidential address (quotations in bold) and the Chamber's documents reflecting the opinion of Russian businessmen.

«...I suggest we concentrate on settling the most urgent problems facing the country, including demography... The more so that the consensus in society is that we should primarily settle this key problem facing the entire country.»

Yevgeny Primakov, the Chamber's president, said: «Perhaps the greatest danger emanates from demography..., which remains in a far from satisfactory condition in Russia... The vacuum in population density forming in East Siberia and in the Far East requires a whole range of urgent measures, including tax remissions, or even tax vacations for those who invest in infrastructure, processing industries and agribusiness across the Urals, a well-rounded migration policy, as well as measures to boost birth rates and reduce death rates in Russia. If we are still looking for a national idea, today we should implement these measures, otherwise we will lose Russia.»

«We have already started taking specific steps toward changing the structure of our economy, of which much was said before, and making it innovative.»

The Chamber has recommended that a federal target program for innovation industrial policy be developed and adopted. The Russian Chamber of Commerce and Industry believes such a program will be highly effective both for the government and for businesses if the following sectors are given a priority: nanotechnologies, IT, biotechnologies, scientific instrument

making, micromechanics, the production of new construction materials and the development of alternative energy supplies.

«...We should take a serious step toward encouraging investment growth in industrial infrastructure and innovation development.»

The Chamber: «Measures should be taken as soon as possible to legislate investor guarantees against tougher taxation. A seven-year ban on toughening taxation is being introduced for investors. The Russian Chamber of Commerce and Industry assigns the highest priority to innovation development and the introduction of high technologies in Russia.» «Today we need such an investment atmosphere that would streamline the production of new knowledge. A corresponding infrastructure should be established for that, including innovation zones, technological parks, venture funds and an investment fund – all this is being developed now.»

«...We should create favorable taxation conditions for financing innovation.»

Anatoly Artamonov, Kaluga Region governor, told the Chamber's newspaper: «A regional target program for 2005-2010 has been adopted to develop innovation in the Kaluga Region.» The program envisages creating a mechanism for venture (risk) sponsorship to develop and promote new high-tech companies which attract intellectual property facilities to the investment process. For the duration of the program it is necessary to ensure that conditions are created to help attract capital to high-tech businesses and to work out a corresponding legislative base.»

«Conditions should be created to speed up technological renovation of the energy sector. Modern processing industries and transport facilities should be developed and new promising markets explored.»

The Chamber: «Today, under a strategy proclaimed by the president, Russia is declaring an ambition to become an energy superpower. The unique geographi-

cal location of the country, which has a third of the world's raw materials, gives us a definite advantage that can be used to push the structure of the Russian economy to a brand new level if proceeds from a sound management of resources, including export, are invested in the development of processing industries and high technologies. This will help Russia resume and strengthen its role in global politics and economy.»

«...The ruble should become a more universal currency for international payments and should gradually expand its presence. For these purposes it is necessary to establish oil, gas and other commodity exchange trading with ruble settlement.»

The Chamber: «Russia has every reason to switch commodities export payment to rubles.» At a discussion on the price setting policy in the oil and gas sector of the Russian economy proposals were voiced to set up an oil exchange and launch trading in Nakhodka, which will give Russia a definite advantage in oil sales in the Asia-Pacific region.

«... The negotiations on Russia's accession to the WTO should not be an instrument for bargaining on issues that are not related to the organization's activity.»

Yevgeny Primakov: «The Chamber has succeeded in developing a concept on Russia's entry to the WTO.» This was done back in 2002. We declared then that the accession to the WTO should not be considered a political move only. Potential consequences should be assessed soberly, and we should join the negotiating process... We have made our contribution, and a more serious approach is being taken to these negotiations now.»

«Russia may become a leader in nanotechnologies. This is one of the most promising trends...»

A session of the Mercury Club of the Chamber of Commerce and Industry said: «Nanotechnologies are exclusive because a new level of knowledge presupposes the development of conceptual amendments to the technical sphere, medicine and agriculture. This will bring substantial changes to the environmental, social and military sectors.»

«A greater economic potential enabled us to make additional investment in the social sphere, which actually means investing in national welfare and in the future of Russia...Under a national project, substantial resources were channeled to agricultural development...Russia needs a competitive educational system... Healthcare services should be improved... The Affordable Housing project should reduce mortgage loan rates, and the aggregate amount of such loans should be almost trebled...»

The Russian Chamber of Commerce and Industry discussed its participation in the implementation of priority national projects and resolved that chambers of commerce and industry should consider efforts to integrate entrepreneurial structures in assistance to the implementation of national projects a priority.»

«I support the initiative of our entrepreneurs in financing the leading universities from special development funds and in forming a system of education loans.»

Yevgeny Primakov: «It is necessary to enhance support for higher education on the part of financial circles. Attaining comprehensive computer literacy among youth people is a priority for all business structures. And the system of chambers of commerce and industry cannot stand back here.» The chambers focus on encouraging innovation programs for higher education, initiating informatization of education, supporting talented youths, developing professional training programs and education among military officers, establishing new universities and a network of business schools and, finally, encouraging teachers and awarding the best teachers. Business is gradually getting involved in establishing a new educational environment.

«...In cooperation with Russian regions, a program should be developed to encourage financially the adoption of orphans and children left without parental care.»

The Chamber: The Russian Chamber of Commerce and Industry discussed the problem at an international conference, «Innovation Programs of Assistance to Russian Orphans.» Assistance to the young generation is in the limelight of the Chamber's charity foundation, the Homeless Children's Assistance Center.

These are far from all examples of assonance between the government and businesses, whose approaches to settling Russia's key development problems are close in philosophy and essence.





A UNIVERSAL INSTITUTION WITH A PERFECT REPUTATION

The fifth congress of the Russian Chamber of Commerce and Industry gives an opportunity to summarize the work of the organization which has been lobbying the interests of all business layers at all levels of power for several years.

RBC

Vasily Bochkarev,

governor of the Penza Region:

In our opinion, the chamber as a universal institution should focus on the use of advantages of the Russian and international systems of chambers of commerce and industry. The Penza chamber assigns priority today to entering CIS and foreign markets. Exhibitions, business missions, delegation visits, information work using modern computer technologies – this is not a full list of instruments, which determine the chamber's key position in this sector of cooperation with business.

Konstantin Artyushin,

chairman of the Chamber of Commerce and Industry of the Penza Region:

I believe the system of chambers of commerce and industry being a public institution should develop taking into account objective changes in society. This also concerns functions of chambers and formation of vertical relations between chambers of different levels. Not only the striving for building up vertical power but also financial policy, which preceded cooperation between federal and regional authorities, should be borrowed from the government staff. Above all, the policy of assistance to chambers in the regions with undeveloped or depressive economy. Regional chambers lacking a serious and stable financial base should tackle their main problems rather than earn money for their current needs by such

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untraditional business means as land development, construction, advertising and publishing.

Pavel Minakir,

director of the Economic Research Institute, the Far Eastern Branch of the Russian Academy of Sciences:

The system of chambers of commerce and industry is a system of expert and information centers. The chambers should be adapted to a virtual goal, an ideal system that should exist, in the light of proclaimed statements on the innovation development of Russia's economy. The chambers should be an effective system comprising, above all, information centers. We will join the WTO soon and this will boost the above-mentioned activities. The selection of local specialists, their qualification and motivation is another key issue for the proper work of the system of chambers of commerce and industry. Both Russian and foreign chambers have given a good account of themselves. Their role will be growing in the future. The transition to the effective economic growth requires a profound and sensible system of work, including in new spheres such as the opening of new markets, niches and corporate management strategies. Some producers and exporters fail to orientate independently and properly in the changing world. We need a system giving businessmen a complete panorama of economic developments in Russia and abroad.

Mikhail Delyagin,

chairman of the presidium and senior researcher of the Institute of Globalization Problems, a full member of the Russian Academy of Natural Sciences, professor of the Moscow State Institute of International Relations:

I cannot fully judge what the Chamber is doing for business. Before 2001 the Chamber existed as a phantom but has now become an important link between the state and business having a certain influence on the state and economic decision-making. The Russian Chamber of Commerce and Industry recently became an important structure with a perfect reputation of an efficient body. The weakening of the Russian Union of Industrialists and Entrepreneurs following the consolidation of big business might play a certain role in this process.

Vladimir Brezhnev,

chairman of the Chamber of Commerce and Industry of the Primorye Territory: Our main recent achievement is that

the chamber has become a real platform for talks and meetings between the authorities and businessmen. We are respected by businessmen and acknowledged by the authorities. As a rule, businessmen face problems due to the imperfect legal field. Local authorities sometimes fail to support business and create artificial problems. The Chamber of the Primorye Territory really helps to develop local business. We have a gubernatorial council for entrepreneurship. Businessmen have an opportunity to express their opinions and explain their problems to the authorities.

Boris Shkolnikov,

chairman of the advertising committee of the Russian Chamber of Commerce and Industry:

I represent advertising, one of the few spheres which do not strive for catching up with anyone and are not afraid of the accession to the WTO. The advertising business is developing in Russia at an unusual speed. But the Russian Chamber of Commerce and Industry and its president Yevgeny Primakov have set the task of social responsibility of business, which we lack today. Advertisers have exceeded all the permissible bounds and this is their fault. The upcoming fifth congress of the Chamber of Commerce and Industry will be a critical point. The Chamber has never neglected the developing advertising market and accumulated the advertising community around itself from the very beginning. The CCI formed a profile committee, and a new law on advertising was adopted. The system of chambers of commerce and industry has assumed a leading role in regulating the advertising market. The chambers of commerce and industry in Russia are a system which may and should be used as a powerful structure to build civilized relations between the authorities and business.

Sergei Valentei,

PhD (Economics), head of the Center for Socio-Economic Problems of Federalism:

I am studying the economy of federative relations. I have worked with representatives of regional chambers of commerce and industry. I have met with highly qualified professionals, and I have a positive impression and deep understanding of the situation and quality of work of Russian chambers.

Vyacheslav Kleimenov,

deputy governor and president of

the Chamber of Commerce and Industry of the Voronezh Region:

During its development the regional chamber of commerce and industry started giving real assistance to the economic development of the Voronezh Region and its integration into the Russian and world economy.

Unlike big business, small businessmen and companies do not have economic resources to maintain all service functions independently. Therefore, small business assigns priority to such services of the chamber as the drafting of business plans, legal and information support, marketing, qualification upgrading and staff training. The chamber can help businessmen find potential partners in Russia and abroad, protect their patent rights, register copyright, hold expert examination of quality, quantity and configuration of products and equipment, evaluate property and revalue a company's assets. The chamber signed agreements on cooperation with state management and control bodies and municipal heads to represent interests of the business community and create favorable conditions for small and medium-sized business. The chamber intends to sign an agreement with the Voronezh regional administration and the city's Duma.

Given the growing importance of business for the economy of the Voronezh Region, the regional administration assigns priority to state support for business development. The chamber of commerce and industry gives a real support for businessmen and is open for dialogue and cooperation with everyone who is interested in Russia's economic development.

Lyudmila Padilya Sarosa, minister of economy of the Ulyanovsk Region:

The Chamber of Commerce and Industry with a network of regional branches is an effective institution of cooperation with structures of different levels, including local authorities. We cooperate on all economic issues with the Chamber of Commerce and Industry of the Ulyanovsk Region. The chamber has more opportunities for cooperation with economic entities than regional authorities; therefore, the chamber's head is a member of the region's Supreme Economic Council and Public Chamber. The chambers of commerce and industry should fill a niche meant for this system, the comprehensive market research.



The CCI's major objectives are:

- to uphold the interests of Russian entrepreneurs in their relations with authorities;
- to promote the creation of socially-oriented market economy;
- to assist in the establishment of legislative environment and entrepreneurial infrastructure.

Another priority for the CCI is to provide practical assistance to Russian businessmen seeking to establish contacts with foreign partners. The Chamber therefore plays a major part in developing Russia's exports and attracting foreign investment in the Russian economy.

The CCI unites the entire range of Russian entrepreneurship, from small businesses to major concerns, industrial and financial groups.

Regional chambers of commerce and industry and business associations which are members of the Chamber contribute to furthering the economic interests of thousands of businesses all across Russia.

The CCI unites 32,000 enterprises and public organizations, and fosters a favorable business environment in Russia.

The Chamber includes 173 regional chambers of commerce and industry, 183 associations of entrepreneurs, and 61 federal commercial organizations. There are nearly 350 enterprises and companies founded with the participation of chambers of commerce and industry that form the infrastructure to promote entrepreneurship at the regional level. The CCI has 16 foreign representative offices in 15 countries and five joint chambers established in cooperation with other states.

The main activities of the CCI, executed by its 34 committees, include lawmaking, fairs and exhibitions, evaluation, expert examination, and information services. The Chamber also certifies products and quality systems, issues certificates of product origin, provides legal consultations and organizes training courses for businessmen.

The meetings of the CCI committees and round-table discussions debate urgent problems of industrial development and various aspects of interaction between

business and state authorities, thus contributing to their dialogue. The CCI carries out the examination of legal acts, develops and submits proposals for the development of Russia's economy and business.

The following institutions operate within the framework of the Chamber: the International Commercial Arbitration Court, the Maritime Arbitration Commission, the Arbitration Court, and the Association of Adjusters. The CCI maintains the Register of Russian Enterprises and Entrepreneurs whose financial and economic standing proves their reliability as business partners in Russia and abroad. The Chamber also provides accreditation for foreign companies.

The Chamber annually sends an address to the Russian president, the Federal Assembly and the government with proposals regarding economic and business development.

The consolidated position of 183 business associations united by the CCI contributes to the development of a more favorable legal, investment and economic climate in Russia.

The Chamber of Commerce and Industry plays a leading role in Russia's preparations for joining the WTO. The CCI actively cooperates with the governmental commission on WTO entry and the Russian negotiation delegation. The Chamber's home page features a special section describing the history of the World Trade Organization, its membership principles and the CCI's concept and steps aimed at Russia's joining the WTO.

The CCI has established a «Homeless Children's Assistance Center» charity. The Center's funds are formed by membership fees and private donations, and are channelled into assistance to orphanages.



POLITICS



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CIVILIZED BUSINESS FOR A CIVILIZED STATE

To promote the interests of the business community in its dialogue with Russian authorities is the principal mission of the Chamber of Commerce and Industry. What is your opinion of its current activities?

An interview with **Sergei BABURIN**, deputy speaker of the State Duma, lower house of the Federal Assembly of the Russian Federation

RBC

The Chamber of Commerce and Industry presently is the representative establishment it should be. It truly reflects Russian entrepreneurs' growing demands. The Chamber has a reliable inner structure resting on its highly qualified founders and on a ramified regional network of a federal scope.

The Russian private entrepreneurial community is steadily gaining strength to offer prerequisites for the emergent middle class to develop into the social basis of sustained development and far-sighted responsible economic strategies. To consolidate Russian business is an increasing objective necessity. We must ever more clearly realize what should be done to protect the interests of companies engaged in different economic branches as market participants. That is why the network of chambers of industry and commerce is so active in promoting Russian entrepreneurial progress in the broadest possible context, as necessitated by current developments.

It is too primitive, as I see it, to evaluate Chamber work as good or bad. Its success is closely connected with settling national economic problems. That is why the matter concerns the ability of the business community to hit very complicated economic targets, today or in the future.

On the one hand, there is no way to deny positive trends in Russian socio-economic life, what with the steady economic progress of these few years. It is an open secret, however, that such progress bases on steadily increasing exports

of crude petroleum and other raw energy resources. In fact, those exports still allow to maintain a fairly strong commercial balance and ensure currency inflow to the national economy. The amount of available raw energy resources is not inexhaustible. Even today, it requires cutting-edge technologies to make their extraction more effective. We are too late to implement those technologies. As a result, petroleum extraction increased by a mere 2.6% in 2006, as against its usual 8-10%. Though Russia, a superpower in the field of space efforts, is an unrivalled global leader for know-how, it owes its economic progress to raw materials not the latest technologies – which means that its shift to market arrangements is bringing our country not benefits but losses. Naturally, it has an adverse impact on Russian entrepreneurial activities.

On the other hand, if we regard the matter from the viewpoint of our national heritage, the geopolitical, demographic, social and economic situation characterizes Russia as a developed and promising country in some aspects, and a problem-laden developing one in others. Exacerbating the economic situation are deformations caused by an easily obtained increase, which demands considerable finance and investment capital transferred from an extracting industry to processing, with the latest technologies to be introduced. Russia's vast territory, with considerable virgin areas, low average population density and a disastrous demographic situation, is breeding a negative potential. Our human capital is redundant and not renewable – much due to available reserves of free capacities being almost completely exhausted.

