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# BRIDGE

Russian business guide



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# 50 YEARS

# BRIDGE

# Dear readers!

**Bridge between Russian and International Business** – Russian Business Guide from RF CCI, news and analysis magazine

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Here is the new issue of the Magazine formerly named Russian Business Guide. It is a unique publication that makes foreign readership acquainted with the Russian business. Today we are happy to present you the absolutely new design and content of our Magazine. It has also got the new name – Bridge between Russian and International Business, although its previous name still remains on its cover. We believe that this step will give a new impetus to our Magazine because a Bridge is a way to those who are waiting for you on the other bank. We expect our Magazine to become a real bridge between Russian and foreign businesspeople standing on different banks and to create a solid ground for mutually beneficial transferring of goods, services and funds. The decision of the Russian Chamber of Commerce and Industry was a breakthrough for domestic entrepreneurs. Our Magazine has an opportunity to assist Russian companies in establishing direct contacts with and showing their potential to foreign partners. We intend to tell you about the most interesting happenings in the Russian economy, most recent developments of Russian engineers and scientists, innovation activities in the regions. The opening article of the issue you are holding in your hands is an exclusive report on the meeting of the President of the RF Dmitry Medvedev with top officials of the Russian Chamber of Commerce and Industry, on which agenda were key problems of the country's and business community's development.

We also plan to inform our readership about novelties of the Russian economic life, e.g. innovations, investments, clusters, service yards, etc. Our experts will tell you about huge opportunities offered by the largest region of the RF – Siberia. As well, you can find in our Magazine various articles about the cooperation of our business with foreign countries and partners. If your company is not among Russia's partners yet, just ask us – and we will explain how to cooperate with the Russian business!

We hope you will like the new face of our Magazine, the variety of rubrics and content. We regard each reader as a friend and partner!

Bridge between Russian and International Business Magazine is to be your reliable partner on the way to establishing ties with the Russian business, a good tribune to present your opportunities in the area of commercial economic cooperation with Russia.

## The Bridge is built! Let's start two-way traffic!

**Nikolai RESHETNYAK,**  
 editor-in-chief of the United editorial house  
 at the Chamber of Commerce and Industry of Russia



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Historical hand-shaking  
between Dmitry Medvedev  
and Yevgeny Primakov  
Kremlin. November 11, 2008.

On November 11, 2008, President of the Russian Federation Dmitry Medvedev met in Kremlin with members of the Governing Body of the Chamber of Commerce and Industry of Russia headed by Yevgeny Primakov, president of the Chamber. The main topic of the meeting was the participation of CCI in implementing of the anti-crisis measures taken by the Government of the RF to support the most important sectors of the economy and combat corruption. They also discussed monitoring funds allocated by the federal government to support enterprises and banks, and the possible involvement of the CCI in the examination of draft laws related to business activities

# Dmitry Medvedev

“Business and authorities have to join efforts to cope with difficulties our country is facing”





## Opening address of Dmitry Medvedev

Good afternoon, dear colleagues! I think we will discuss the current economic situation and the cooperation currently required between business and government with a view to resolving the range of challenges facing the country, but also in light of the fact that a number of states are suffering from the effects

of the global financial crisis. As you know, state authorities are taking quite energetic steps to stabilise the situation in the banking sector and, therefore, in the real sector. Decisions on how to do so and on supporting retail, pharmaceutical institutions, agricultural enterprises, construction enterprises that build apartments, machine building and the defence industry have all been taken. Along with this, the range of tools

available for today's situation is quite large. In general, measures include a substantial increase in lending, providing government guarantees if necessary, subsidising interest rates on loans if necessary, support for leasing companies, and buying mortgages from commercial banks in instances involving building and when banks have lent to developers.

But of course all these measures are successful only on the condition that the environment is really sensitive to these decisions: if levels of intermediaries won't pile up in between the decisions to allocate money and real borrowers, those requiring credit, the representatives from the real sector, if the money that comes from the highest levels, the highest level of creditors in commercial banks, does not get stuck somewhere. And we know that such things happen because a significant amount of liquidity has been made available but enterprises have not received it, and we must acknowledge this openly.

This what the cabinet was working on yesterday. Today I would like to listen to you, to hear what you have to say about this, find out where you see the problems and how you think we should proceed to resolve this situation. We should do everything to minimise the number of layers between the decision to allocate money and real getting credit by a particular company.

Some steps have been taken to support small and medium-sized businesses.

This will entail an increase of 50 billion rubles within the framework of state subsidies, together with the regions of the Russian Federation.

Vnesheconombank should also seriously increase the volume of lending to small and medium-sized businesses up to 30 billion rubles. All these problems are priorities for the cabinet.

Of course we also need to address what was discussed yesterday during the meeting with the bankers: it's necessary to look for trends in capital outflows. The additional cash liquidity we need to inject into the market is not designed to help banks purchase foreign currency or to set up reserves in foreign banks.

During the meeting with members of the Governing Body of CCI of Russia, Dmitry Medvedev emphasized again that the national anti-corruption plan may be corrected and changed depending on the efficiency of taken measures.

Of course there are problems other than those caused by the financial turmoil, and regardless of the crisis we are not changing our priorities, as I said recently when delivering my Address to the Federal Assembly.

anti-corruption plan has been approved. Nevertheless, we should not be stupid about this. As they say, we must adjust our proposals depending on their effectiveness. Therefore, if you have any sugges-

## “Our goal is to create Russian middle class”

Our goal is to create a layer of active, involved people, a full-fledged Russian middle class, and we will take all steps necessary to create and develop it, because the existence of a middle class is effectively the basis for the further development of the state.