True, the Russian economy still possesses a development potential. Business activity is, however, reducing in many fields. Though high petroleum prices support general economic increase, the physical volume of raw material production is shrinking. Domestic consumption may go down as Russian energy resource prices are skyrocketing, though still remaining below global.

Can our business community reverse those trends? That is a rhetorical question. As I see it, the entrepreneurial community now ought to work for greater public recognition and government support. Of tremendous importance in this context is the fact that heading the Chamber of Commerce and Industry of the Russian Federation is Yevgeny Primakov, an influential and universally recognized political activist. The Chamber gained in social weight with him receiving the office.

To establish a legal environment conducive of Russian entrepreneurial success is among the principal duties of the Chamber. What do you think of its cooperation with the State Duma?

Such legal environment is an absolute imperative that supports and accumulates the mobilization paradigm of Russian society, including the active business community. A civilized state needs civilized business. Naturally, the Russian business community must perform within a precisely determined legal environment because a lawless economic sphere opens a path into a precipice that Russia approached more than once. Chamber-

Duma teamwork as a form of business interaction with the public and authorities comes as a positive influence on the formation of conditions for civilized development of Russian business.

The State Duma uses the resources of the Chamber of Commerce and Industry as accumulator of Russian entrepreneurs' opinions with bills coming under debate on issues crucial for the national economy and the business community. In 2006 the Duma passed a number of laws reflecting business interests. The latest laws concern the activities of joint-stock companies, natural monopolies and special economic zones. The Customs, Water and Tax codes were amended alongside the laws on special protective, anti-dumping and compensation measures in commodity imports; on commercial advertising; on the ratification of the United Nations Convention against Corruption; etc.

However, there is a fly in the ointment, as the work on a bill on the Russian chambers of commerce and industry is marking time in the State Duma.

You are a lawyer by profession, expert on the state and law. What innovations does, to your mind, the Russian legislation need to make the authorities-entrepreneur dialogue truly effective?

Such a dialogue is attained through shared stances on the fundamental aspects of national economic development, which would benefit not harm Russia. A consolidated business community is able to stand up for healthy competition. It has the right to speak up and advance its demands as important government decisions are implemented. Authorities must not turn a deaf ear to its voice. Shared interest in settling problems prompts authorities and business circles to an open dialogue.

Present-day government managerial bodies' activities leave the business community dissatisfied, as they rob it of independence and free initiative. It robs businessmen of their presumption of innocence as honest entrepreneurs, manufacturers and employers. Russia needs laws that would guarantee transition from administrative legal regulation of entrepreneurial activity to civil. That is why we have on the agenda a bill to enhance the role of entrepreneurial self-regulation. The law should stipulate greater responsibility of economic agents for following established standards in their entrepreneurial activity. It should also grant those agents functions that would enable them

to independently and creatively regulate their professional activities. Russia also needs a law on commerce for the state to guarantee compliance with the rules of the consumer market, and protect traders and manufacturers alike.

According to the world classification, Russia badly lags behind in terms of the entrepreneurial ability to stimulate the market, and of business-research cooperation. It is presently the world's 27th. Leading the list are the U.S., Taiwan, Finland, Sweden and Japan, which benefit from the brain drain, while Russia is squandering its intellectual resources. The situation was similar in tsarist Russia, whose craftsmen were amazingly inventive and diligent, but never cared about patenting their breakthroughs. Technological innovation is the pillar of a competitive national economy. Once we realize that point, we see that the law on patenting, licensing and inspecting needs major amendments. We should also take into consideration that certain categories of Russian-based manufacturers will suffer as the national market becomes more open. Our economy should follow the help-yourself principle in its development, what with the small practical contribution of the TACIS and other similar aid programs to Russia's progress. A greater part of European Union allocations came as fees to the many consulting experts from Western Europe, who did not properly understand Russian developments.

The state should make greater use of the Chamber potential. It is high time that certain laws were amended and the situation of small and medium-size businesses improved.

What do we need to promote Russian business abroad?

The national legislation must put an end to discrimination against the Russian economy. Our laws must take into account a wide range of problems – not only economic but also politic and foreign. Russia will have a worthy place in the world once those problems are settled. To be sure, domestic economic problems are the greatest obstacle on the Russian road to integration into the global economy as our economy is not competitive enough and lags behind technological innovations.

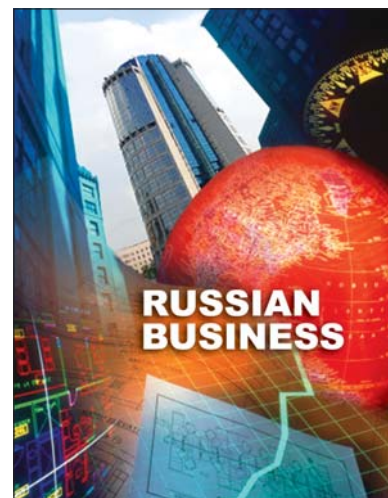
More than that, the European Union abstains from giving export subsidies to particular companies and commodity manufacturers, making an exception for

raw material branches alone. Putting it differently, the West is pursuing a hard-line policy to make Russia Europe's raw material appendage and thus impose its will on the country and, in the final analysis, drive it into a deadlock, giving Russia no chance to solve its dilemma – whether to mercilessly squander its natural wealth through further energy resource exports or promote domestic economic progress. What does fate have in store for Russia? Something like, «They shoot horses, don't they?»

Look at the Russian export structure, and you will see it had only token changes within the previous 10-15 years. Approximately 85% of all export revenues come to this day from the three pivotal branches – the petroleum, chemical and metal industries. Small diversification of Russian exports, with a mere five or six commodity items, eloquently speaks of our economic prospects.

In what way, do you think, can the Chamber of Commerce and Industry promote an improvement of the Russian social and economic situation? What does it need to have an impact on that situation?

The Chamber of Commerce and Industry is gathering for its 5th congress in December 2006. I hope the congress will answer that question. The public must be addressed with demands to enhance the influence, functions and prestige of the Chamber, and increase its impact on current developments. The legal status of the Chamber also needs a new concept. I expect the congress to give a notable legislative impetus – better late than never – to drafting and eventual passing of a federal law on Russian chambers of industry and commerce.



DEAR PARLIAMENT MEMBERS, WE HAVE MANY THINGS TO DISCUSS

The Russian Chamber of Commerce and Industry recently started cooperating closely with parliament members. All expert councils comprise the Chamber's representatives, who are also involved in parliamentary hearings on various legal and economic aspects of the country's life. The Chamber's experts regularly examine draft laws submitted by the State Duma committees and federal structures.

RBC



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Tax sphere. It has become a key sphere in the Chamber's lawmaking activities. The Chamber of Commerce and Industry managed to make a number of important proposals to the State Duma. A provision allowing small and medium-sized companies to register patents and transfer to a simplified taxation system was added to the Tax Code on the initiative of the business community and the Chamber.

The Chamber traditionally organizes annual all-Russian tax forums. It also set up a group for amending tax legislation, which comprises deputies, senators and representatives of federal departments and business associations. These amendments include the introduction of tax benefits for east Siberian companies and a special tax regime for information technologies, reformation of the tax on mineral production, cancellation of customs duties on imported industrial equipment, and further increase of annual turnover allowing small enterprises to transfer to a simplified taxation system. It is also necessary to relieve imputed income tax payers from the obligation to use cash registers if they issue relevant documents confirming payments.

Combating bureaucracy and corruption. Legislative amendments reducing the list of licensed activities and the license control procedure were an important step towards the de-bureaucratization of economy and more transparent administrative procedures. A new law regulating the placement of orders on the supplies of products for state and municipal needs was adopted and came into force in January 2006.

The Russian Chamber of Commerce and Industry traditionally focuses on supporting and developing small business. The Chamber's position that the problem of small business and its development should be related to local issues was taken into account during the adoption of the law aimed to divide authorities between the levels of public power. It is necessary to adopt a new law on the state support for small and medium-sized business and introduce amendments to laws on privatization aimed to grant privileges to small companies.

Anti-corruption legislation still requires special attention. Russia should ratify main international conventions.

The State Duma's ratification of the UN Convention against Corruption, which Russia signed in 2003, was a positive move in this connection.

Corporations need order. Draft laws, which have already been adopted or are currently being considered and aim to improve corporate relations, protection of rights of investors and stockholders, conflict settlement and introduction of international standards of corporate management, deserve approval. The development of alternative ways of settling economic disputes is a traditional trend of the Chamber's system. The adoption of a new law on the protection of competition should become an important measure towards improving the existing legislation.

The Russian Chamber of Commerce and Industry worked on the draft law on advertising, which was recently adopted by the State Duma. The law envisages a new system of norms, which takes into account the previous positive experience of advertising regulations and practical use of relevant legislation.

From investments towards innovations. Legislative measures to grant privileges to investors, including the seven-year ban on the deterioration of taxation conditions, should be taken as soon as possible. The Chamber's committee for investment policy has drafted relevant bills.

The Russian Chamber of Commerce and Industry also focuses on the development of the banking sector in its lawmaking activities. Affordable credits for small and medium-sized businesses still remain a vital problem. The Chamber says it can be resolved by means of developing institutions of micro-crediting and consumer crediting. The market of insurance services is also facing problems.

The Russian Chamber of Commerce and Industry assigns priority to the development of innovation activities and introduction of high technologies in Russia. The Chamber drafted a model bill on the development of innovation activities. The lack of federal legislation in this sphere hampers the development of innovation activities.

Social problems. The Russian Chamber of Commerce and Industry traditionally assigns priority to social issues. A federal law prolonging by



one year the employers' payment for the first two days of temporary incapability of employees came into effect on January 1, 2006. However, many problems in the sphere of social insurance of employees remain unresolved. Therefore, it is necessary to outline approaches to the resolution of compulsory social insurance problems.

The Chamber has been involved in the modernization of labor legislation in the past years. Many outdated norms and trading rules exist in the sphere of consumer market. The work to improve legislation in the sphere of intellectual property and elaborate measures against fake and low-quality products should be continued.

Conceptual approach. The Russian Chamber of Commerce and Industry has worked out a conception of its legal policy. The document reveals possible ways of legislative resolution of key economic problems, including legal business support and the implementation of administrative reform. Close cooperation between businessmen and authorities, mainly in the lawmaking sphere, is needed to boost economic development and improve living standards.

The legislation department of the Russian Chamber of Commerce and Industry.

THE POOR TO SUFFER

Yet another medium-term government program for 2006-2008 was approved late last year. The public just shrugged it off. Why?

The Chamber of Commerce and Industry has repeatedly expressed its opinion on health, education, housing construction and farming national projects. They really can build bridges to a socially oriented economy. Huge allocations have been made to implement them. However, information is coming from the provinces even now that the reforms are marking time. Economic expert **Sergei GLAZYEV**, who leads a committee of the State Duma, Russia's lower house of parliament, dedicates his essay to the topic. The author takes a critical attitude to government programs. We can have our objections to his views – but there is no social progress without opposition.



SHALL WE OUTFRAN AFRICA?

Social wellbeing based on steady and dynamic economic progress is formally posed as the strategic goal of national development. Meanwhile, the government program does not envisage whatever practical steps to attain that goal. Moreover, key social indices promise contrary results: health services will deteriorate and become unavailable to a majority of the nation. Russia will not turn to a knowledge economy and universal higher education. The community will divide instead into a small group of the educated super-rich and an ignorant majority living in abject poverty. Actually, the government program offers no remedies for social and economic problems. An impoverished majority is the worst of those problems. As the government acknowledges, 23 million Russians have incomes below the subsistence level. 62 million, or 40 percent of the population, qualify as low-income.

There is another burning problem – shifting economic development to the road of cutting-edge technological innovation.

Development is impossible today unless a third problem is solved. Russia needs to double, in the least, its investment activity for simple reproduction of its basic assets and research and industrial potential. The matter takes big funds. No realistic ways to solve it are offered. What measures does the program envisage?

AN END TO LITERACY

Let us start with developing the human potential – what the program highlights

as an absolute priority. Education and health services are key spheres ensuring the reproduction of human capital.

The section on education offers blueprints to reform the Russian education system. An overwhelming majority of secondary school teachers and college and university professors resolutely disapprove the reform. Under the pretext of streamlining education funding, the government is out to shift it from budgeted financing to regulatory capitation – which means that educational establishments will receive allocations in proportion to the number of students proceeding from formal norms instituted by the government. Russian schools strongly differ for the number of students. Small schools are numerous. The burial of budgeted financing will be their end. Rural schools will meet their doom.

The program speaks at length about updating education and introducing information and other latest technologies – but this year's government budget earmarks miserly sums for it. Education allocations make roughly 3.5% of the Russian GDP, as against a globally accepted standard of 7%. The system still keeps afloat thanks to excellent teachers, mainly women soon to retire on pension. There are no young teachers to replace them – young people do not want to work at school because of its token wages.

What arouses the worst doubt is the government's *idée fixe* to commercialize educational and medical establishments through changing their organizational and legal basis. What it means in practice is that schools and outpatient clinics will be authorized to make money without giving a thought to pupils and patients.

ORDER: NO HEALTH PROBLEMS!

As for the health service reform, it goes on to the accompaniment of highfalutin words about the necessity to improve the services and make them more accessible. However, to hit those noble targets, authorities do not intend to enhance government allocations or elaborate practical mechanisms of responsibility to patients. The government treats the reform proceeding from an utterly wrong criterion of branch effectiveness – cutting government expenditures per unit of medical service, which replaces necessary patient care with formal servicing. Health is a field too complicated and multifold to shift it to regulatory capitation financing, which will lead to the most primitive methods and pronounce the death sentence on high-tech specialized medicine. Medical research will meet its doom, as well. Surprisingly, even such health service aspects whose vital necessity is evident from the socio-economic point – population vaccination, latter-day equipment for medical institutions, and even preservation of the available infrastructure – find no reflection in development targets. Meanwhile, up to 80% of available medical equipment is outdated and worn-out.

The approved health target programs are permanently underfinanced. As all experts know, every ruble allocated to health saves ten for the nation. Even that logic does not work here.

Budget funding of health services appallingly differs from region to region. No attempt has been made to level it out. On the contrary, the reformers mean to preserve the difference, and

proceed from it. Health care is a vehicle of economic progress in developed countries. Medical research and technologies are progressing apace, with research in the foreground for the amount of funding. Breakthroughs, especially in genetics and molecular biology, made a revolution in treating many diseases. That is the field in which health services can spectacularly increase their efficiency, and it is to be promoted instead of standardizing all medical services. Disease prevention must also make progress to enhance the effectiveness of health services.

Russia today has every opportunity to do so.

MORTGAGING SANDCASTLES

The government program also mentions an affordable housing market among top priorities. As the government acknowledges, a mere 9% of the population can presently afford to purchase a standard apartment for own money and on loans. However, mortgaging will be a dream never to come true for a majority as long as interest exceeds 10%. No one will be able to make such loans, considering bloated prices of new housing.

ALL LAND TO BANKS?

Let us now come to program sections on agriculture. The program does not offer any measures to solve its principal problem, low profits. This year's budget allocations – including those on a national program to support the agro-industrial complex – do not cover even farmers' losses from the seasonal fuel price leap of last autumn. That is, the entire sum is not enough even to compensate them. Conclusion: all fine words the program says about promoting agriculture, and promises to improve its equipment and provide long-term funding are empty talk.



COMMITMENT TO DEVELOPMENT AS A PLEDGE OF SUCCESS

An interview with **Sergei TARACHANOV**, general director of the World Trade Center (WTC), for *The Companion to the Russian Chamber of Commerce and Industry* magazine

RBC

The World Trade Center has been promoting relations with the international business community for over 25 years. Could you tell us how Russian businessmen can benefit from working with it?

Initially, the WTC was established to assist building up relations between Russian and foreign companies and organizations, and creating favorable conditions for foreign businessmen working in Russia. However, over the years we have changed along with the world around us. The World Trade Center has extended its mission and assigns priority to the support of the Russian business community in the development of regional and international relations, and foreign trade. Besides, we try to present an accurate picture of the region's business potential. The WTC's interests lie in different

business areas. It leases offices and apartments, carries on the hotel business.

We have a wealth of experience on the MICE market, and are seeking to develop business tourism in the country. Jointly with the Russian Chamber of Commerce and Industry, the WTC's main shareholder, we assess the situation on the MICE market and provide analyses of this economic sector in Russia.