There are issues associated with technological support, support for the competitiveness of companies in various sectors, issues related to technology upgrading, governance structures and production incentives for innovation. We have talked about all these a lot recently, but to speak frankly we are still waiting for a breakthrough.

In the high-tech and nanotechnology spheres we have to admit that so far we have done almost nothing, and the huge amounts of money we have set aside in this area have not been allocated. For this reason we must take all the necessary administrative decisions in this area too, at the federal level, in public corporations, and at the level of business, both medium-sized and small.

Another issue which I had planned to discuss with you because I think it is relevant for all of us is the anti-corruption measures that I sent to the State Duma. They are now being examined in parliament and have already passed the first reading.

I propose to discuss them with you because yesterday I met with the leaders of the major Russian parties, the largest factions, and they expressed their support for these measures, even though they want to tweak them a little. I am sure that business has its own ideas about this, because obviously corruption is one of the most dangerous signs of the disintegration of a state.

We must take every measure we can to fight this scourge. A national

tions on anti-corruption monitoring, on protecting the interests of small and medium-sized businesses, facilitating liaisons between business, law enforcement agencies and the media, I think we could discuss that too.

The last issue is very urgent for our country: a reserve pool of managerial skills, also mentioned in my Address to the Federal Assembly. We have begun such a program and I hope that we can launch it by the end of the year. Obviously, good management skills are needed in the public service and in business. We have a system of management training that is far from ideal: although it needs improvement, but at least it exists.

The challenge now is to create a

## “We have to make all necessary decisions to fight against corruption”

complete reserve pool for virtually any position that exists, regardless of its level, whether it be at the federal level, the regional level, the municipal level, or some kind of position in a company.

Creating this sort of staff reserve pool is an issue on which I hope we can make significant progress by the end of this year. I would like to hear your suggestions on this issue, precisely because, in my view, there should not be a stone wall between those who work in business and those in public services. People can move from one sector to another. There is nothing inappropriate about that; on the contrary, it helps take more competent management solutions.

## From the standpoint of entrepreneurs

Yevgeny Primakov, head of RF CCI, thanked the President for understanding of what is the role of the system of Russian commerce and industry chambers which represents interests of all business circles and accumulates their opinions.

At today's morning meeting, the Governing Body of RF CCI discussed the struggle against corruption, pointed out Primakov. This is a very important theme, especially now, because in the current circumstances it's necessary to take all possible measures to prevent unacceptable damage caused by the global economic crisis to stable GDP growth and welfare of the population.

Presently, the most worrisome trends are congestion of credit lines, increase of lending rates which may lead to the drop in production. In the Address to the Federal Assembly of the RF, it is said about the need to push on thrombs. The only way to do so is a strict dictate of the government towards banks receiving public

funds. In the current conditions, banks, especially regional credit institutions, have not to operate on a commercial basis but to accept those rules of the game which are dictated by the government. There has been no such dictate up to now, and this may entail negative results.

If to touch on the problem more closely, one will see that the main essence of the global crisis for Russia is that external sources are no more playing a predominant role in financing our economy. Therefore, to protect our economy from a fall, we have to create an adequate internal financing system for Russian producers of

Among participants of the Kremlin meeting were Yevgeny Primakov, president of the Chamber of Commerce and Industry of Russia, and members of the CCI Governing Body: Tatyana Alekseeva, president of Kuzbass CCI; Vladimir Arkhipenkov, president of Smolensk CCI; Vladimir Brezhnev, president of CCI of Primorye, director of Dal-SOEXS LLC; Vyacheslav Golitsyn, CEO of autonomous independent organization Soyuzexpertiza; Ivan Gorelovskiy, vice president of RF CCI; Viktor Ermakov, chairman of RF CCI committee on development of private small and medium business, chairman of the board of the Association of agencies backing small and medium business "Development"; Vitaly Yefimov, chairman of RF CCI committee on transportation and expedition, president of Union of Russian Transport Companies; Vladimir Isakov, vice president of RF CCI, chairman of the board at Soyuzpatent LLC; Pyotr Kanygin, CEO of Biotechnologies Corporation JSC; Vladimir Katenev, president of St.Petersburg CCI, chairman of the board at the Scientific research technical institute of power engineering JSC; Sergei Katyrin, vice president of RF CCI, chairman of the board at Expocentre CJSC, deputy secretary of the RF Public Chamber; Antonina Kopeyko, president of Surgut CCI; Nikolay Lipatnikov, president of Vyatka CCI, director of SOEXS-Vyatka LLC; Boris Pastukhov, senior vice president of RF CCI, chairman of the board at CCI-Info LLC; Georgy Petrov, vice president of RF CCI; Yekaterina Semyonova, deputy of the RF State Duma; Vladimir Strashko, vice president of RF CCI; Kazbek Tuganov, president of CCI of the Republic of North Ossetia; Maksim Fateev, president of CCI of the Saratov region; David Yakovashvili, chairman of the board of directors at Vimm-Bill-Dann Food Products JSC.

goods and services. The work towards this goal should start as quickly as possible. Entrepreneurs agree with the public policy aimed to stimulate production. Obviously, there are two main directions. Those are tax deductions and anti-corruption measures. In addition to all steps taken and to be taken, it's urgently necessary to revert to the administrative reform. Its key and,

sure on business, it's important to increase efforts exerted in the area of property right protection. Presently, the problem of corporate raiders has become really acute. It is nothing more but a criminal confederacy between unfair businesspeople and corrupted representatives of public and legal enforcement authorities. Raiders have already come to

investments in the joint project concerned with producing unique agricultural equipment was raider threat rather than cataclysms on the global financial market. The life shows that the system of commerce and industry chambers should be integrated in the sphere of public purchases where major violations of legislation take place during the each third auction or tender. Chambers could maintain registers of enterprises participating in delivery of goods for the public needs and catalogues of their goods and services, as well as confirm the reliability of data about providers and the compliance of their products with safety and quality requirements.

## “One hasn't cash in on the crisis!”

unfortunately, unaccomplished task was to pass the excessive public functions to the social level. Naturally, the social level includes, among others, the system of commerce and industry chambers and self-regulated organizations. To reduce the corruption pres-

Russian regions. For example, it has been a case in Bryansk where only decisive actions of managers jointly with efforts of the regional CCI have saved Bryanskselkhoz-mash Company from the pillage. Notably, what forced Austrian investors to refuse from large

### We don't change our priorities

During the meeting with members of the Governing Body of CCI of Russia, Dmitry Medvedev emphasized again that the national anti-corruption plan may be corrected and changed depending on the efficiency of taken measures.

“We have to make all necessary decisions to fight against corruption”, claimed he.

The President addressed himself on the set of anti-corruption laws and asked representatives of the business community to share their ideas regarding this theme.

“If you have any proposals on anti-corruption monitoring, protection of small and medium business, cooperation of businesspeople with legal enforcement structures and mass media, we can discuss your suggestions”, said Medvedev. He assured the meeting's participants that the government will continue making steps to back small and medium business enterprises and make note of the already taken decision to increase funds granted to small business under the state backing programme to 50 billion rubles. The Russian President also said that Vnesheconombank “has to seriously increase volumes of credits given to middle business – to 30 billion rubles”.

### Dmitry Medvedev commented on the speech of Evgeniy Primakov as follows:

- ▶ “The Central Bank of Russia has to watch that banks' lending rates would not exceed due limits. In Russia, loan interest rates are really much higher than abroad. “This may be explained by not only malice design of bankers – each case should be considered separately – but also the inflation rate we currently see. The lending rate is determined by the formula “inflation + margin”. “We have to control that the banks' margin, in other words their remuneration for appropriate banking operations, would be within the bounds of reason. It's the duty of supervising authorities, and the Central Bank has to control the value of the lending rate of all banks. Its representatives and commissioners should be everywhere. It is not exclusively Russian practice, such approach is widely used in many other states. I believe we can use it too as this practice comes into line with the market character of our economy and those strategic tasks we are currently solving”.
- ▶ “The “commercial raid” disease infected the whole country with metastases. “Really, this evil exists not only in capital cities, but also in the province. It is evident that the disease has already given metastases”. “This illness is very dangerous and, although it may sound not very liberal, law breakers should be put in prison”.
- ▶ “If other countries apply the whole arsenal of tools and measures provided by the criminal procedure code to the largest investment banks, mortgage and investment companies, and some borrowers, we also can take serious actions. This theme has been already discussed at the meeting with law enforcement bodies: “One hasn't cash in on the crisis!” “Some things that could be excused in other situations can't be forgiven today”.
- ▶ “I back the long incubated idea to pass some state functions to social organizations, including self-regulated ones”. “This goal isn't accomplished. It must be realised further. We did something, but it's not enough”.



Medvedev believes that the law on public purchases should be changed. “It is well-known that the level of corruption in this sphere is very high and, as distinct from other situations, such cases are not registered and often not evident. However, according to expert data, the volumes of corruption are colossal”, said he. “The shadow part of public purchases is almost equal to the volume of corruption in all other spheres”, explained Medvedev. “If you have any ideas how to perfect the law on public purchases, tell us, because we are currently working on proposals on modernization of legislation in this area”, appealed he to Vyacheslav Golitsyn, CEO of Soyuzekspertiza. Golitsyn, in his turn, proposed to the President of the RF to provide on the governmental level for the compulsory independent expertise of public purchases if the sum of the deal exceeds 50 million rubles. Medvedev upheld this initiative. “It is a good idea to carry out expertise for major deals, using experience and potential of our

expert organizations”, thinks he. “However, an expertise itself is not a guarantee yet. It must be fair and correct. Everything will depend on the reputation of the expert organization”, added the President. Medvedev noted that the first part of the anti-corruption package of documents is “punitive and monitoring” and the second one is “economic-oriented and concerns measures to fight against corruption”. This part will also deal with issues of public purchases. Medvedev also mentioned that he holds as reasonable CCI’s idea to conduct expertise of bills concerned with business activities in Russia. This initiative was put forward by Vitaly Yefimov, chairman of CCI’s committee on transport and expedition, president of the Association of transport workers of Russia. “This idea is good. We have to think what adjustments are to be introduced to appropriate regulations”, said Medvedev. The President requested to show CCI’s proposals on turning the tariff policy into an all-Russian

law. “The suggestion is to include the law on rate policy in the legislation of the RF. However, we have to understand that it is a flexible instrument and it would be impossible to make changes in the law on rates too often. The economic situation is very changeable, we can’t foresee everything what may happen”, noted Medvedev. “Nevertheless, the proposals are to be analysed. The main advantage from including the rate policy in the country’s legislation is the stability of such pricing regime”, concluded Medvedev. The President also emphasized that Russian authorities intends to continue exerting every effort to back and develop the medium class in Russia despite the global crisis. “Irregardless of financial shakings and crises, we never change our priorities. Our aim is to create the Russian middle class consisting of active and interested people. We will take all necessary measures to back and develop it. The presence of the medium class is a basis for further development of a state”, claimed Medvedev. ≡

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“If you have any proposals on anti-corruption monitoring, protection of small and medium business, cooperation of businesspeople with legal enforcement structures and mass media, we can discuss your suggestions”, said Medvedev.