We take pride in hosting over 8,000 events in our Congress Center, including international congresses and forums, attended by heads of states, prominent politicians, scientists and public figures. Russian President Vladimir Putin spoke at the WTC Congress Hall on a number of occasions.

What goals do you pursue in cooperating with Russian businesses?

The WTC's mission is to assist small and medium-sized business. We focus on organizing exhibitions and fairs followed by conferences, which gives Russian businessmen an opportunity to present their companies in the best light, to attract investors and find partners. As demand for exhibition space is high, this year we opened a 1,250 sq m congress & exhibition hall we had financed.

The WTC provides information support of small and medium-size businesses us-

ing its own databases and information from the Association of World Trade Centers and other WTCs.

What are your future prospects?

We owe our success to developing the company, searching for new projects, and providing a high standard of services meeting the requirements of the World Trade Centers Association. This year we began reconstructing the Mezhdunarodnaya Hotel, which, under a franchise agreement, will get a new lease on life under a new brand Crowne Plaza in April 2007, and proceeded to the next stage of the construction. Several buildings and two highrises, to be erected in 2008, will form a single architectural ensemble. One of the highrises will house a comfortable hotel, and the other Class A offices. There are plans to construct a parking area (700 stalls), which is very relevant in today's Moscow with its congested traffic.

On the eve of the 5th congress of the Russian Chamber of Commerce and Industry, I'd like to point out that we are committed to supporting the Chamber's initiatives to develop regional businesses and offer our experience and potential for Russia to regain its economic might.

EURASIAN DIALOGUE



Professor **Sergei NEBRENCHIN**, PhD (history)

The discussion of the development of Siberia and the Far East undoubtedly has an important foreign political aspect, which is often forgotten in disputes. Further development of Russia's eastern regions is closely connected with the global political situation, above all, in Eurasia. Atlantic geostrategists, including Zbigniew Brzez-

ski, the author of *The Grand Chessboard*, *The U.S. National Security Strategy in the 21st century*, *The Choice: Global Domination or Global Leadership*, etc., have already outlined post-Russian geohistory. They assume that a number of new states will appear on the territory of present-day Russia, including Siberia and the Far East.

As we can see, this goal is expected to be achieved by means of total blockade of Russia, the creation of anti-Russian cordon sanitaire and turning former Soviet republics into U.S. strategic allies. As a matter of fact, this has happened to the Baltic states, Ukraine and Georgia.

The interests of not only the United States and their close allies but also China and a number of Islamic states clash in the fight for the post-Soviet heritage. Proposals to buy Siberia and the Far East for \$1 trillion are well known from media reports. Siberia is included in a new Muslim caliphate on the maps of Islamic extremists.

The Dialogue Among Civilizations annual forum was recently held on Rhodes, Greece. Its participants dis-



cussed the current development of the global civilization. The formation of a just world order was again the focus of the talks. The growing role of Eurasia in international relations was highlighted.

Many forum participants agreed that the contemporary model of the world order is outdated. The existing institutions maintaining the world order, which were formed during the cold war and after the collapse of the Soviet Union, including the UN, NATO, EU and OSCE, fail to properly ensure the stability and security of the world's development.

International relations have become more fragile and vulnerable in the conditions when global rivalry of two superpowers came to an end, the unipolar world model is being imposed and the policy of neoglobalism is being put into practice. Eurasia witnesses the toughest geopolitical struggle between various civilizations, states and nations. This continent currently accounts for 80% of all international conflicts and local wars with most of them being provoked by external forces.

Representatives of five Eurasian civilizations (Hindu, Confucian, Islamic, West Christian and Orthodox Slavonic) live on the continent, which also possesses the world's main natural resources. Eurasia has a developed network of continental transnational communications and a technological potential.

The post-Soviet space sees the sharpest geopolitical struggle today. The U.S. striving for altering the geo-

political configuration and balance of forces leads to a clash of interests of the major Eurasian states and complication of their relations. Proactive efforts are taken to neutralize initiatives on the consolidation of stability and security, which are put forward by the leading powers, including Russia, China, India, Germany and France. This destructive policy seriously destabilizes the situation in Eurasia and in the world.

The majority of nuclear powers are located in Eurasia, which aggravates the situation on the continent. The condition of regional instability and a high level of conflicts and tensions in many areas seriously undermine the continental and international security. Meanwhile, Eurasia's significant experience of developing many state and interstate formations on the continent, maintaining foreign relations, promoting economic and historical cooperation prove Eurasia's self-sufficiency. The existing East-West and North-South contradictions between Eurasian powers, complicated by external intervention, can be resolved.

A real demand to ensure survival of the humankind and separate nations and to form a new model of the world order emerges in the 21st century in the conditions of permanent struggle between civilizations. Developing a just and effective collective security system in Eurasia may become an important contribution into the consolidation of global stability.

Scientists consider the following main aspects of ensuring law and order in Eurasia:

- a Eurasian representative body (Eurasian Parliament);
- a Eurasian security council;
- Eurasian economic structures;
- a council of representatives of Eurasian religions (churches);
- Eurasian collective security forces.

Experts believe that a Eurasian representative body may play a leading role in the formation of political and legal bases of a new order on the continent. This body may comprise former and current members of Eurasian national parliaments and may effectively coordinate interstate unions of Eurasian and non-governmental international organizations of relevant countries.

In this connection, we should mention the Shanghai Cooperation Organization. This international structure is becoming an important force that has a significant influence on Eurasian and global political and economic processes. As a matter of fact, it has started forming new Eurasian architecture of international security.

Advancing a dialogue among civilizations in Eurasia and consolidating interests of European and Asian countries might help resolve many global and continental problems, develop the global political, economic and informational space and form a just system of international relations.

THE AWAKENING OF THE BEAR

Vladimir NIKOLAYEV



RBC

«The bear lifted its head and threw a glance around, its eyes still lackluster with the swoon. Its glare fixed on the crowd of animals quarreling nearby. They were arguing who would have its fur, as far as we could judge by the hullabaloo. The noisy crowd froze with the shock as the animals saw the beast they thought long dead budge. The quarrel was promptly forgotten, and all looked spellbound as the bear was coming to its senses. Would the wounded monster rise? That was all that mattered now.»

YOU WON'T GET IT YOUR WAY!

So the Russian bear is regaining consciousness. We choose this metaphoric way to describe the present state of the country because of Russophobia. The conclusion comes from the shock into which Russia has sent the so-called «civilized community» by rising again. When it does not like something the Russian bear is doing, that means the beast is doing – at long last – what it should do in its own interests.

Russia has been giving the West no reason for apprehensions within the preceding 15 years. It ceded one strategic position after another in the world arena as its economy was sliding into a decline, just as its army and all government institutions. Russia was passive in global affairs, and tolerated its resources pilfered and squandered by all

who cared. Feeble attempts to protect the most vulnerable spots looked more as reflex movements than conscious action, and CIA analysts predicted Russia's collapse by 2015. They were wrong.

THE ROAD TO BIG CORPORATIONS

Huge sizes have tremendous importance in economic matters. A large corporation is always more prosperous than a small company – not merely because mass production goes at lower costs and conveyor lines increase efficiency. The reason also lies in the interlinking parts of a production system, with smaller expenditures per item of produce. Next, a major corporation can spend a part of its circulating capital on future-oriented R&D and start a development fund. It possesses sizeable reserves, and can afford its own commercial network. It is the least dependent on the market situation. Then, a corporate mammoth easily ousts its minor competitors from the market through dumping and dealer monopoly. It affords large-scale commodity advertising and personnel welfare.

Thus, South Korea owes its economic miracle to chaebols, large conglomerate industrial companies with consider-

able government capital participation, and Japan to shudans, at whose cradle the government also stood. Such government-backed giants alone could prove worthy competitors to U.S. and European transnational corporations, with similar structures but different antecedents. Every economic miracle has government participation at its basis. We know that from history. Germany, Hong Kong, Malaysia and Indonesia – all owe their sweeping economic progress to the state. The road to such skyrocketing progress was simple – through industrial capital concentration plus government investment.

Only a corporation run as well as Boeing would be able to compete with it. That is why President Vladimir Putin is establishing a United Aircraft-Building Corporation initially to pool in the Sukhoi Company, the MIG Corporation, the Ilyushin Company, the Irkut Corporation, the Yakovlev Design Bureau and the Tupolev Joint Stock Company. The state is funding the ambitious project to hold its control stock. The new corporation is expected to manufacture up to 120 aircraft a year by 2013 with \$2.5 billion annual revenues.

We see similar trends in the power industry, with a budding Atomprom nuclear energy holding. The Federal

Agency for Nuclear Power recently started negotiations to purchase Si-lovye Mashiny, United Machine-Building Plants and Podolsk Machine-Building Plant stock. The federal agency hopes to pool in those assets in Atomenergomash, a sub-holding of the new Atomprom holding, in which all civil-oriented nuclear energy assets will gather. The Agency's another arm, Technabexport, is buying up machine-building assets and aspires to join the Atomenergomash founders. Technabexport has by now acquired blocks of the Degtyarev Plant and the Kovrov Mechanical Plant. The Federal Agency for Nuclear Power and Technabexport are negotiating to gather machine-building companies under the new holding. Media outlets are reporting the Agency and Gazprom discussing the purchase of the United Machine-Building Plants.

THE YUKOS AFFAIR AS SEEN FROM ANOTHER ANGLE

Nationalization is underway in petroleum production, as well. The Western share in that sector is shrinking with national government participation gaining momentum. The developments make us see Mikhail Khodorkovsky's arrest in a new light. Sergei Lopatnikov was right when he wrote about Yukos three years ago: «Khodorkovsky is out to sell a 40% Yukos block to a U.S. oil consortium at \$25 billion, with another 13.6% block to be auctioned off. Yukos' control stock is thus getting into foreign hands. To be more precise, the stock is shifting to the U.S. consortium as it is purchasing 40% of shares because we can surely say that it bought another 10% plus one share long ago... As things really are, Khodorkovsky is selling off not Yukos but something more essential. Really, Yukos makes slightly less than one third of the entire Russian petroleum industry. On expert estimations, petroleum export revenues alone make 13-14% of national revenues at \$23.5 a barrel. Then, there are domestic fiscal revenues. Taking into account obliquely related economic sectors, the petroleum industry makes 30-40% of the national budget, which means that Yukos is bringing 10-15% of lump national revenues. By way of comparison, defense expenditures account for 13.5%, while research allocations are negligible. If we take only export revenues into consideration, Yukos accounts for approximately 5% of the national budget. If the company strikes

the prospective deal, the new Yukos proprietor will have the say-so in Russia: to hold 5-10% of the national budget means to rule the country... If we regard the matter from that angle, we see that the transaction Khodorkovsky is plotting is inadmissible under any circumstances. It must be thwarted at all costs, for Russia has nothing more precious than its sovereignty, which is now at stake.»

The Russian authorities thwarted the deal by nationalizing Yukos.

FOLLOWING IN HENRY FORD'S FOOTSTEPS

We see similar trends in the automotive industry. GAZ, for one, is no longer the Gorky Automobile Works alone but a mammoth holding, which owns several works, in particular, the Michigan-based Sterling Heights, an arm of the German DaimlerChrysler. The GAZ group purchased not only equipment but also the right to manufacture modified Chrysler Sebring and Dodge Stratus vehicles. That was a highly symbolic transaction as none other than Henry Ford offered crucial assistance in establishing GAZ, and now the American automotive industry again supports its reviving Russian counterpart.

AvtoVAZ, Russia's largest automobile works, has passed into state ownership with government spokesmen making a majority in its board of directors. Rosoboronexport's affiliate purchased the control stock early in 2006.

We can mention more examples, the ALROSA diamond mines, goldfields, a number of military-industrial enterprises, etc. Privatization has been reversed, and the state is painstakingly acquiring control stocks of prosperous enterprises triumphantly privatized not so long ago. Industry and mining are amalgamating on a grand scale as major national concerns emerge with considerable government participation.

THE HOUR HAS COME FOR NEW STRATEGIES

The federal authorities evidently have a well-pondered strategy of economic revival resting on national interests. Does that strategy have an explicit formulation? Was it ever made public? It was. Alexander Ignatov, director general of the Analytical Information Agency under the presidential administrative depart-

ment, had his article «Globalization Leadership Strategies for Russia» published in Nezavisimaya Gazeta as early as 2000. It did not receive any acclaim those days with no practical moves to underlie it. The essay appeared sheer scholarly analysis six years ago. Now, we regard it as a program of action that has only recently become evident to the public, a program to be treated as seriously as we can.

The Ignatov program opens with evaluating foreign political developments and the world economic situation. A greater part of the article concerns analyses of globalization and its particular aspects. Many conclusions appear correct, though the author certainly was under the influence of certain myths artificially implanted in the public mentality – mainly, the myth of globalization coming to the economy and the commodity and finance markets as an objective process. The myth makes globalization immune to critical analysis, so the Russian desire to join the WTO is taken for granted. As things really are, transnational corporations are controlling the process, which promotes their interests.

As I see it, Russia ought to establish its own transnationals as worthy competitors with their Western counterparts. Such corporations will come as a weighty argument. In particular, the program calls Gazprom, RAO UES and the Federal Agency for Nuclear Power together to make the core of a Russian-based fuel and energy super-corporation. An alliance or merger with oil and gas and energy companies of the Muslim world, with an emphasis on Iranian, can come to such a super-corporation as an effective tool of further globalization. Russia must establish a gold and diamond super-corporation on the ALROSA basis to necessarily incorporate all goldfields and silver mines in Russia and the other CIS countries plus platinum mining and processing branches of Norilsk Nickel. All that promises, within three to five years, steady prerequisites to rival the triumvirate of De Beers, the Anglo American Corporation and Minnoro, which is approaching a super-corporate status.

Russia has opportunities to establish several super-corporations—in the fuel and energy, gold and diamond, aerospace and military-industrial fields—which offer it doubtless benefits.



WHY DOES THE MARKET ECONOMY NEED A GOVERNMENT SECTOR?

Where should Russia go? On the one extremity are those who call the country to return to socialism. Contrasting opinions demand further progress to free market relations, with government intervention in the economy. There is no way, as it appears, to reconcile the two mutually exclusive points. However, Social Democrats of many European countries were in an enthusiastic search for a «third road». They were successful in their groping for that road. Be that as it may, scholarly minds refer to the economy of developed capitalist countries as mixed economic systems.

Irina OSADCHAYA, PhD (Economics)

The national economy of whatever developed country rests on the private sector. More than that, the market spontaneity comes here as destructive to give an edge to social problems – so-called «market failures». Multifunctional government involvement in production is necessary in such instances.

Now, where does the state directly participate in commodity and service production, and in what scope?

Mainly, that is production of what we know as public goods. As immediate commodity and service supplier, the present-day government sector incorporates such infrastructural branches as education, healthcare, culture, transport, communications, power industry, and the municipal economy, including water, electricity and gas supplies, garbage removal and procession, environmental improvements, etc.

That was not always so. Etatisation was forced by emergencies, and came as a way to promptly settle economic, social and political problems at the government budget expense. The state owned many processing industrial plants in certain European countries

up to the 1980s, with their ambitious privatization.

The drawbacks of government enterprise became evident with time – the features that initially appeared its benefits. The monopoly status of government companies and their direct link with the government purse made them spongers with reduced interest in innovation. Such companies were remote from the new capital markets and new

transnational and other financing patterns. They were no longer competitive with the advent of globalization, as integration gained momentum and a united market environment emerged in Europe. That plus government need for greater budget revenues led to the large-scale privatization of government companies of the 1980s. That was so in almost all industrially developed countries and in many developing. The pendulum changed direction. The government sector sizably shrank, especially in industry.

Production into private hands, the infrastructure for the state

Privatization was not an only change. Government interference in production and price formation reduced. The change was at its most spectacular in the U.S., where air and truck transportation, telecommunications and some other branches were traditionally private though government-regulated.

Signed in 1992, the Treaty of Maastricht, which established the European Union, came as another impetus of privatization in Europe. The treaty terms required broader free competi-



tion, which ruled out government support for its own companies. The government almost completely quitted the processing industry in all EU countries toward the 20th century's end. Infrastructural branches, on the contrary, stay under government control, though crucial reforms are underway there. As natural monopolies, those branches share many vices of monopoly sway, while government control occasionally fails to meet genuine public interests. That was why many countries launched all-round reconstruction of monopoly structures. Standing out in them is the so-called networking component, which forms monopoly proper. It stays under government control, while everything else – enterprises and companies that directly manufacture commodities and produce services, and are able to survive competition – passes into private hands. The energy industry, for one, regards electric transmission lines among the networking components, and railroad transport the tracks.