# Russian economy: Ways to rapid Improvement



On June 1, the Chelyabinsk Tractor Plant (CTP) celebrated its 75-year anniversary. For all this time the CTP has been the chief producer of high-powered caterpillar tractors in Russia. The plant's production has totalled 6 billion horse powers! In 2007, the production amounted to \$ 640 million, 24% exported. Consumers of the CTP exceed 15,000 enterprises worldwide. Our editorial staff heartily congratulates the plant workers with the anniversary!

Valery Platonov, CEO of OOO Chelyabinsk Tractor Plant –  
Uraltrac, Chairman of Industry Development Committee at the Chamber  
of Commerce and Industry of RF

In recent years the Russian economy has posted good dynamics. This first of all applies to macroeconomic indicators. The GDP, for instance, over last seven years has been growing at an average annual pace of 6.8%, yielding only to China and India. In 2007 the increase reached 8.0%.

Russia in 2007 received \$ 120.9 billion of foreign investment, 2.2 times as much as in 2006. As of end 2007, the cumulative foreign capital in the national economy came to \$ 220.6 billion, up by 54.3% on the analogous period of 2006. Gold and exchange currency reserves have significantly exceeded \$ 300 billion. Russia has grown to represent 3.4%-4.5% of the world economy, according to international experts. The major

driver behind these indicators are, beyond controversy, mining operations, metallurgy (mainly due to the export), and other industries exploiting the natural resources of the country.

The machine-building complex today accounts for about 3% of Russia's GDP, the oil and gas and raw materials – for 28%-30%. In high-developed countries, in the meanwhile, the machine-building complex represents up to 70% of the GDP.

Yet, if we put aside the macroeconomic indicators, our economy currently suffers from a number of general problems (even hitting the seemingly happy segments) – which significantly hinder its efficiency and lead to low competitiveness of national products. Here are some of these problems.

## Disturbing losses

A general problem affecting the RF economy is its structural imbalance. Thus, the machine-building accounted for less than 20% of our industrial production in the beginning of 2007, compared to 40% in China, 46% in the USA, or 54% in Germany.

If we continue to base our development exclusively on sales of raw materials, energy supply and half-finished products, the other segments will further degrade, and this may entail an economic crash in a critical situation (decrease in world prices, sharp decline in demand, or simply exhaustion of the raw material resources).

Today, unfortunately, we see a frightening fall in competitive capacity among many national products in

the home market, to say nothing of the export lines. For the last 15 years of the Soviet period machinery and equipment represented 15%-10% of exported products, but now the share has dipped to 6%-8%.

The share of Russia's exported high technology in the world high tech market was only 0.3% in 2006. We already need extraordinary measures to provide competitiveness in the home machine-building market (cars, planes, tractors, and other machines) – in 2007, for example, agricultural machine-building production in Russia only totalled 52.4 billion rubles, whereas the imported agricultural technology amounted to 60 billion rubles.

### Technological gap

The country's key assets are in a critical condition causing a significant technological lag.

Indeed, most Russian enterprises (including machine-building) use a 75%-80% depreciated equipment. And a simple reappraisal of the property will not solve the problem, naturally. In this regard, we need a range of legislative acts promoting capital renewals. In particular, enterprises should be able to set accelerated depreciation rates on the new equipment. The USA introduced something of the kind in 1981. Quite a number of countries have a profit tax refund paid to enterprises in the current term as part of technical re-equipment capital. Another stimulating measure could be exemption from tax on the purchased active assets for the first couple of years.

Finally, the 18% VAT, to say the least, hardly encourages enterprises at the

end of the technological production cycle to renew assets and implement modern technology since it would directly increase the tax amount. Therefore, we believe the VAT should be decreased to 10%.

There is a clear need to expand the range and simplify the import of the high technology unavailable in Russia and having no imposed, or small minimal import duties.

### Supporting the national producers

However grudgingly, we must admit that the national market lacks reasonable protection and any active lobbying.

This problem is now especially relevant owing to the final stage of the negotiations on our WTO entry. It should be pointed in this

“ The national market lacks reasonable protection and *any active lobbying* ”

regard that the equal treatment principle is only declared in the WTO but is hardly observed. For instance, the nations joining the EU are compensated half of the technology price if the technology is produced in the EU. The competitive capacity of China's export technology is supported by low prices. At the same time, given the construction, materials used, and deliverables, this support appears to be dumping-based and to rely



on the Chinese government.

It would seem logical to raise the current import tax rates on the Russian machine-building production, in particular – on tractors, bulldozers, loaders, excavators, and pipe-laying cranes.

In recent years the volume of the State Defence Order (SDO) has changed very favourably

for machine builders. But there is a problem of price coordination under SDO products: the customer believes he can rely on projected inflation values, but the projections are never fully true, first of all, and second, the inflation is always undeniably higher for machine building than for consumer prices. So we have two possible solutions to the SDO price problem – based either on the real inflation level or on common price approaches for all SDO participants, including power engineering specialists, metallurgists, railwaypeople, etc. Another open issue is government contractual work for machine builders (and other enterprises) under national projects of all-state importance. Currently implemented, for instance, is the “Ural – Industrial and Polar” project, supported by the state. Yet, one cannot say for sure if the project's infrastructure will use the national machinery.