Hard and complicated developments were Russia's lot throughout the time of its economic shift to market patterns. An end was put to government ownership of the entire economy as a private market sector emerged, and the government/public sector proper divided from it. Russia has become quite different by this day – at least, where property holding is concerned. The years 1996-2005 cut the share of government-owned companies from 14.3% to 3.6%, while the share of private companies increased from 63.4% to 79.2% with no account for municipal, public, religious organizations', mixed and overseas property. The government withdrew from almost all basic industries to retain its positions in the infrastructure.

All that does not mean that, considering the many transition period problems, the state ought to entirely give up the levers of economic influence on economic development that are still in its hands. On the contrary, it strengthens its positions and enhances control through purchasing shares, acquiring control blocks of the leading Russian-based corporations, and appointing its representatives on their boards of directors. Government-private enterprise is gaining importance, especially in major infrastructural projects.

Production and market offer of commodities and services is a notable though not pivotal form of public sector participation in the national economy. The role and scale of the govern-

ment sector best reflects in its share of the national income, i.e., in the gross domestic or gross national product – or, putting it differently, in the amount of government finance, which includes central government, regional and local budgets of all levels and, in certain countries, particular extra-budgetary funds.

As the share of social expenses in the GDP was steadily growing, the share of government expenditures grew with it. It had reached approximately a half of the GDP in European countries, and 33-35% in the U.S. and Japan by the start of the 21st century. If we consider health allocations (6-8% of the GDP) together with above-mentioned indices of social expenditures/transfers, we shall see that they make more than a half of all government expenditures. As for military expenditures, they are moderate nowadays, e.g., 4-6% in the U.S. and France.

Government contribution to funding and organizing R&D remains notable. The share of government funds (mainly to promote fundamental work) is 40-55% in the developed European countries, and approximately 20% in Japan. Mixed funding is gaining in

importance as target programs in key research and technological fields demand pooling in financial, material and human resources of the state, corporations, universities, and numerous service companies. The developed countries' governments seek to concentrate fundamental research as much as possible, and so promote technoparks and technopoles round major universities and research centers and institutes.

The few preceding years

structurally changed Russian government expenditures, so that now they resemble those of market economy countries. Social expenditures have increased at the expense of military and national economic allocations. Regrettably, Russia still lags behind European countries in that respect.

Tax revenues are the principal source of replenishing the government purse. Private taxation in the developed countries accounts for 25-40% of total fiscal revenues, as against 17% in Russia. That has good grounds – an overwhelming portion of the population has too low incomes, and the prosperous minority is too unaccustomed to paying taxes without coercion (under tax inspector's pressure, to be honest) to hope for income tax revenues soon to extend their basis.

It is possible to change the fiscal structure, making it more adequate to the progress-oriented market economy. The incomes of extensive population groups must dramatically rise for that – a big goal! At the same time, the crying differentiation of Russian private incomes will hardly further justify the available taxation on a flat 13% scale for all sums.

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Alexander KAMYSHOV,
director general of the Business Technologies Agency



The performance of the most successful companies shows that no matter what your achievements, it is necessary to go ahead. Searching for ways to improve the efficiency of management and production, to protect business, to diversify products and to reduce costs should be a constant process that will secure a stable business growth in the face of competition. Once, the management of a company may encounter problems generated by external involvement. Corporate differences related to unfriendly criminal takeovers have taken a threatening shape in Russia. The number of raiders' attacks is growing every year. The commission for monitoring and counteraction to illegal takeovers of the Russian Chamber of Industry and Commerce reported that from 2000 to 2004 there were some 5,000 takeovers in Russia, and almost 1,900 in 2005 alone.

The trend cannot but alarm the country's government, which is making efforts to put into practice the concept of corporate legislation development until 2008. It should remove drawbacks in the current laws. Russian Economic Development and Trade Minister German Gref, one of the authors of the concept, acknowledged that the government couldn't protect owners from raiders. Judging from the fact that Russian laws should be enacted, rather than amended, the problem is unlikely to be solved even after 2008.

However, there is a way out. Under the currently tough circumstances, there are safe mechanisms and tested methods for protecting assets from illegal encroachment. Those companies that specialize in crisis asset management possess these tools. As market medics, raiders target weak companies. Ineffective management systems or internal conflicts between owners mostly attract their attention. If an owner has powerful assets while the package of shares is split, it is time for him to get ready for an inevitable attack. Soldiers say attacks are the best defense. Another proverb can be used in business: prevention is the best defense. In other words, withdrawing a company from a crisis means removing it from under the blow of a dangerous opponent. Not being vulnerable would be better.

Special asset management companies have lately been turning into the most powerful instruments for withdrawing enterprises from crises. Such companies seek to maintain production and improve the management system of a task company, because they give businesses economic and legal protection and modernize and restructure production and management systems with a view to increasing their efficiency.

The Podolsk Electro-Mechanical Plant is a bright example. The company was established in 1918 to produce shells and cartridges. Ever since, it has ensured the country's

defense. In the past few years, the plant has been Russia's sole supplier of components for the production of the most up-to-date anti-aircraft missiles. Naturally, the plant is on the list of strategic enterprises approved by the Russian president. However, this did not save the company from a powerful raiders' attack. Two years ago, one of the oldest defense industry enterprises was made bankrupt, external managers were installed there and arrangements were launched for bankruptcy proceedings. All mobilization-purpose assets were supposed to be auctioned off. The enemy was the organization, which handled the plant's external management and had earlier taken an active part in bankruptcy proceedings against the famous giant carmaker AZLK.

The Podolsk plant's shareholders invited the Business Technologies Agency, an asset management company. It took the latter less than a year to remove the plant from the crisis. For the first time in present-day Russia bankruptcy proceedings were cancelled by a court. The Moscow Region's court of arbitration passed a ruling on October 10, 2005. The arrival of the Business Technologies Agency brought the plant's output to the pre-crisis level in six months. Owing to a constructive dialogue with the Russian Industry Agency, the number of state orders placed with the company trebled. The plant was given a stable development direction. Its boiler house resumed operations to support the city's key social facilities – apartment houses, kindergartens, hospitals and schools.

Two questions remain almost rhetorical.

The first concerns the imperfect legislation, and it has already been settled individually. The law on bankruptcy runs counter to the Tax Code on whether a third organization can pay off a bankrupt company's debts. On September 18, the Moscow Region's Court of Arbitration and Appeals No. 10 ruled that it could. A precedent has been set, and the oldest strategic plant active in the defense sector may finally work safely.

The other question is to the entire business community: was it necessary to drive the company to such a condition when crash anti-crisis measures had to be taken? It would have been easier and cheaper, as well as strategically more correct, to turn to asset management experts much earlier, when ways could be found to improve production and management efficiency, rather than fight for the almost alienated property.

An answer to this question could be creating the necessary conditions for a wider involvement of asset management experts in industrial companies, including state-owned ones. Only joint efforts on the part of the president, the government and the business community with the Russian Chamber of Industry and Commerce as a mediator can help create such conditions.



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PRO ET CONTRA OUR ENERGY IDEA

By **Vitaly MAKAROV**

Those who come out with a timely idea either as a result of some circumstances or due to their own initiative, usually have luck with big politics. Let's review the results of the G8 summit in St. Petersburg in this light.

We all know Moscow's ideas which were supported by the other G8 members. But what is their essence?

Russia believes creating a safe and comprehensive energy security system in the world is a strategic task facing the G8 and the entire international community. It should be based on the realization of countries' mutual dependency in the issue and on a search for mutually acceptable solutions to emerging energy problems.

Russia has no doubts that global energy is today the key driving force for socio-economic advance, for it has a direct impact on the welfare of billions of people around the globe. The world community is seeking an alternative to traditional energy supplies and wants to introduce energy saving programs. Yet, before achieving practical results, we should learn to supply the global economy with traditional hydrocarbons.

In the past 150 years, mankind has used 65% of global oil reserves. The Persian Gulf probably has the world's largest remaining oil resources. According to some estimates, in some years the world consumes five times as much oil as it discovers on new oil fields. Oil exploration and production are being conducted under increasingly complicated geographical and geological conditions. The time will come when as much energy will be used to explore and produce fuel as this fuel will contain. An irrevocable oil production crisis will break out then.

A lot of countries and international organizations

have come to realize the danger of an energy crisis. As the problem has already moved to the domain of politics and security, the G8 has shouldered heavy responsibilities for severing the new knot of global problems. Forecasts of consequences of a deepening crisis prompted the decision. The attempt to tame disobedient countries rich in hydrocarbons with the use of force may prove a children's game in the face of potential problems that may appear in the future. Mankind's survival is at stake.

They used to believe that after liquidating the confrontation between the two systems the very threat of new global disasters was removed. Reality rebuffed politicians' dreams of the 1990s. The everlasting war between countries and peoples for a place under the sun is not over. Instead, it has taken a new shape that may be even more dangerous than before, when Moscow's and Washington's moves could be predicted. Yugoslavia, Afghanistan, Iraq and international terrorism are the brightest examples.

Never before have global wars been waged over the danger of extinction of nations due to a shortage, or a lack of energy, which is worse. When the survival of a nation is at stake any rescue means will be good, including the seizure of control over energy resources from another country.

The shot in Sarajevo was a pretext for WWI, and Hitler's blitzkriegs provoked WWII. Who can guarantee that a nuclear trump card a country or a group of extremists may use to stay alive will not trigger a final catastrophe?

That is why the G8 and the entire global community supported Russia's statements that it was necessary

to secure balanced energy supplies for humanity in order to maintain global security. Moscow's proposal to establish an efficient cooperation system for energy supplies to united nations in the longer term was not left unattended.

The discussion of these questions at one of the world's most prestigious forums raised a whole range of issues related to our politics and security. Will Russia be able to play a worthy role in this global project taking into account its interests and capabilities?

To answer this question we need to know what we will be in ten, fifteen or twenty years. Germany and Japan which we left defeated knew what they were living and working for soon after the war. And unlike us, they are still aware of prospects for their development. This unites nations and generations.

Russia also has to formulate a national development strategy for the longer term. Due to the fact that the contemporary political elite cannot think strategically Russia has not yet worked out plans to develop domestic industries, which are the major energy consumers. Energy, the driving force for the economy and welfare, cannot operate well unless it has an optimal program of actions. The G8 leaders who attended the St. Petersburg summit were aware of ways to develop their countries. Unlike them, we have not so far recognized even indicative planning. We can drive ourselves hoarse saying that with its huge potential Russia is becoming an energy superpower. But we will remain a super storage for developed economies (and not just for them alone) unless we orient the advantages of our energy resources toward attaining a brand new development stage de-



termined by knowledge-intensive industries and the most up-to-date technologies.

That is why a new energy program should be developed on the basis of a national development strategy. Of course, it will have to include the results of the St. Petersburg summit, yet it should meet Russia's fundamental interests and have a clear understanding of the need for modernization.



YELABUGA - THE SPECIAL ECONOMIC ZONE

Interview by **Olga BUROVA**



Establishing Special Economic Zones (SEZ) has been a common practice in the world economy for a long time. Today it is one of the most effective instruments for attracting foreign investments into the national economy. **Shamil AGEYEV**, board chairman of the Russian Chamber of Commerce and Industry, speaks about a SEZ established on the territory of the Yelabuga district in the Republic of Tatarstan.

RBG *Tatarstan has won a nationwide tender to set a SEZ on its territory. Could you comment on its victory?*

First of all, I'd like to point out that it was the first ever tender of this kind, and competition among candidates was tough. The tender commission received 72 applications from 43 Russian regions, 29 of which were projects for establishing technical innovation and 43 for industrial production zones.

Yelabuga has been granted the SEZ status, which is a great honor, and it fully recognizes the responsibility it has to bear. Ambitious projects, thorough calculations, investors and other competitive advantages, all played a part in its victory. However, there were some other aspects that helped Yelabuga win.

Could you tell us about them?

To begin with, the new SEZ established in the Yelabuga district has a favorable geographic location and a developed transport infrastructure. It is 20 km away from an international cargo and passenger airport, and is connected with the Moscow-Ufa-Kazan-Chelyabinsk highway of federal importance. The nearby river ports in Naberezhnye Chelny and Nizhnekamsk are linked with the Unified Deep Water Transport System in European Russia.

Another important factor is that the Republic of Tatarstan already has experience of operating a SEZ. An Alabuga



Free Economic Zone was established by a decree of the president of Tatarstan in 1998. It was later renamed the Investment Projects Directorate. At present, the production area is developing with the participation of Russian, Belarusian, Czech, Swedish, Turkish, Chinese, Austrian and British capital.

But the trump cards of Tatarstan's SEZ are its capabilities to launch production of car components and unique conditions for the manufacture of plastic goods, which means there would be no need to import them. The Russian car market has been growing rapidly. The

world's major car manufacturers are trying to set up their production facilities and market car components in Russia. The demand for car components has reached over \$3 billion a year. The Yelabuga SEZ has a favorable location to host such facilities, as it adjoins the Kamaz, VAZ, GAZ, IzhAvto, UAZ, and SsangYoung car plants.

Tatarstan has the entire range of polymers for the production of plastics, which gives the SEZ one more advantage. It accounts for the production of over 500,000 tons of polyethylene (it is the leading Russian manufacturer

of linear polyethylene); 180,000 tons of polypropylene; 100,000 tons of polystyrene; and over 500,000 tons of synthetic rubber a year. As soon as domestic production of plastic goods is launched, Russian companies will no longer have to pay the transportation costs and customs duties involved in importing them.

How are you planning to attract investors to the SEZ? Could you name its residents now?

For the SEZ to operate at full capacity, we have to launch construction on its territory, provide communications, develop infrastructure, including social facilities. At present, the Republic is trying to complete the first stage of the SEZ project.

A number of Russian companies have confirmed their participation as residents, as well as foreign companies, including Hyundai Motor Company (South Korea), KFZ (Austria), GMT, Georg Fischer, RBL (Germany), Mando (South Korea), NALKO (U.S.), and ZASS (Turkey-Italy). The production



tion, and from land tax from the date of the registration of the owner's rights to the allotment. In addition, SEZ residents will be granted special benefits by the Republic's authorities.

As we have touched upon the figures, could you tell us some more about the financing of the SEZ project?

The implementation of the SEZ construction project is scheduled for 2006-2009 and is financed from the federal and regional budgets. The total investment required is 9,738 billion rubles. Three groups of facilities will provide for the zone's functioning: infrastructure on the territory of the SEZ (3,688 billion rubles), facilities in the area adjoining it (2,259 billion rubles), and social facilities (3,790 billion rubles).

What role does the Russian Chamber of Commerce and Industry play in establishing and developing the SEZ?

The Tatarstan Chamber of Commerce and Industry is a member of the SEZ Supervisory Council. It coordinates the work of federal and local executive authorities, controls the distribution of budget funds allocated for the development of the area, and so on. We have good resources.

We give special priority to setting up the polymer components production,

including for the automobile industry. We have conducted comprehensive market research, updated the information on Tatarstan's plastic manufacturers and estimated supply and demand. The results of the studies show that producers face such problems as the rising cost of raw materials and tough competition, which is due to the abundance of doubtful quality Chinese goods on the market.

To sum up, both businesses and the state benefit from SEZs. The main thing is to fine-tune their operation and economic policy.



of Chinese Great Wall Hovers is to be launched in the zone.

What will attract investors to the SEZ?

First, its residents will be guaranteed significant tax breaks and clear rules of the game for the whole period of the SEZ's existence – 20 years. It is particularly important since the Russian taxation system lacks stability. SEZ enterprises will have a number of benefits. Depending on the field of activity, the benefits will reduce investors' costs by 30%. The SEZ will provide a free customs zone regime, which means that foreign equipment brought in and operated within the borders of the zone is exempt from customs duties and VAT, and export duty relief. SEZ residents are also exempt from property tax for a period of five years from the date of the property registra-





NEW RUSSIAN REGIONAL POLICIES AND SIBERIAN AND FAR EASTERN DEVELOPMENT

Alexander KHLOPONIN, Krasnoyarsk kray Governor

CURRENT PROBLEMS OF REGIONAL POLICIES

Political and economic reforms of the early 1990s put an end to Soviet territorial planning, based on government property, planned economy and government decision-making monopoly. Nothing was offered to replace it, and no territorial planning was made. That is why Russia, one of the world's largest countries, currently has no clear-cut regional policy.