#### Uraltrac tractors are prepared for shipment abroad.

Today, the share of machinery and equipment in total exports of Russia does not exceed 6-8%, while the last 15 years the Soviet period it was 15-20%.



## Requesting moratorium on shock therapy

Linked to the previous problem, but deserving special discussion is the price growth of natural monopolies. Stability of basic economic instruments, like prices set by natural monopolies, energy carrier prices, or the general inflation level, largely determines its efficiency. The government course towards world price standards in the energy carriers segment and regulation in rail transport and public utilities is an annual shock therapy to national producers who thereby lose all competitive advantages.

Just to give an example: in the beginning of 2007 petrol cost \$ 0.63 per litre in the USA and \$ 0.77 in Russia, against \$ 0.02 in Turkmenistan, \$ 0.03 in Venezuela, \$ 0.09 in Iran and \$ 0.13 in Livia. Prices are a bit higher in oil-producing countries like Qatar, Bahrain, Kuwait, or the UAE. Petrol is less subsidised in Malaysia, Bolivia, Argentina and Syria, but it costs there between \$ 0.43-0.62 per litre. As for gas, it is currently cheaper in Russia than in Europe, but its annual price increase by 25%-27% seems excessive. Regulating prices for certain product and service lines (electric power, gas, railroad rates, and public utilities), the state inevitably triggers inflation and is responsible for over 50% of the annual inflation, experts say. Electric power and gas prices, as well as railway rates, water, steam, and utilities are all sensitive matters for machine building. For this reason, we hold necessary to temporarily freeze the price equalisation by the world standards or, at least, to revise its growth parameters for nearest years.

In 2007 commercial production was far higher in machine building than in many other segments. On the other hand, it also reflects the previous immense decrease in the industry. According to experts, over the market reform years machine building in the country has fallen more than during the World War II. Many machine building enterprises have simply closed.

## Basis of the CTP

I'll cite several instances concerning the CTP. It has showed stable positive dynamics of chief indicators and a rapid increase in production volumes, at a pace far above Russia's average.

But in the late 90s the fate of the enterprise was very doubtful. In 1998 the bankruptcy proceedings started. Among our pivotal targets we named the restructuring of the property complex in order to boost its efficiency. Indeed, the complex at that time was still designed for production of 30,000 tractor items, not already demanded in reality. What to do? How to use these capacities? We decided to lease out the production assets (real estate, equipment, etc.).

First, the lessees were few, but soon their number started to grow. And how could it be otherwise, given a reasonable rent price, developed transport and power infrastructures, a good location, the availability of the holding company's help in a wide range of matters – entry check-points, material and technical provision, engineering and design assistance, and other incen-

tives. The CTP's property complex is now rent to 160 companies, for the annual total of RUB 260 million (as in 2007).

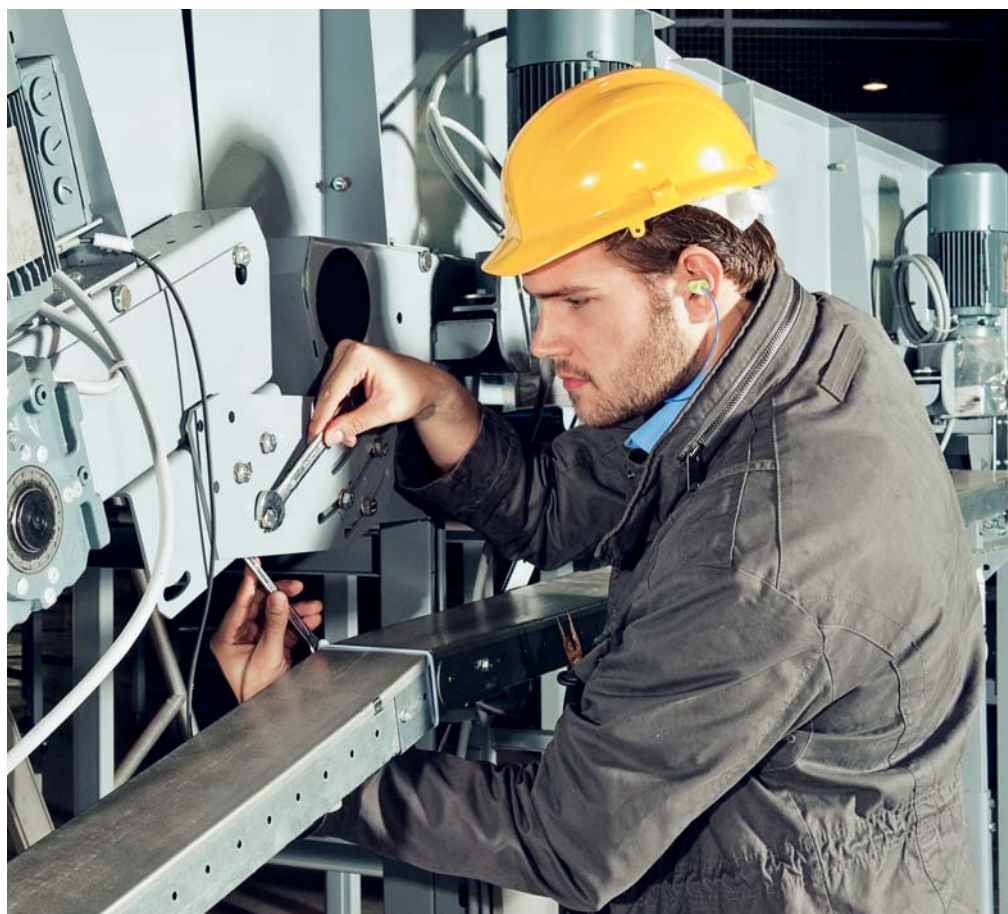
The next step in the restructuring was establishing 100%-held affiliates. Currently the number of daughter enterprises approaches 50. Chiefly they are operating in the single technological cycle together with the parent company.

As the State Council pointed at its meeting in Tobolsk, the country's medium and small business is over 50% dealing in trade and services, whereas our affiliate enterprises and lessees are mainly operating in real production.

The CTP's property complex has transformed into a large machine building corporation serving road construction, extractive industries, and other high technology segments.

I do hope that the machine builders, the operators of real production, will be heard, and the state will more actively care about proper conditions for strong and balanced growth of all segments of the Russian economy. ≡

Today, machine-building complex of Russia provides about 3% of GDP, while in highly developed countries this figure reaches 70%.





# BORN TO BUILD



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# Russian business goes abroad

Interview with **Georgy Petrov, vice president of RF CCI**



**– Mr. Petrov, you are responsible for supervising all international contacts and relationships of the Chamber of Commerce and Industry of Russia (RF CCI). Could you tell us about the partnership between RF CCI and similar bodies from other countries, including CIS states? Which of them are the most sustainable and productive partners? How does your partnership look?**

– RF CCI has very broad relationships with foreign partners. We maintain business contacts with over a hundred of Chambers from all continents. Good relations have been cultivated, for instance, with the Central Clearing House of

Finland and the Union of German Chambers of Commerce and Industry. We have also established close ties with the Chambers of Slovakia, Czech Republic and Poland. We exert major efforts to develop trade and economic partnership with China and India. The Russian Chamber of Commerce and Industry often becomes a pioneer in establishing trade and commercial relations with a number of countries, for example with Venezuela, Brazil and some African countries southward Sahara. We participate in the activities of the International Chamber of Commerce (ICC), European Chamber, Confederation of Chambers of Asia-Pacific Region.

Our priority, by all means, is partner relationships with our colleagues from the CIS countries. Last December, Russian President Vladimir Putin pointed to the necessity of development of such connections at the meeting with the CCI board. Russia is really interested in strengthening not only commercial, but investment relations with the CIS states. As the domestic business is growing, Russia becomes too small for it and the Russian business community is searching for new markets. Such a partnership is beneficial not only for us, but also for our neighbors after all. Of course, the major tool contributing to the

development of such cooperation is the Board of heads of CCI of CIS member states. This body was established on the initiative of Yevgeny Primakov, president of RF CCI. The Board holds its proceedings annually, dealing with not only general issues, but also with concrete matters of mutually beneficial relationships. These issues concern exhibition and trade fair activities, small business support, cooperation in the area of international commerce arbitration. I would like to lay special emphasis on the fact, that we have established and have been maintaining friendly ties with all our partners from CIS states, without any exclusion. My special word is about Uzbekistan and Turkmenistan. To some extent, RF CCI discovered these countries for national business anew. Last year, they hosted various business forums, exhibition and trade fairs, received Russian business missions. This year, similar events took place in Moldova, some business-forums are planned to be held in Ukraine and Belarus.

**– How is the cross-border cooperation developing?**

– It is a very challenging theme. Not incidentally one of the most active committees in RF CCI is the Economic Integration Committee of Shanghai Cooperation Organiza-



also no precise definition what the “close-to-border trade” is.

**–What are duties and goals the Russian CCI’s foreign representatives offices?**

– The geography of 16 foreign representative offices of Russian CCI is quite broad. In Europe, I would primarily name regional offices working for several nations with headquarters in Sophia, Vienna, Belgrade, Prague, Brussels,

sian Chamber of Commerce and Industry.

We also have representative offices in Istanbul, Delhi, and even two ones in China – in Beijing and Shanghai.

In the USA, our office is situated in San-Francisco. Why there, you may ask? In our opinion, the office in San-Francisco can successfully contribute to the development of mutually beneficial cooperation between the western part of the USA and Eastern Russia – East Siberia, Far East, and Transbaikalia.

As for CIS countries, at the moment there is only one regional representative office that is situated in Alma-Ata and covers the whole Central Asia. Nonetheless, we feel the barest need to open our offices in European CIS member countries. It is a challenge for us, and we will solve this task. Naturally, the main goal of our foreign branches is to assist Russian businessmen in establishing winning connections with their foreign colleagues.

**– Mr.Petrov, it’s well-known that companies’ membership in the CCI system can be voluntary or obligatory, each with their advantages and disadvantages. What is your opinion about this?**

– You’re right, there exists the so-called “continent system of chambers,” which stipulates the ≡

**December 11, 2007.** Russian President Vladimir Putin and the head of Russian Chamber of Commerce and Industry Yevgeny Primakov.

*As the russian business is growing, domestic market becomes too small for it*

tion (SCO) and CIS countries. Some of its visiting sessions were held precisely in close-to-border regions. Moreover, the new creation was the functional committee for development of near-border cooperation with Kazakhstan. Considerable purposeful work is being maintained by CCI of Belgorod: for instance, it held a seminar that attracted delegations from Ukraine, Belarus and Moldavia. CCI of Saratov headed CCI of the Caspian region, which included the Chambers of Kazakhstan, Turkmenistan, Azerbaijan and Iran. Unfortunately, regulatory environment is still lacking. There is

as well as CCI missions in Germany and Hungary. Notably, there are two joint Chambers of commerce functioning in Europe. These are the Russian-British Chamber of Commerce and the Italian-Rus-



**Five years ago, Yevgeny Primakov initiated the establishing of the Russian-Arabic business council.** Among its goals are to exchange information, create a permanent forum for business contacts, reveal problems on the way of Russian exporters, support Russian businesspeople working in the East and Arabian entrepreneurs operating in Russia and, as a result, stir up the development of business cooperation.