Paradoxically, a vast country has no effective legal basis of territorial planning. The acting legislation allows both federal authorities and constituent entities either possess strategic documents in that field or have none at all. The latter is all too often the case. Thus, there is no long-term federal strategy of regional development. Medium-term programs to implement it are also absent. The situation is no better in the regions: a mere 30 of them have long-term strategies of their own. That is understandable – it is hard to elaborate strategies on a regional level while the federal authorities have not yet come at explicit opinions on key territorial issues.

The regional aspects of basic branch strategies have not been studied in due detail. Medium-term social and economic development programs, and programs to develop infrastructural monopolies are also absent.

No documents that concern planning are drafted with an account for the developmental disparity of Russian regions. Some have living standards on a par with Portuguese, and some with Nepalese.

Present-day regional policies have another burning problem: interbudgetary relations within such policies come as formidable obstacles to regional economic progress. Russia has a long-established gap between its leading and

backward parts. That gap is ever widening. Thus, per capita industrial output in the most prosperous Russian region exceeded that of the least prosperous 64-fold in 2000, and an exorbitant 281-fold in 2005. The five years increased the gap between per capita budget revenues in those two regions from 50-fold to 194, per capita capital investment from 30 to 44, and the unemployment rate from 29 to 33.

The federal State Council ad hoc team for regional development planning offered a report last summer. It came to an ominous conclusion: the present-day regional policy does not stem from con-

THE PRESENT-DAY REGIONAL POLICY DOES NOT STEM FROM CONSCIOUS GOVERNMENT EFFORTS.

scious government efforts. On the contrary, it is a random cluster of territorial results brought by the many branch strategies and plans as implemented by the state and business. How is Russia to get over to regional planning according to the latest standards – planning that would balance out the interests of the federal center, regions, business and society?

NEW REGIONAL POLICY MUST AIM TO DEVELOP THE RUSSIAN ECONOMY

We see balanced regional development, a depolarized national economy, and economic development leveled-out between the Russian east and west as basic goals of present-day territorial planning.

Financial, managerial, innovation and other post-industrial sectors will make

rapid progress in Moscow and St. Petersburg in the near future. That is evident. As for Siberia and the Russian Far East, they must form another mighty pivot of economic progress. That is capital-intensive industry.

Siberia and the Far East are dramatically lagging behind the Russian west despite their fabulous economic potential, which is not implemented. Despite all that, Russian and overseas business is eager to implement in those parts of Russia major projects in oil and gas extraction and processing, the metal and timber industries, and other fields. That tremendous interest became evident

to the ad hoc team in its research to prepare a State Council report. It is perfectly possible to launch a hundred capital investment projects in Siberia and the Far East within the next 10 to 15 years to a total \$200-

230 billion.

However, for historical and climatic reasons, the trans-Ural area has a badly underdeveloped infrastructure, which comes as an obstacle to implementing those projects. Look at Russia's transport map, and you will see a cobweb of highways and railroads in the west – and only scanty roads in the east. The situation is similar with power grids. The acting legislation leaves infrastructural project construction to the federal center, whose developmental strategies clash with their counterparts elaborated by constituent entities and industrial mammoths, many of these with their own well-pondered corporate programs. Such uncoordinated strategies come as the worst obstacle to implementing ambitious industrial investment projects in Siberia and the Far East.

Thus, as a modern regional planning system is taking shape, Russia must work not for stringent arrangements re-

gions would follow but for a well-knit and flexible complex of organizational, legal, method-setting and information premises resting on the following principles.

1. Taking into account business interests

The state is no longer a sole property holder. So it should use the latest indicative regulation measures in its contacts with the entrepreneurial world. It should take into account business plans and strategies to draft and implement planning documents.

Government-private partnership, in which private business provides R&D and the state offers the infrastructure, is the best possible form of government relations with business in implementing large industrial projects in Russian regions. Blueprints for all-round development of the area in the lower reaches of the Angara, in the Krasnoyarsk Territory, exemplifies such partnership. Private entrepreneurs have obliged to open up fabulous local mineral deposits and build a related network of industrial plants, while the state vouches to provide the necessary infrastructure.

2. Taking into account regional interests

The Russian Constitution makes regions not administrative territorial entities subordinate to the federal center but subjects of federal relations based on the delineation of rights and competences. The planning system is thus to follow

AS ELABORATION AND IMPLEMENTATION OF PRIORITY DEVELOPMENTAL ASPECTS OF CONSTITUENT AND MUNICIPAL ENTITIES.

the «federation-regions» line. Federal and regional obligations need a mirror arrangement – the Federation has no moral right to demand program documents elaborated in the regions unless it possesses an explicit long-term territorial development strategy implemented through practical medium-term programs. It is also necessary, for the start, to elaborate at the federal level detailed and explicit documents reflecting the regional aspects of all planning documents from the federal budget and the medium-term national development program down to the regional strategies of state monopolies and branch ministries.

WHAT IS TO BE DONE?

When Russia gets down to forming a new up-to-date territorial planning system, it will have an essential need for a new legal act – a federal law on organizing the elaboration and implementation of regional policies. The regional policy law must oblige both the federal and regional authorities to possess a relevant set of strategic and program documents pertaining to territorial planning, and elaborate and adopt a set of concepts – in particular, give a precise definition of regional policies. The ad hoc team regards regional policies of a modern state as elaboration and implementation of priority developmental aspects of constituent and municipal entities. Coming as pivot of such definition is the object of planning – not practical economic activities but solely the preparation of strategic and program documents. That is why achievements in implementing the new law will closely depend on the performance of «soft» tools with which to mutually balance the interests of agents materializing legally regulated relations.

To guarantee high quality of strategic, program and prognostication documents, the new law must envisage the elaboration of a universally accessible



method base on the entire range of planning issues. Such recommendations are to come to regional authorities as a detailed practical manual on planning technologies.

The law on regional policies will be drafted and coordinated approximately up to the end of 2006. In that instance, the year 2007 will give a new start to the Russian regional planning system. To be more precise, that will be the inception day of this system, the way it should be.

However, there are reforms executives can implement immediately. First, present-day interbudgetary relations, which come as obstacles to economic progress, should be removed. The way it is now, the system of such relations fails to level out economic development, though it is comparatively successful in leveling out allocations to regions.

It is worthwhile to do the following in that field: (1) refuse to cut federal allocations to regions by the sum of the fiscal revenue potential increase; (2) buttress and formalize the target orientation of all federal investment in regions, which demands medium-term planning of federal budget expenditures

in the regional context; and (3) establish a special federal fund to support socio-economic reforms, analogous to the effective fund of regional financial reforms. The new fund will have for its principal duty financial encouragement, through transparent contest, of regions determined to implement priority reforms.

New and wise investment instruments have appeared at the federal level. The law on special economic zones and the recently established Investment Fund are the principal. All that is not enough, however. Russia needs new financial institutions of a federal scope to offer soft loans to investment projects in areas to which regional policies attach top priority. In that context, regions are pinning great hopes on a government development bank to be established on the Vnesheconombank basis. Once it appears as a structure interested in selecting and implementing lucrative regional projects, such a development bank will have an impact on the progress of economy in Russia's constituent entities.

Streamlined interregional cooperation also provides a considerable reserve of

economic progress – in particular, to promote macro-regional establishment and development. Interregional partnership projects can receive support both within the framework of long-established federal investment and other target programs, and through the Investment Fund and special economic zones.

The elaboration of cluster political measures must gain momentum at the federal level because cluster economic organization is the most beneficial to regional budgets. Regions are interested in the establishment of a special fund to promote cluster projects. It will be an incubator of cluster policies analogous to venture funds established on the principles of federal/regional co-financing.

Russia is posing itself ambitious goals in socio-economic progress. In fact, those goals indicate its determination to regain leading positions. Attaining them demands fundamental changes in regional policies, among others. Russia is a vast country, and regional policies are among the essential factors of its development. Regional policies are to promote not slow down its progress.

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URAL SIBERIA FAR EAST





WE HAVE CREATED A STRUCTURE CONDUCTING DIALOGUE WITH AUTHORITIES

Andrei KOZITSYN, the chairman of the committee for metallurgy of the Russian Chamber of Commerce and Industry and general director of the Ural Mining and Metallurgical Company.

Mr. Kozitsyn, the committee for metallurgy of the Russian Chamber of Commerce and Industry was formed some five years ago. Have its priorities and tasks changed during this period of time?

The past years have shown that activities of public associations have become more constructive and productive. As for the Chamber's committee for metallurgy, its work still aims at consolidating efforts of representatives of the metallurgical industry to resolve the problems facing the branch. All members of the committee have formed a precise consolidated opinion, which means a new higher level of cooperation. Business has become a united public force and the authorities have changed their attitude to us. We have created a structure conducting dialogue with authorities and our opinion is taken into account. It is well known that wide discussions and elaboration of consolidated opinions help us make proper decisions.

Business involvement in national project has become a topical issue today. Is your committee ready to assist this process?

Priority national projects really respond to current challenges and problems, which should be resolved to boost the growth of our economy and social sphere. Most importantly, business is being involved in this process with a certain experience and base. Our participation in the implementation of priority national projects has two main trends given the specific location, field of activities and products of mining and metallurgical companies.

First of all, metallurgical companies are historically involved in the resolution of many social problems as many plants were built like whole towns. Industrialists are involved in purposeful cooperation with higher education institutions, conclude long-term contracts with them and pay scholarships to students, their potential employees. Some companies establish registered scholarships. On the one hand, companies train concrete specialists for themselves and, on the other hand, the system of higher education acquires additional incentives for its development. One should understand that these investments are mutually beneficial. Above all, these are investments in our future. Undoubtedly, business is involved in the implementation of the Affordable Housing project. Each company has its own scheme of this project's implementation but pursues a single goal of helping its employees, above all, young specialists, resolve the housing problem. Therefore, industrialists increase annual investments in this sphere.

On the other hand, mining and metallurgical companies provide production and supplies of metalwork for the construction sphere, production of agricultural equipment and other fields. Accordingly, members of our committee are proactively involved in the work of many public organizations which participate in the implementation of national projects.

The transition to a new scheme of technical regulation is one of key factors that will influence the development of the mining and metallurgical sphere in the future. The committee for metallurgy is known for its serious approach to the drafting of normative documents in this field...



Technical regulation is one of the committee's priorities. We have a working group which developed a system of technical regulation facilities and rules in Russia's mining and metallurgical sphere together with the National Technical Regulation Institute. The system was tested by relevant organizations and was recommended to federal executive authorities. We are currently working on a technical regulation system in metallurgy, which will cover all tasks of the law «On Technical Regulation» in this branch. We expect the government commission for technical regulation to consider our concept.

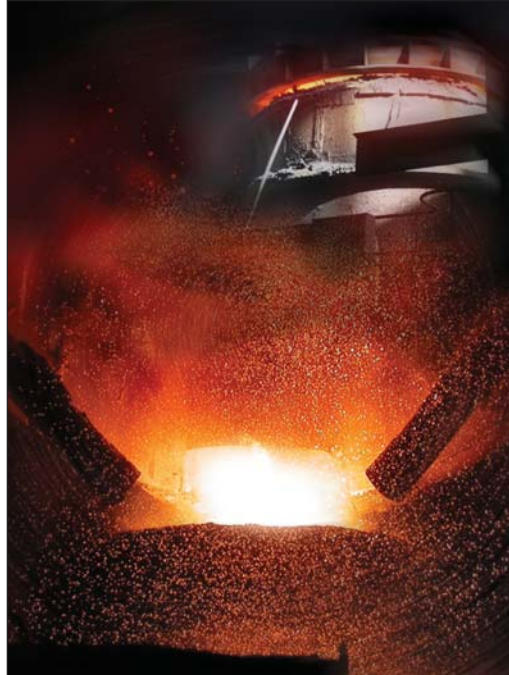
Metallurgists have been recently complaining about the lack of developed railway and transport infrastructure in a number of Russian regions. How can this problem be resolved, in your opinion?

The Russian government currently implements the third stage of a railway reform, which implies the development of competition on the market of carriages, attraction of private investments and a new tariff policy. The development of metallurgy much depends on the resolution of these problems.

We have analyzed the Federal Tariff Service's concept of payments for the use of the Russian Railways' carriages and containers and for additional transport operations, as well as the rules of their application. We have prepared several remarks, which will be forwarded to relevant federal executive bodies after they have been coordinated with the transportation committee of the Chamber of Commerce and Industry.



This summer representatives of our committee attended a session of the Chamber's transport and freight forwarding committee, which discussed cooperation between business and authorities on legislative aspects of the first and second stages of the railway structural reform. I believe that we will find



proper ways of cooperation between the metallurgical and transport spheres. I can give some examples of such cooperation. The Ural Mining and Metallurgical Company recently signed a cooperation agreement with the Sverdlovsk Railways. Now we jointly resolve development problems of railroads, connecting stations, optimization of logistic schemes, etc. As far as the energy sphere is concerned, the Sverdlovsk Region suffering from a sufficient energy deficit has also accumulated experience in this sphere. For instance, the Ural Mining and Metallurgical Company and local energy company Sverdlovenego built new power supply facilities for the electric furnace steelmaking center at the Serov metallurgical plant. We defrayed expenses for the construction of a high-voltage overhead power transmission line Sosva-Elektrostal and the Elektrostal technological sub-station, and Sverdlovenego financed the construction of the Sosva switching station. The providing of a zinc plant (currently under construction) with power is also on the agenda. The new plant needs 135 MW of electricity, which cannot be currently produced in the region. Therefore, we count on a joint search for the resolution of this problem. All these things prove the effectiveness of the dialogue between business and authorities.

THE DEVELOPMENT OF RUSSIA'S FAR EAST SHOULD BE THE WORLD'S UNPRECEDENTED ECONOMIC PROJECT



Yury SHAFRANIK, the chairman of the committee for energy strategy and the development of the fuel and energy complex of the Russian Chamber of Commerce and Industry, the chairman of the council of the Russian Union of Oil and Gas Industrialists MGNK Soyuzneftegaz

I will say nothing new if I repeat the statement that Eastern Siberia and the Far East is Russia's mineral and energy potential, which currently lacks developed infrastructure. The construction of the Eastern Siberia-Pacific Ocean pipeline will create first real conditions for the improvement of this situation. The world's leading experts forecast that oil consumption will be growing rapidly, especially in Asia-Pacific, and reach 5.2 billion metric tons in 2020 as compared to 3 billion in 2000. Most optimistic forecasts put the increase of oil consumption to 600 million metric tons in China, which produces only some 200 million metric tons.

Russia will need changes in the reproduction of its mineral base and the organization of large-scale survey activities in order to ensure oil and gas exports. Geological survey will need investments worth at least \$14 billion, including some \$3 billion on Sakhalin to ensure oil production in Eastern Siberia and the Far East at 80 million metric tons until 2030. The eastern regions lack the necessary infrastructure for the achievement of this goal. But favorable conditions on the world energy market allow Russia to reform the economy in the region and the country as a whole. Rich resources of high quality oil create a basis for the construction of major oil refineries and petrochemical plants with a capacity of some 50 million tons, especially to satisfy the demands of Asia-Pacific.

Moreover, natural gas in Eastern Siberia and Yakutia contains many valuable components, which can be supplied to

NOTE:

I THANK LUCK THAT I WAS BORN AND GREW UP WHEN THE DEVELOPMENT OF WESTERN SIBERIA'S OIL AND NATURAL GAS COMPLEX WAS IN FULL SWING. WHEN I WAS A STUDENT I REALIZED THAT I CANNOT LIVE WITHOUT THE NORTH AND A REAL CAUSE. I HAVE ONLY ONE FORMULA IN MY BUSINESS AND LIFE: THE RESULT.

world markets as final products after its refinery. Major energy and mineral development projects in Eastern Siberia and the Far East can boost activities and demographic growth and attract foreign workforce to the region. The scale of work in this sphere is large and the government should elaborate a program for the development of the oil, gas, petrochemical and chemical industries in Eastern Siberia and the Far East. The program should be supported by serious socio-political resolutions. A complex approach should be applied to the developing of the Russian east, just as it was in Western Siberia.

The creation of an oil and gas complex in Western Siberia in the 1970s was a grandiose project of the 20th century.

It was a project of unprecedented economic and geopolitical importance, which helped resolve the development

problem in the shortest terms. A new huge hydrocarbon production region with major material-technical and financial resources appeared in the world as a result.

The eastern project should be considered in the same context today. No company in the world can implement it alone.

This can be done under the auspices of several states. An educatory example of effective management solution in the history of the Soviet Union was the creation of the Northern Sea Route administration in the 1930s. The United States, Canada and other countries have similar examples of managing huge production territories. This experience should be used.

The international participation in territorial development should imply the creation along Eastern Siberia's borders of a massive belt of strategic resource projects involving European, the U.S., Chinese, Indian and other companies. In my opinion, this is an important issue of socio-economic reproduction and life in Russia and other countries.

TWENTY YEARS IS ONLY THE BEGINNING!

An interview with **Maxim FATEEV**, the president of the Chamber of Commerce and Industry of the Saratov Region



What are the main trends and services of the Chamber of Commerce and Industry of the Saratov Region?

The chamber currently offers more than 100 services. What does it mean for entrepreneurs? It means that the chamber can answer more than 100 questions on how to support business. If we properly answer questions of at least one businessman and help him resolve at least one problem, this trend will be a priority at the moment. We have no minor and unimportant services. But we are traditionally stronger in some spheres and this is proved by the official recognition of our successes in this or that field. For instance, the Saratov chamber won an award of the nationwide contest, 100 Best Russian Products-2005, for an inspection of products. Above all, this is a high appraisal of the chamber's experts.

We became winners in the category «For proactive foreign economic activities» in the Leader of the Year annual regional contest. This year we have started confirming this award and are preparing to build a European exposition center in Saratov. Our Italian partners have designed the center and are ready to invest in its construction, and the chamber is seeking a land plot for the center and tackling registration issues. This is only one example of attracting real investments into the region.

The chamber opened a gubernatorial exposition center some two years ago. It hosted a number of major exhibitions in Saratov and sponsored the participation of regional enterprises in exhibitions and fairs in Russia and abroad.

The chamber is developing its evaluation activities. Last year, the Chamber of Commerce and Industry of the Saratov Region joined the non-profitable Self-Governed Inter-Regional Association of Estimators. The chamber also assigns priority to the development of legal services, including the Arbitration Court, publishing activities, economic research and business training.

What is the trust of businessmen in the Chamber of Commerce and Industry based on?

Figures prove the chamber's growing authority among businessmen. A total of 472 companies and organizations are the chamber's members. In 2005 it was acknowledged one of the most rapidly developing chambers in Russia. The official recognition of the chamber's competence in the fulfillment of its key tasks, functions and services is also an important factor of the trust growth and a guarantee of its effective work. The chamber introduced a system of quality meeting international standards on January 1, 2006. The Saratov chamber is the only chamber in Russia accredited as a body for the certification of quality management systems (QMS) with a right to certify QMS at enterprises. The chamber guarantees a high level of services both in the regional center and district and municipal structures where it has branches.

What problems of regional business does the chamber of commerce and industry assign priority to?

Small and medium-sized business needs support today. The chamber cannot resolve its problems alone. However, we have an experience of supporting small business and a number of concrete proposals. Small companies and businessmen account for 80% of the chamber's members. The chamber and its lawyers, economists and experts are handling their interests. I can highlight a number of problems we are concerned about. More than 60% of small companies are involved in trade today. The development of supermarket and hypermarket networks is gradually displacing small companies from this business sphere. This reality cannot be escaped. Small business should be prepared for working in new fields, including the housing and communal sphere.

«Order» is being restored in the sphere of state purchases. But this is not enough. A new federal law on electronic trading has been adopted. We submitted a similar draft law to the regional government back in 2004. I believe it is high time we returned to this project. Businessmen and public figures should attend meetings of commissions for state purchases. This will be another step towards establishing civil society. Regional small business needs a special in-

frastructure. A program for small business development until 2007 sets a task of increasing the share of small companies in the budget revenues from 10% to 18% and the number of small companies by 25%. This objective seems unreal at the moment. The number of small companies in the region remained the same in the past three years. Many of them existed on paper due to the lack of initial capital, problems with renting offices and workshops, land purchase and registration and many other things.

Real incentives are needed to boost growth of small companies. Permanent amendments to federal legislation, regulations, energy tariffs and accounting formats disturb business. The chamber tries to answer businessmen's questions and give consultations and explanations. But many problems need response and resolution not only at the regional and municipal but also at the federal levels.

Regional Governor Pavel Ipatov told an extended governmental session on the results of 2005 that small and medium-sized businessmen in the region «worked in uncomfortable conditions and the situation should be changed in 2006.» The chamber of commerce and industry and the regional government will have to do a great deal to implement priority socio-economic programs.

How are the authorities and business building their dialogue today?

Cooperation with representatives of all branches of power is one of the chamber's priorities. Undoubt-

edly, a conflict of business and state interests has always existed. But we are striving for a resolution of this conflict by legal means and dialogue. Last year saw positive changes in the business sphere. The development paradigm changed after the election of a new governor, the appointment of a new government and the formation of a new socio-economic policy. We reached a compromise as part of an agreement signed with the regional government in July 2005. We have signed an agreement with the investment policy ministry, under which the chamber of commerce and industry will tackle technical regulation of all investment projects. This is an evidence of the effectiveness of our dialogue and trust in the chamber of commerce and industry.

This year the Chamber of Commerce and Industry of the Saratov Region turns 20. Is this anniversary a wide recognition of its services or the beginning of a new stage in its work?

We asked ourselves this question preparing the anniversary celebrations. And we found an answer, which became our motto, «Twenty years is only the beginning!» The Saratov chamber has a 20-year experience of proactive involvement in the regional development and good traditions. But we are thinking more about the future and considering our prospects because businessmen have many unresolved problems. The main objective of our organization is assistance to economic development. If Russia's economy becomes strong, if the state creates conditions for normal business activities, if necessary laws are adopted, it means we have done a good job.



INTEGRATION PROCESS PREDICTABLE

Sergey TIVANOV, journalist



The Commonwealth of Independent States (CIS) is an international organization recognized by the world community, which has existed on territory of the former Soviet Union for over 15 years.

The international exhibition «The CIS Is 15: Cooperation and Integration», which was held at Moscow's All-Russian Exhibition Center in Late October, has revealed the processes underlying relationships between the CIS member-countries.

The Council of CIS Chambers of Commerce and Industry heads has made a great contribution to organizing the anniversary exhibition and enhancing its status. The Council's fourth session was held in Minsk late last summer.

Minsk, the capital of Belarus, is often called the capital of the CIS. All important decisions on integration issues are adopted here by the CIS' Executive Committee. But what is of greater im-

portance is that the Republic's leadership and people are seeking unity with their fraternal nations, which were once a family. This was highlighted by Alexander Lukashenko, the Belarusian president, in his address to a meeting of CIS foreign ministers in Minsk on October 16.

Belarus intends to building up closer ties with Russia in different fields. This was the subject of discussions at the meeting attended by Alexander Lukashenko, the Belarusian president and chairman of the Supreme Council of the Union State, and Yevgeny Primakov, president of the Russian Chamber of Commerce and Industry. They exchanged opinions on relevant issues



of bilateral relations and the union's construction. Yevgeny Primakov told Alexander Lukashenko about economic situation in Russia and emphasized that «all conditions have been created for the countries' closer cooperation». Belarus is undoubtedly Russia's main strategic partner. The countries' chambers of commerce and industry are boosting rapprochement and integration processes serving as mediators between the nations' businesses. Here is an example of such cooperation.

BelAZ, a Belarusian car factory, relies on the market situation and the customer's interests, which are a strategic principle of its production policy.

The market situation and production of heavy mine trucks depends on the volume and quality of mineral reserves and their production level in the world's distribution of labor, says BelAZ CEO Pavel Mariyev. Last decade showed a tendency of growing mineral production in South East Asia, Latin America and Australia. At the same time, Central and Western Europe are reducing the volumes of minerals exploitation, with the deposits becoming depleted. Other major mining regions



have been maintaining their production levels.

With this in mind, BelAZ management has developed a production strategy: focusing on extending its product range, while reducing the volume of mass production. There are no finished goods inventories at BelAZ. The factory manufactures made-to-order products. Experts say among its world analogues BelAZ trucks are distinguished by their high maneuverability, comfort and the ease of driving. The trucks proved their reliability in the deep-frozen mines of the Extreme North and hot deserts.

The range of products manufactured by the factory includes trucks with a load capacity of 30,000-320,000 tons, vehicles used in mining operations, road construction and metals production, as well as specialized underground transport. One of the novelties, a load-haul-dump (underground mining) vehicle, was designed by engineers at the Mogilev car factory, a branch of BelAZ. It has a 260 hp low-emission engine produced by the Yaroslavl engine factory, Mogilev drive axles and disk brakes, and a BelAZ hydromechanical gear box. The vehicle has undergone testing at a Kemerovo Region coalmine along with a truck with a load capacity of 320,000 tons, a source of pride for Belarusian car makers.

What was the reason for the Herculeses' appearance on the market? Will they be given priority in the factory's production policy?

The reason lies in the fact that mines become 10 meters deeper annually. It is more expedient to increase the vehicle's capability than production expenses. This tendency is likely to continue.

A truck with a load capacity of 320,000 tons has a 3,600 horsepower engine. It weighs 250,000 kg, is 8 m high, 11 m wide, and 13 m long. It took two years and \$9 million in investments to develop its design. Today, it is one of the most powerful trucks in the world. BelAZ engineers have applied the latest scientific achievements and their own developments to the design of the truck. It has set up a new research center for mining equipment, machinery and road and construction vehicles. A great deal of investment is involved in the production. The reconstruction of the core production facility was completed recently, which cost the company \$227 million, of which \$120 million was allocated to the equipment delivery. The objective of the modernization was to make it possible to upgrade



the facility regularly. Currently, the Mogilev branch (MoAZ) of the factory is undergoing a similar modernization. The MoAZ management is focusing on advancing procurement facilities, in particular, the steel shop.

The merger of MoAZ and BelAZ has encouraged the diversification of the production range. MoAZ used to focus mainly on manufacturing road and construction vehicles; today it has preserved its specialization and is being developed along with BelAZ.

This year, the factory is to assemble up to 1,500 mine vehicles. In the previous five years production increased by 2.2 times, and there are plans to double it in the near future. Pavel Mariyev says annual profits should exceed the \$950 million mark in 2010.

BelAZ is one of the world's biggest holdings, and the only producer of mine vehicles in the CIS. In two years it will mark its 60th anniversary. The factory, located in Zhodino, near Minsk, forms the core of the town's vital economy and is the main source of revenues for the Republic's budget.

Today, our products cover one third of the market and account for 96% of the CIS market, says Pavel Mariyev. How does it compete with, for instance, U.S. mine vehicles? How does BelAZ manage to maintain its niche on the world market?

BelAZ's flexible production tailored to the client's requirements makes it highly competitive. In addition, BelAZ vehicles are competitively priced, at a lower level than their foreign equivalents, and here price dumping is out of the question. BelAZ production facilities are being constantly modernized,

which reduces the labor cost, says Mariyev. We try to reduce the non-production expenses. On the whole, in Russia prices for a number of materials and energy resources tend to be lower than in the West, which makes our products less expensive by nearly 50% than in the West. Even with a hike in energy resources prices, with a subsequent growth of materials and component parts prices, BelAZ has room for price maneuvering, which further increases its competitiveness on the world's markets.

The company is analyzing its prospects in Latin America, particularly, in Brazil, where BelAZ manufacture has undergone testing this year. In 2005, BelAZ has resumed its supplies to Cuba, and successfully fulfills its vehicle delivery contracts with China.

We export over 95% of our vehicles, says Mariyev. The company won the Machine-Building and Metalworking Companies competition and was awarded the Best Exporter 2005 prize by a jury which comprised the Belarusian Chamber of Commerce and Industry, the branch ministries and holdings, regional administrations, and Minsk city government.

Russia is the main importer of BelAZ vehicles, accounting for 67.8% of its products. Its trucks proved their worth at the enterprises of the Kuznetsk Coal Basin, metalworking and mining factories in the Ural region, Siberia, Kursk Magnetic Anomaly, the Far East, the Kola Peninsula, etc. BelAZ trucks have enjoyed a reputation of reliable vehicles since the Soviet times until today.



SUBJECTS OF INTELLECTUAL PROPERTY RIGHT PROTECTION OF AND LICENSING

Svetlana FELITSYNA,
Managing Partner of «Sojuzpatent» LLC.

The last decade is characterized by radical economic changes all over the world. Presently economic progress requires constant inflow of new ideas and products, technical innovations increasing quality of life. Economic parameters of the countries' development began to depend in a greater degree not on sphere of production of goods, but on «production» of intangible benefits created by intellectual work of scientists and experts in the most different branches of science and technology. Not casually, practically all countries of the world proclaimed the third millennium to be an era of intellectual property. The intellectual property is an exclusive right of a citizen or a legal entity for results of intellectual (creative) activity and equal to them means for individualization of a legal entity, individualization of production, carried out activities or services. Practically any organization performing enterprise activity creates subjects of intellectual property. Patentable inventions and utility models, art-design solutions which can be patented as industrial designs can occur in organizations dealing with researches and development. Organizations can have means of individualization (for example, company names, trade marks and service marks). Results of intellectual activity can be subjects of copyright (for example, computer programs, achievements of selection, domain names, commercial secrets and other achievements). In this connection measures are necessary providing right protection for the results of intellectual activity. Providing of right protection assumes acquiring the rights to the results of intellectual activity, prevention of loss of the rights, prevention of infringements of the rights to already registered subjects and their protection in cases of infringements. Organizations not giving due attention to the protection of rights are threatened with direct losses of profit, or with a general damage to business owing to loss of exclusive rights to products or services. Existence of intellectual property is defined by laws. To buy the created subjects of industrial property

(inventions, utility models, industrial designs, trade marks, service marks, names of places of origin of the goods) some formal actions should be fulfilled: drafting and filing with the federal enforcement authority on intellectual property an application for granting a security document on the subject of patent right; consideration of the application by the federal body and making by the federal body a decision on granting the security document.

To prevent infringement of the obtained rights to the subjects of intellectual property the organization, as a rule, carry out continuous monitoring activity of actual and potential competitors in the subject domain

ARTICLE IN THE NEWSPAPER «VEDOMOSTI OF THE CHAMBER OF COMMERCE AND INDUSTRY OF THE RUSSIAN FEDERATION».

interesting for the organization. In case of infringement of the rights to subjects of intellectual property it is necessary to defend patent or copyrights at judicial contests.

Besides the infringement of the legal owners' rights to subjects of intellectual property, there is a danger of loss of the rights to results of creative activity. A legal owner or an applicant can lose the rights, for example, because of ignorance of the patent legislation, including non-observance of formal requisitions (so, action of the patent can be ceased ahead of schedule upon default of payment in due term a patent fee for maintenance of the patent in force, or an application for granting a patent on the invention can be recognized withdrawn in case the petition for substantial expert examination of the application on the invention is not submitted in time, etc.) In order to prevent loss of the rights, and also on other issues of right protection of subjects of intellectual property (including the issues of acquisition of the rights, protection of the infringed

rights) the organizations apply to specialized firms employing patent attorneys and patent lawyers knowing the details of patenting procedure and also having experience in upholding patent rights of legal owners in courts of justice.

Transition of the Russian economy to market conditions, acceptance of the new legislation which fixed the exclusive right for possession of subjects of intellectual property, promoted formation of the licenses market. Subjects of industrial property, copyright, results of research and development, engineering specifications, know-how, other results of creative activity were involved in the sphere of trade in licenses, thus growth rates of trade in licenses some times exceed the rates of trade growth in commodities.

Very high proportion of non-exclusive licenses and active sale of objects in low-technology industries is characteristic for Russia; these industries are light industry, food industry, building, having high market capacity and in which it is expedient to deal with several buyers. Concession agreements on the patents concluded between natural persons, not having production capacities and enterprise structures, also increases in number. Distinctive feature is also the fact that the granted rights, as a rule, are limited to the territory of the Russian Federation, and the majority of licenses is issued for whole period of validity of the security documents that does not comply the international practice.

Before making a decision on sale or purchase of a license and determination of the optimum conditions it is necessary to evaluate novelty, inventive step, degree of security of the subjects, technological advantages of innovations, commercial effectiveness of the prospective bargain, stability of demand for the proposed products, production potential of the firms, financial connections of other party, etc.