CCI Russia has become a pioneer in establishing trade and economic relations with Venezuela.

Venezuelan President Hugo Chavez during the Russian-Venezuelan business forum.

obligatory membership of all the entrepreneurs. Such system was first introduced in France by the decree of Napoleon I. According to it, none of businesspeople has a right to run their own business without being registered in the Chamber and obtaining its permission. Consequently, all entrepreneurs have to pay regular fees to the Chamber.

Nowadays, this system is functioning, apart from France, in Germany, Austria, Italy, Spain, Portugal, as well as some other countries of the continental Europe. Chambers in these countries have been existing for several centuries. They have created such infrastructure that totally meets all business demands. At the same time, the membership is voluntary in Scandinavia, England and the USA as well as in East European states.

Certainly, each of two systems has its pluses and minuses. It should also be observed that some East European countries made some attempts to turn to the obligatory membership. However, this

initiative never met with success, as the chambers couldn't meet the demands of local entrepreneurs as it should be.

Although the system of chambers has long traditions in Russia, the market economy is still in the making. Therefore, in my view, voluntary participation of businesspeople in the chambers of commerce and industry is more efficient. If the obligatory membership is introduced now, it could lead to additional taxes imposed on business, which is out of question. However, it would be reasonable to converse to such system in future, although in such case Russian chambers of commerce and industry will be obliged to provide entrepreneurs with a full range of services.

**– What kind services does RF CCI provide for foreign entrepreneurs?**

– Nowadays, more than 1,500 representative offices of foreign companies are authorized by CCI of Russia. And during the last 15 years, we gave accreditation to over 5,000 business missions. Their companies were assisted in exploring the Russian market, searching for Russian partners, making investments in our economy. With the assistance of RF CCI structural units and territorial chambers, those companies are able to function productively in the Russian market. Generally, we exert every effort to help them everywhere we can.

**– As far as I know, the considerable part of international cooperation of the Chamber goes through the business committees. Please tell us about them.**

– This cooperation through the committees originated already in the Soviet period, they were called differently though. We can, for example, remember the committee

for trade and economic cooperation with the USA or the committee for economic relations with Japan. And five years ago, Yevgeny Primakov initiated the establishing of the Russian-Arabic business council. Among its goals are to exchange information, create a permanent forum for business contacts, reveal problems on the way of Russian exporters, support Russian businesspeople working in the East and Arabian entrepreneurs operating in Russia and, as a result, stir up the development of business cooperation.

Other business councils, created afterwards, are functioning in the same way. Currently, they are 45. Their activities are managed by RF CCI department for cooperation with business councils.

**– Can you describe a standard working day of the Russian Chamber's vice-president, who supervises over its international connections?**

– Let's take this day, for instance. At 10 o'clock, I took part in a business meeting with the minister of tourism of Egypt on cooperation issues in the area of tourism. At 11:30, I participated in the opening of the Center for investment support in the World Trade Center Moscow. It was created by the Republic of Korea in order to assist Korean investors in their operations in the Russian market. After that, there was a meeting in CCI of Russia with Japanese deputies and officials. We discussed how to improve relations between Russia and Japan. Then – an interview with you. Later, I will meet with a new representative of CCI of Russia, who goes to Japan.

As you see, the day is planned tightly. And each day is like this one. ≡



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# How to find peaceful settlement of a controversy?

They should use alternative conflict settlement means more often



**T**he arbitration practice has come into force in Russia, with both solid legislative and organizational structure. The very opportunity of solving arguments without interference of the state is one of the indexes pointing to the high development of public institutions, civil society, culture and business simultaneously, claimed Yevgeny Primakov, President of the Russian Chamber of Commerce and Industry, at

the recent All-Russian scientific-practical conference “Arbitration trials and peaceful settlement of conflicts: efficient mechanisms of modern business policy”. The conference was dedicated to the 15th anniversary of the Arbitration court for settling economic controversies at the Russian Chamber of Commerce and Industry and to the 5th anniversary since the Federal Law “On arbitration courts in the Russian Federation” has come into force. The number of commercial contracts is growing constantly, and the parties’ demands on proper performance thereof are growing as well, said Yevgeny Primakov. The need for a tool of settling down conflicts between market participants in a peaceful way is becoming more acute. Two years ago, he added, the Board of agents for use of conciliatory measures was founded and the working group prepared an agency bill, which is supposed to be given its first reading at the Parliament soon. Veniamin Yakovlev, councilor of the Russian President, emphasized the importance of broad adoption and application of alternative conflict-settling approaches, especially under modern conditions. The conflicts are inevitable and they will keep arising. So the point is how to

settle them properly. The most important thing is not to break up or deform partner relationships between conflicting parties. In this regard, the use of agents, advisors, as well as addressing third persons (arbitrary trials) is to be the main way for peaceful settlement of conflict. In the councilor’s view, there are three requirements for the efficient functioning of the alternative conflict settling system. The first one is the readiness of businesspeople to apply to these means. Secondly, there is a necessity for conflict settlement professionals. “We need an army of professionally skilled and morally unstained referees,” said Yakovlev. The third urgent requirement is serious public support. The system of governmental support has been already created and is to be used. But the volume of such support could, of course, be larger than in some European countries. Yakovlev dwelled on the issue of the agency bill, mentioned by Yevgeny Primakov in his speech. This has to be a framework law. The best international experience has been used when preparing the bill that harmonically combines broad opportunities and flexibility. Since the parties have reached mutual consent, there is no way to avoid the performance

of the decision. The problem of where to find smart, experienced and skilled agents, could be solved through drawing in retired judges with huge experience in this sphere. Today such practice is not allowed but for the good of the whole case it could be reasonable to think about introducing some amendments into the legislation, believes Yakovlev. The agency service and the arbitrary procedure are quite serious instruments and should be used by people with a high moral level, so it's necessary to get united, to create a public organization that could control these issues.