When concluding license agreements it is important not to make deals at unprofitable conditions. For this purpose it is necessary to correctly evaluate cost of the subjects of intellectual property using the available methodology. As a rule, these are the estimations systems on cost, market and economic approach.

Conclusion of license agreements allows not only to use innovations in a particular area of industry, but also to compare own achievements to development of other firms, to determine ways of perfection, to make reasonable decision on necessity of research and development realization.

A license agreement can also be used as a means for resolution of patent disputes. For example, a license agreement can be concluded in justification of already happened infringement of patent rights on condition of payment by the infringer to the legal owner of a certain sum in exchange for the legal owner promise not to impose any penal actions thereon.

License trade, being an element of the market relations, is nevertheless a subject to the state control including creation of optimum conditions for profitable realization of scientific and technical potential in the country and abroad, and also providing protection of the national markets from capture by their foreign competitors. With this purpose a legislatively-normative base is being formed, uncontrolled exportation of high technologies is prevented, unfair competition is barred, registration of license agreements is carried out.

One of the measures for prevention of loss of the rights and also infringements of the rights to the products and services is conclusion of license agreements with interested organizations (the remaining thus risk of infringement of obligations will be minimized by check of licensing conditions observance procedure).

All issues related to obtaining the right protection to technical solutions present in the organization, art-design solutions, trade marks and other results of creative activity, and also concerning prevention of loss of rights to the registered subjects are recommended to address to patent attorneys who are qualified experts in various areas of science and engineering and in the field of the patent right. The patent lawyers having experience in issues of the patent right can render qualified help to the legal owners who faced infringement of the rights.



A FOOD PARADISE

AT EXPOCENTER

The 13th International Food Exhibition, Prodexpo-2006, opened its doors to representatives of the agro-industrial complex, trade networks and consumers on February 13, 2006.

Valentin KOMAROV, analyst

Anton SIROTKIN, photo

The exhibition was predestined to be a success despite the combination of two figures '13' and '13', which superstitious people consider unhappy. Food producers from almost all countries with a developed agro-industrial sector expressed their interest in the exhibition during its preparations. The work of the organizers, JSC Expocenter, the Russian Agriculture Ministry, the Russian Chamber of Commerce and Industry and the Moscow government, ensured a rush of visitors.

During the opening ceremony Expocenter's director general Vladimir Malkevich said the exhibition was a special event. He said the exhibition covering more than 40,000 sq m involved more than 2,150 participants, including 750 from other countries. Italy and Spain had the largest foreign exhibitions featuring 75-85 companies. They were followed by France (some 60 firms), Germany, Poland and Hungary.

Representatives of the federal legislative power, State Duma Deputy Speaker Vladimir Zhirinovskiy and Federation Council member Oleg Shurdumov, also highlighted the importance of the exhibition in their speeches and Russia's capacity to produce much food, including for exports.

Nikolai Kharitonov, a deputy chairman of the State Duma agrarian committee, also supported this standpoint. He said Russia imported 33% of food it needed, which «did not help the country ensure its food security and sovereignty».

Yevgeny Primakov, the president of the Russian Chamber of Commerce and Industry, also focused on the problem of affordable food supplies. He said the program of Russia's agricultural development was the most important in the list of the four national programs, which was recently

announced by the Russian president. Primakov said that this program should help improve the demographic situation in the country, which is facing depopulation.

Fourteen salons specializing in agricultural branches and seafood processing were created to facilitate the search for visitors. Businessmen interested in contacts with foreign partners could visit national expositions of 32 countries.

The 3rd All-Russia Food Forum was held during Prodexpo-2006. Its program included a number of roundtables, conferences, master-classes and trainings organized according to a branch principle. An international conference «Professional Drinks» was held as well.

The variety of Russian products presented at the exhibition demonstrated the ability of Russian agricultural producers to provide the country with food. Meanwhile, the presence of some 750 companies from 61 countries proves that the struggle for the Russian food market continues.

The competition of foreign agricultural companies supported by their governments may increase after Russia's planned accession to the World Trade Organization. The country may need more funds than these allocated as part of the national program of Russia's agricultural development to compete with them successfully.

Demonstrations of food products and drinks were traditionally held during the exhibition. Their results were taken into account in the selection of the best samples presented by the participants. Diplomas, bronze, silver and gold medals, and a grand-prix were handed to the best products and their producers. It took the organizers several days to sum up the results of competitions and distribute numerous awards.





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ESTABLISHING THE KNOWLEDGE ECONOMY



Vitaly MAKAROV, editor-in-chief of the Partner CCI RF magazine, interviews Academician **Viktor SADOVNICHY**, Moscow Lomonosov State University



All that, taken together, shows how the overall situation has changed in Russian education. What matters most is that the three principal powers I mentioned have started working in about the same direction.

At long last, we are combining three precious qualities of education: we seek to make it accessible and competitive, and pose it high standards. All that offers prerequisites for a thoroughly new concept of developing Russian education – a concept truly oriented on sustained development and forming the knowledge economy. Dominating our work in the 1990s were efforts to shift the emphasis on regional and municipal activities. Russia sought to partition higher and secondary education, and put an end to college and university research. No wonder, our well-knit educational network turned into a kind of patchwork quilt. Now, at last, we have grown to realize that we cannot keep up previous educational standards unless all those component parts are closely interconnected. There is no quality education unless schooling goes hand-in-hand with research, which means that higher educational institutions must regain their research facilities. Next, quality education demands healthy competition between those institutions. They must compete for the best professors, applicants, funding, etc. Then, there is international competition, in which campus and dormitory living conditions are of major importance.

As I see it, the new higher education developmental concept ought to focus on planning and forecasting the Russian demand for specialists. We can meet this challenge. Moscow University has made blueprints necessary for it, what with ambitious construction underway. When the new buildings are ready, the university will be able to double its student body to an approximate 100,000 – not through increased admission to long-established departments and sections but through establishing thoroughly new mobile instruction and research structures for fu-

Russia recently launched a program to modernize the national education system. As you say, the effort requires public consensus, first of all – which means there are clashing viewpoints with major forces backing each. Could you specify what they are?

There are three principal forces: the higher educational corporation, administrative structures and the business community. Each is demonstrating and promoting its own concepts of the present and future of Russian education. Related opinions were first explicitly voiced in 1992 or a bit earlier. To simplify the matter, I shall concentrate on higher education and its classical university sector, which was – and remains to this day – the highest achievement of our education system.

The state de facto left education to its fate in the first half of the 1990s by drastically cutting budget allocations to it. Emergent private enterprise dynamically joined privatization efforts in

that sphere by establishing private educational institutions and buying up real estate, with an emphasis on the buildings and infrastructure of pre-school institutions and vocational and technical schools. Higher educational establishments' buildings were leased on a grand scale. Higher school had to start a tough struggle for survival. It had to preserve its professorial staff and student body, carry on research, and persuade the government to change its education policies. Things went on like that for ten years or so. The preceding years brought a change, which is setting in step by step. The state is getting back to the education system, which received official recognition among national priorities. Government allocations are increasing, and the legislative basis of improving education streamlined. Extra-budgetary funding improves the situation of higher educational institutions. The business community is developing an interest in better personnel training, with an emphasis on technicians and the managerial staff.

ture-oriented professions, and through spectacular extension of postgraduate training.

You referred to international competition in higher education. It makes me wonder: what if Russia's orientation on ambitious offers of education and intellectual resources will come as a brain drain catalyst, and so rob Russia of its intellectual treasury thus to send its economy further backward?

That is right. We certainly risk losing as we plunge into international education competition. After all, education is a market as any other. What we need, I think, is a special federal program and a target fund to finance foreign students' education in Russia. Big business, too, can do its bit for foreign student training if it cares to send students to Russia from the countries in which it has affiliates or interests, even when there are only distant prospects for such interests.

In that, we must realize perfectly well just what can give us competition advantages and what can come as a hindrance. Certain people are out to reduce Russian participation in international competition to sheer involvement in what is known as «the Bologna process». As things really are, such involvement is a mere part, however sizeable, of the global education market, the way it really is. European qualified workforce standards, if there are any, are not to be viewed as standards that work worldwide. We must take every part of the world into account in our international contacts.

More than that, when we are introducing a two-level education system, we have no grounds to regard it as the pivotal criterion of qualifying that system as meeting European, American, Asian or any other standards. Such one-sided orientation would fetter higher education as it competes in the international education and qualified workforce market.

Moscow University makes it a point to have our educational model progressing the natural way. We have structures that have already shifted to the two-level arrangement, and combined ones, with a bachelor-specialist-master-postgraduate-doctor sequence. There are also structures training for the Master's degree alone.

That system cannot work in some places. Take medical institutes, a major part of the higher education system. They cannot shift to the two-level sys-



tem at all – not because their rectors oppose the Bologna understandings but because of the available Russian health service arrangement. That is also the reason why practically all law and military institutes cannot follow the pattern – they have ideas all their own of what national security is about, and how to train specialists who would guarantee it.

Let us now turn to the competitive advantages Russia possesses. It retains to this day a united educational environment. That is our greatest advantage, which solves one of the principal modernization problems – student mobility within the country. Whatever

large a scale student exchanges with other countries may acquire, domestic student mobility will always exceed it tenfold at least. It is sheer public delusion that one cannot receive good education in Russia. That's utterly wrong. We have many colleges and universities that provide highly competitive education and form reliable research habits. Those institutions certainly will later retain their high standards. Russia has another major advantage in global education and qualified workforce competition. We owe it to fundamental sciences, on which our education, from secondary school to university, has been resting for a long time. It is common knowledge that European and American employers are hunting for Russian-educated natural scientists.

Many of Russian economic experts are also highly competitive, especially those specializing in economic mathematics. Characteristically, all Nobel prizes for economics went to scholars who applied mathematics within the last 30 years or so, starting with Vasily Leontyev, 1973 laureate, and Leonid Kantorovich, 1975.

Could you please tell in more detail about your idea of future education partnership with the business community?

That is a two-way process, with each partner to meet the other halfway. Either party will benefit the greatest where both share interests and opportunities.



Universities often argue about which of them is the most prestigious. What is your opinion of them?

I can say for sure only about my university. It all depends on the criteria of its public rating. Some judgments proceed from, let's say, the number of Nobel laureates from among the alumni of a particular university, or the number of quotations and references in scholarly journals. All that is thoroughly wrong. In the Soviet years, for instance, scientists from our country did not receive Nobel awards for political reasons. Now, there are a dozen physicists employed at Moscow State University who deserve Nobel Committee attention.

If we proceed in our judgment from the availability of scientific schools, staff experts, the fundamental quality of research and the material basis, I do not think there are many institutions to be considered on a par with Moscow State University. From that point, we are none inferior to the world's foremost universities.

Young people's problems are evidently taking an edge in Russia. Does the trend depend on current developments in the education sphere?

University efforts focus on forming the student personality as expert and citizen.

The situation thoroughly changed within the two preceding decades. People

have become much tougher on each other. Competition is much closer than before, and conflicts are ever more frequent. It is now the most topical task of all to bring up young people as fit as possible, make them able to easily adapt to rapid changes. What we need are generations free of the inferiority complex that was powerfully instilled in the Russian public mentality for the last 20 years.

As Albert Einstein saw it, the human character is determined by prejudices formed before the age of 18. This year's freshmen were born in 1988, which means their mentality and world-views took shape in the post-Soviet era – in the late 1990s and the 21st century's initial years, to be more precise. We remember that time all too well.

All that concerns the most general aspects of the problem. Universities have other, far more practical tasks and duties in student moral education and character formation. I see the following goals as crucial:

- student self-identification within an educational institution;
- satisfaction with student life;
- attitude to higher education as a good start in life.

Moscow University recently celebrated its 250th establishment anniversary. The galas showed our alumni of many years and from all walks of life to be true patriots and take pride of their alma mater. That concerns all of them – several tens of thousands.



University autonomy is among crucial educational issues. What do universities gain from it?

I'd like, first of all, to make it clear what I understand by university autonomy. If we regard the matter abstractly, it is the extent of independence – from bureaucracy not from the state, as too many think. I neither liked nor shared extreme attitudes that find practical form in confrontation with the government. However, I cannot put up with the officialdom subjugating universities. I am for active cooperation with the authorities, but not with those who were saying in the 1990s: «Russia has an excess of education and research.» Moscow University is a state university, which means that it cannot stay aloof to national affairs and give up its chance to influence them. We must not forget that throughout its history, Moscow University has been working for its autonomy. That was, all too often, unequal confrontation with authorities. We are actively drawing on its historical experience today. The university established 14 new departments and more than 200 chairs and laboratories within the last 10 years. Its professional training now includes approximately 50 new specialties and specializations. We did all that without numerically increasing our personnel. That was of especial importance. We could not have done so much unless we possessed our autonomy and were able to use it to great effect.

Autonomy made Moscow University free to launch large-scale construction, which will more than double its material and technical potential. That is why we cherish our autonomy so.





A RAINBOW FROM THE PACIFIC TO THE ATLANTIC

Vsevolod OVCHINNIKOV,
a consultant of the Russian Chamber of Commerce and Industry

The Trans-Siberian Railway and the second trans-continental railway, Lianyungang-Rotterdam, may revive the idea of the Great Silk Road, which once was the first link between the civilizations of the East and West. Russia, Belarus and Kazakhstan may annually earn billions of dollars from this shortest route from the Pacific to the Atlantic. The railway may also become an important aspect of their cooperation with China, whose economic potential will soon be the largest in the world.

One starts thinking about this looking at the monument, which towers above the modern bustling port in Lianyungang. The sculpture features an anchor placed on rails. The inscription on the monument reads, «This land bridge links Asia and Europe like a rainbow. Let the ancient Great Silk Road flourish again!»

The monument is located near the mooring where the railway ends. This is the eastern terminal of the 10,900-km long Lianyungang-Rotterdam railway.

The second Asia-Europe railway crossing China, Kazakhstan, Russia, Belarus, Poland, Germany and the Netherlands is shorter than the Trans-Siberian Railway by more than 1,000 km. Chinese and CIS railway networks were connected in one more place after the construction of the railway from Urumqi in China's Xinjiang Uygur Autonomous Region to Alashankou on the border with Kazakhstan. Through traffic was launched on the second trans-continental railway in 1992.

Lianyungang is a door to the outside world for China's 11 provinces with a total area of 3.5 million sq km and a population of 300 million. This region has backward economy but is rich in mineral and energy resources. Coal and grain are currently exported, and fertilizers imported via Lianyungang today. But the share of goods with a high added value is constantly increasing in the volume of imports and exports.

Lianyungang may play in the future an

important role in world trade as the eastern terminal of the second Asia-Europe railway. Two transport corridors will work in parallel connecting with the world's sea routes in Lianyungang and Rotterdam.

The 21st century is sometimes called the Pacific Age. There are strong grounds to believe that East Asia will be a locomotive of the world's economic growth. The volume of carriages between the opposite sides of Eurasia will subsequently keep growing. Therefore, the idea to revive the Great Silk Road is a historic necessity. The railway bridge between Asia and Europe crosses Russia and Belarus and gives these allied states a chance to become prosperous.

Foreign experts forecast that annual profits from the transit of cargoes between the Pacific and the Atlantic may soon exceed \$100 billion, taking into account the capacity of both trans-continental railways. Russia needs both transport corridors. The negative and cautious attitude of some regional leaders in Russia's Far East to the Lianyungang-Rotterdam railway is nothing but short-sighted pursuit of local self-interests. They say that Russia should take care of the modernization of the Trans-Siberian Railway and not the development of its rival.

Sea transport is a real serious rival of the Trans-Siberian Railway. Sea carriers purchased high-speed vessels and reduced tariffs to occupy the railway's niche after the collapse of the Soviet Union when new borders appeared and the registration of cargoes became complicated.

But the average term of cargo delivery via sea routes from Yokohama, Busan or Shanghai to Rotterdam is 35 days while the modernization of railway corridors may reduce this term from 25 to 15 days. In this case, railway carriages will gain a priority over sea carriages.

The modernization of the Trans-Siberian Railway is a key problem but the second trans-continental railway also meets Russia's economic and geopolitical interests.

It will allow Russia to participate in the development of western China, expand the possibilities of Russian-Chinese cooperation and will consolidate Moscow's positions in Central Asia, boost integration processes on the post-Soviet territory and yield considerable benefits to the Russian-Belarusian Union State.

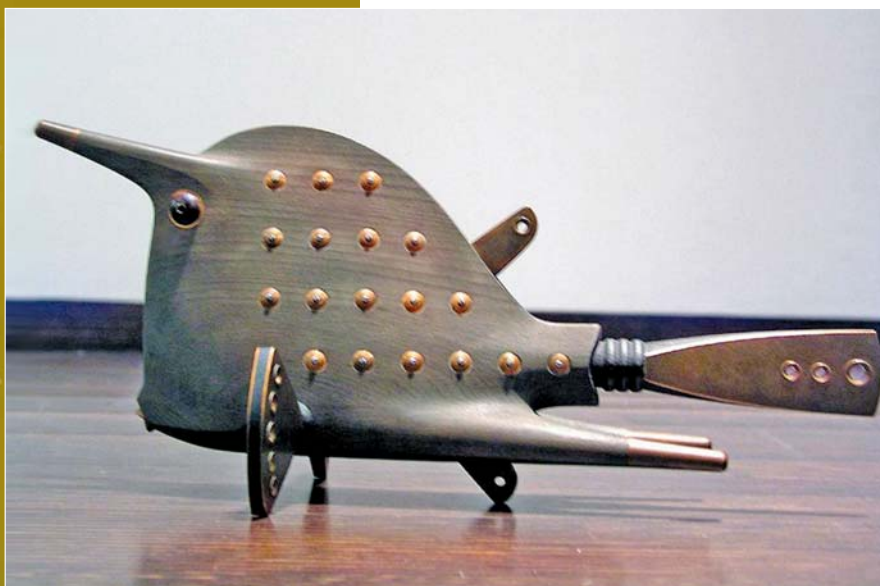
The Trans-Siberian Railway has new prospects in the 21st century. The agreement on its connection with the Trans-Korean railway launches trilateral cooperation between Moscow, Pyongyang and Seoul. It will ease tensions on the Korean Peninsula, improve conditions of exports to western Europe and yield significant profits to Russia.

«The project of the century», namely the prolongation of the Trans-Siberian Railway to Sakhalin, is even more promising. Plans to build a bridge or a tunnel across the Tatar Strait were made in the Soviet Union in the 1940s-1950s but the work was stopped after Joseph Stalin's death in 1953. The work has been recently resumed.

Japan also returned to its pre-war plans to build a tunnel linking Hokkaido and Sakhalin as the southern part of the latter belonged to Japan in the 1930s. The construction of railway tunnels between Hokkaido, Sakhalin and the continent could make a traveler's unreal dream of taking a train in Tokyo and getting off in London come true.



HAND-IN-HAND WITH BEAUTY



Dmitry VORONIN. Little Basket.
Wood and metal, 20x44x20 cm



THE ART AND CULTURAL CENTER PUBLIC ORGANIZATION ESTABLISHED PARTNERSHIP WITH THE CHAMBER OF COMMERCE AND INDUSTRY AND WITH MOSCOW'S WORLD TRADE CENTER IN SEPTEMBER 2005. ALL TOGETHER, THEY HAVE ARRANGED SINCE THAT DAY A NUMBER OF UNFORGETTABLE EXHIBITIONS OF THE FOREMOST MOSCOW AND ST. PETERSBURG ARTISTS. **Larisa NOVITSKAYA**, CENTER BOARD CHAIRPERSON, IS ANNOUNCING THE SHOWS SOON TO COME.



Voronin and Bashenin have a world all their own – a poetic realm of Nature, reflected in fantastic imagery.

St. Petersburg artist ROBERT GABITOV's exposition opened on November 4, 2006. Known worldwide, he has among his admirers European countries' presidents, Oriental kings, and superstars of global renown. Gabitov won the Silver Centaur award at the Paris international exposition of 1992. France bestowed on him the honorary degree of Master of the Arts. The carnival spirit of his fantastic images makes every ROBERT GABITOV show an unforgettable impression. His present exposition is open at the World Trade Center up to January 15, 2007.

Valery BASHENIN. White Night.
Oil on canvas, 80x100 cm

We marked the first anniversary of our partnership by opening the exposition of painter VALERY BASHENIN and sculptor DMITRY VORONIN on the WTC first story in The Mall. Their works are the pride of many Russian-based museums, and gems of many countries' galleries and private collections. VALERY BASHENIN, Merited Artist of Russia, chairs the monumental art section of the Moscow Artists' Union. His murals and mosaic panels adorn many Russian cities. As fairy tales, his paintings leave no boundaries between the worlds of humans, animals and plants – all are one. Bashenin's art is reminiscent of primeval beliefs and incantations.

Sculptor DMITRY VORONIN, Russian Artists' Union member, won the silver medal of the All-Union Economic Achievements Exhibition in 1987. He had a one-man show in Paris in 1992. State Tretyakov Gallery experts noticed his works even at his initial shows, and the gallery bought many.

Robert GABITOV. Alexander Pushkin.
Oil on canvas



ASSISTANCE



Alexy II, the Patriarch of Moscow and All Russia, called upon the Church and public organizations to join their efforts to tackle the problems of homeless children. In response to the challenge, the Russian Chamber of Commerce and Industry established a «Homeless Children’s Assistance Center» charity.

«Today there are 860,000 homeless children in Russia who have parents. I believe this is due to the deterioration of the family, where children should be brought up and educated,» the Patriarch said.

«I think the future of our children is everybody’s concern,» he said. «Today children have to face a great deal of evil, temptations and danger. Day after day we hear about violence among young people (even girls) towards their peers and fellow-students, the magnitude and range of which are overwhelming. This is caused by the cruelty that has so easily entered the lives of our children.»

«We can save only some of the 860,000 homeless children, but we are trying to make our contribution. We must all join the efforts to resist the temptations that lead to moral degradation of children, and save them,» the Patriarch said.



CHARITY FUND



RF CCI'S «HOMELESS CHILDREN'S ASSISTANCE CENTER»

The Chamber of Commerce and Industry of the Russian Federation has founded the Charity Fund «Homeless Children's Assistance Center». In this connection, RF CCI invites Russian entrepreneurs to take an active part in its activities.

The main aim of the Center is to consolidate the efforts of entrepreneurs, law enforcement officials, doctors, psychologists as well as public and cultural figures.

The Center carries out analytical and information activities creating a database on the problem of homeless children. The Board of the RF CCI stressed, which is also mentioned in its Articles of Association, that the Center is a non-profit organization and doesn't accumulate any commercial institutions around it.

The Center is working on a charity support program. The Center coordinates its steps with the federal government to step up assistance to homeless children. In addition, the Center will take measures to raise the popularity of those who offer help to homeless children. The RF CCI will think of various awards and certificates for those involved in charity as well as work out a charity support system.



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THE ANNIVERSARY OF THE RUSSO-BRITISH CHAMBER OF COMMERCE

Boris RUDNIY, representative of the RF CCI in Great Britain,
deputy Executive director of the RBCC

In 2006, the Russo-British Chamber of Commerce (RBCC) marked its 90th anniversary. The Chamber boasts a rich history and strong traditions. Its activities helped develop trade relations between the countries. The formation of a positive image of new Russia in the West has recently become a priority.

The decision to establish the Russo-British Chamber of Commerce was made at a session of an organizing committee in London on June 21, 1916. Russian ambassador, Count Alexander Benkendorf played a proactive role in its formation. He said the RBCC should follow «the principles of professionalism, reliability and prestige.»

The charter of this non-profit company was registered on October 23, 1916. Russian Emperor Nicholas II and British King George V hailed the formation of the Chamber. Leading British businessmen, industrialists, representatives of Russian trading houses and members of the Russian community in England showed their interest in the RBCC.

At first, the Chamber comprised eight Russian and eight British members, but soon 700 more companies were invited to join it. On March 29, 1917, the Russo-British Chamber of Commerce held its first annual meeting and joined the association of British chambers of commerce the same year.

The RBCC continued working after the October revolution and helped restore contacts with British companies broken during WWI and resume trade with Soviet Russia. A decision to issue a magazine, which still exists, was made in 1918. It was published in two languages and quickly became a source of information and news for businessmen of the two countries.

In 1920, the Chamber backed the idea of using opportunities of cooperative companies to develop bilateral trade (an Anglo-Russian cooperation society was set up). The RBCC also helped organize the first Russian fur auction in London and was a proactive supporter of establishing diplomatic relations between Britain and the U.S.S.R.

During WWII the Chamber continued its activities, although they were restricted. Meetings with British and Soviet representatives and annual sessions were held



regularly. The RBCC's members collected money to help the U.S.S.R.

The RBCC's activities increased in post-war years. Britain was one of the Soviet Union's main western trade partners in the 1950s-1960s. The year of 1955 was most successful. The Chamber's stand at an engineering, naval and welding exhibition in London gave information to British companies interested in trade with the U.S.S.R. Visits by a number of top-level trade delegations were organized in the following years. Alexei Kosygin, the chairman of the U.S.S.R. Council of Ministers, headed the most important delegation. In 1961, the RBCC's membership increased to 636 companies. In 1966, the Chamber marked the 50th anniversary, and British Prime Minister Harold Wilson attended the celebrations.

In 1975, the Chamber was renamed the British-Soviet Chamber of Commerce, and started expanding the range of services provided to British companies and

organizing business trips to the U.S.S.R. The Chamber saw ascents and descents in its activities depending on political relations between the countries. The nature and priorities of the Chamber's work altered following changes in the former U.S.S.R. and Russia. Foreign political reasons (events in Afghanistan and Poland) caused a cooling in bilateral relations in the second half of 1979 and hampered trade cooperation.

The Chamber's relations with the Russian (former Soviet) Chamber of Commerce and Industry have a long history. In 1985, a representative of the Soviet Chamber of Commerce and Industry was appointed deputy director of the British-Soviet Chamber of Commerce. Since then, the former has always had a representative in Britain.

In March 1987, the Chamber took an important step toward the expansion of its activities and opened an office in Moscow. British Prime Minister Margaret



Thatcher attended the opening ceremony during her official visit to the U.S.S.R. In 1989, the Chamber organized a major British industrial exhibition. The year of 1991 saw radical changes in the Soviet Union, which influenced Russian-British relations and the Chamber's work. In 1995, the Chamber regained its former name, the Russo-British Chamber of Commerce. In Soviet times it had no problems with attracting business companies to its activities (almost all Russian foreign trade associations were its members), but in the early 1990s the interest of British and Russian companies in the

Chamber's services significantly decreased. The number of its Russian members fell from 120 to 25 and British from 400 to 164 by 1993. This happened due to radical changes of the Russian market conditions. Major companies involved in Soviet-British trade acquired direct access to the Russian market. Few companies in Russia were aware of advantages and benefits of the Chamber's traditional mediation.

The situation started changing following the development of the Russian market. The RBCC strengthened ties with the Russian Chamber of Commerce and Industry and regional chambers. It opened a branch in St. Petersburg and started expanding its activities in northwest Russia.

In June 2003, Russian President Vladimir Putin paid a state visit to the United Kingdom at an invitation from Queen Elizabeth II. He was the first Russian president to pay a visit of this level.

Vladimir Putin highlighted the importance of developing bilateral trade and economic links. «The Russo-British Chamber of Commerce continues traditions and proactively works to maintain and consolidate our economic ties,» he said.

Bilateral trade and economic cooperation has been developing successfully in recent years. In 2005, Russian-British

trade stood at \$12.96 billion (a 39.8% growth year-on-year). Today there are all preconditions to boost and diversify partnership despite the cautious attitude of British business to the Russian market, which is still considered risky. It is necessary to reduce the dependence on the oil and gas sector and re-orientate bilateral cooperation to priority problems of the use of Russia's economic potential in the branches boosting scientific-technical progress and the attraction of advanced technologies in Russia's economy.

The 90th anniversary was a good reason to gather representatives of the Russian and British business and political elite in Moscow on October 4. President of the Russian Chamber of Commerce and Industry Yevgeny Primakov, His Royal Highness Prince Michael of Kent, the patron of the Russo-British Chamber of Commerce, and Timothy Eggar, the Chamber's president, attended the event. Primakov said the RBCC has made an important contribution to the development of bilateral trade and economic ties and direct contacts between Russian and British businessmen in the past years. The Chamber has had ups and downs, but despite all difficulties it has remained an important link between business communities of the two countries uniting more than 500 Russian and British business structures.

RBG



FAIRS IN RUSSIA: A GLIMPSE OF HISTORY

Yuri GODUNSKY



The earliest Russian fairs as organized periodic gatherings for trade emerged in the 14th and 15th centuries. A fair drew into its commerce not only the adjacent area but outlying regions to accumulate a great stock of merchandise of all kinds from many parts of the country. The 17th century found Russian territorial and political centralization finished as lands, regions and principalities merged into one whole. Standing behind the major process was increasing interchange between parts of the country as commodity circulation grew and small local markets joined in one national. The word «merchants» initially referred to any people engaging in sales and purchases, whether regular or occasional. Traders gradually became the merchant class, a close-knit and influential social estate, which was progressing to the status of the motive force of trade and industry.

Russian fairs acquired an especially great number and important mission in the 17th and 18th centuries – the time when manufactories emerged and got on a firm footing with an impact on the progress of domestic

trade, in the form of fairs or any other. Peter the Great attached tremendous importance to fairs, and spared no efforts to promote them. He justly regarded fairs as vehicles of domestic and foreign trade.

Manufactories made spectacular progress in the first half of the 19th century to give an impetus to domestic and foreign trade. Many commercial and industrial centers emerged at that time to rival Moscow and St. Petersburg. Of special notice were Riga, Odessa, Nikolayev, Novorossiisk – all seaports – and the river port Nizhny Novgorod, to mention but few. Fairs developed into major wholesale trading centers. Their total number had exceeded 5,500 by the start of the 1860s, and their geography covered the entire country.

Fairs promoted exports and imports alike. Of special importance here was the Nizhny Novgorod fair, which led the world for turn-overs as early as the 1820s. At that time, Nizhny Novgorod gathered merchants from many countries of the East and West, so its fair was known as «the seat of European exchanges with Asia». Up to fifty nations

were represented among the dealers. At the same time, merchants flocked to the Nizhny Novgorod fair from every part of Russia – hence its name of «all-Russia market».

Fairs were not only commercial centers but social and cultural events. Pleasure fairs accompanied commercial to offer fetes, stage productions and a wide range of pageants, in which performing bears were among the most popular.

The Bolshevik Revolution of 1917 triggered off civil warfare, which brought war communism in its wake, and strangled fairs. A timid revival started with the New Economic Policy to steadily gain momentum. There were over 7,500 fairs in Russia in 1927, as against 600 in 1922-23. However, fairs were reborn mostly on a modest local scale.

Fairs were prohibited in the Soviet Union in the early 1930s – a taboo lifted after WWII, the time when the country reappeared at international fairs.

SOEX

SOYUZKSPERTIZA GUARANTEES QUALITY

The national economy spectacularly benefits from examination as it reveals even the slightest defects, precisely establishes their amount, and prevents the sales of goods out of compliance with technical regulations, national standards or contract terms. Russia is working to update its economy, integrate it into the world economic environment, and reform the acting technical regulations. The situation makes commodity and service quality, safety and competitiveness extremely topical.

When the prescriptive economy was reigning in the 1970s and 80s, the Commodity Inspection Bureau under the Chamber of Commerce and Industry (CCI) of the Russian Federation (presently autonomous nonprofit organization Soyuzekspertiza CCI RF) carried out examinations of Soviet- and foreign-manufactured items by order of commercial and export/import organizations subordinate to the U.S.S.R. Trade Ministry.

Soyuzekspertiza became a full member of the International Federation of Inspection Agencies (IFIA) in 1996, and acquired the status of an autonomous nonprofit organization in June 1999. No other Russian-based organization offers such extensive services to evaluate and control commodity quality.

Soyuzekspertiza has a General Analytical Expert Arbitration Center. Formerly an arbitration laboratory, it is accredited in the federal State Standard system

and under the Health Ministry Central Sanitary and Epidemiological Inspection. The company has eleven departments inspecting the quality of all produce, with small exception. Coming under its monitoring are minerals, industrial equipment, sophisticated electronic gadgetry and household appliances, and such consumer goods as footwear, textiles, knitwear and furniture, to mention but few.

The Soyuzekspertiza holding system involves 45 Russian regions. The company is dynamically extending the network of its overseas representations – in particular, in France, China, Serbia and the Czech Republic. Ever-higher demands are made in all spheres of national and public life. That is why Soyuzekspertiza branches engage in immediate operation supervision of manufactured and supplied commodities, and check contracts.

The Statute of the Presidential

Council for National Priority Project Implementation authorizes Soyuzekspertiza to take an active part in carrying out national projects and monitor them at all levels.

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