Yevgeny Sukhanov, chairman of the Arbitration court for settling economic controversies at the Chamber of Commerce and Industry, drew the attention of the audience to the fact that most modern problems holding back the development of arbitration trials are connected with the absence of the civilized business environment. Presently, most court decisions are not performed voluntarily as it should be and as it follows from the arbitrary proviso that the parties often include into contracts. This makes it obvious that there are still many



(Left) Veniamin Yakovlev, counselor of the Russian President



(Right) Yevgeny Sukhanov, chairman of the Arbitration court for settling economic controversies at the Chamber of Commerce and Industry

unfair businesspeople who do not respect their own word recorded in a contract, because they feel themselves free to take it back. So, one of the main goals of arbitration courts should be to form legal awareness of the business community, emphasized Sukhanov. Alexander Komarov, chairman of the International commercial arbitration court under the Russian Commerce and Industry Chamber, pointed out the role of the ICAC in the perfection of arbitrary trials in Russia. Huge experience of ICAC, the "flagship" of Russia's arbitrary trials, as well as

the practice of the Moscow arbitrary commission not only have a big importance for the Arbitration Court, but also exert a positive influence on development of almost all arbitration courts in Russia. Komarov recommended court referees to pay more attention to the ICAC practice that contains answers to many questions of applying both the Russian legislation and commercial customs. The conference contained the award ceremony for the best referees and statespeople, furthering the development of arbitration trials in Russia. ≡

All-Russian scientific-practical conference "Arbitration trials and peaceful settlement of conflicts: efficient mechanisms of modern business policy."



# Russia's electronic "naval shield"

has been and still remains the safest one thanks to energy and talent of scientists and engineers of the city of Taganrog, who saved the biggest scientific-industrial complex of Russia from a total collapse

**Nikolay Petrov,**  
special correspondent  
Photo by **Sergey Gubin**

**T**he Federal state unitary enterprise "Taganrog scientific-research institute of communications" (TSRIC) is not well-known to public, because at least forty years of its half-century existence it used to belong to the "top secret" category.

The institute began to appear in media publications more often as it started in late 90's – early 00' to entry the foreign markets, delivering those very "complex radio electronic instruments" to China, India and Vietnam. Today it is known that the institute, founded in 1961 (heretofore it was nominally a branch of a Moscow research institute during three years) was the founder of a prospective direction of engineering – creation of naval radio intelligence means and ship-borne radio anti-missile systems.

The TSRIC production has found application on almost all Russia's naval ships including heavy aircraft carriers and atomic missile cruisers. The institute's



sphere of interests was constantly expanding, so by early 90's it also addressed the means of electronic defense systems for naval bases and aircrafts. Multifunctional complexes designed at the institute are used by the Naval Forces of India – an old Russia's partner in the matter of military-technical cooperation. Hundreds of TSRIC employees were awarded with Soviet decorations and the institute itself was honored with the Red Labor Banner. It has more than 900 registered inventions to its credit; many doctoral theses were defended on basis of its work; it has dozens of medals and diploma received at international exhibitions and fairs.

These huge accomplishments, however, did not save the institute in the period of market reforms. One of the most important research institutions appeared to be one step away from bankruptcy. The situation started to change to the better in the middle of 2007 as a group of talented electronic spe-

cialists, former military engineers, took over the institute. It would be prematurely to claim the institute totally restored itself, but a positive trend is obvious. The employees began to make further plans, to regain self-confidence.

The crisis went past; the main problem – lack of new orders – was successfully solved. At present, the institute is provided with governmental orders to the year 2012, and on certain positions – even to the year 2014. How is the institute going to develop further? The domestic naval object defense systems haven't been inferior to foreign analogues thus far and so they are not today. But our Western "colleagues" do not stand still: they stir up developments of new systems, create new elemental base and microelectronics joints, and introduce the new technical means at their research labs and design departments. Today they cut the systems' production terms to three years while we develop our new models in the course of

The domestic naval object defense systems haven't been inferior to foreign analogues thus far and so they are not today. But we need some cardinal, maybe revolutionary measures if we do not want to drop back hopelessly.



seven-ten years. So we need some cardinal, maybe revolutionary measures if we do not want to drop back hopelessly. One of such measures is being currently discussed in Taganrog. The fact is that several enterprises in the Rostov region also develop and produce computer systems for the Navy. One of them is quite large – it is the “Pribor” factory that used to cooperate with TSRIC earlier. But the market turned ex-companions into competitors: so the two enterprises haven’t led any joint projects for 10 years.

The idea to merge two institutions together was floating around. All the more TSRIC is going to expand its production. Till recently, the institute has used to develop anti-missile electronic defense systems for surface ships only, but now it has started to receive orders from naval bases and submarines. In this regard, new scientific and technical personnel would be a great “reinforcement” for the Taganrog institute.

The fundamental decision on merging the two enterprises together should be taken by “Ros-technologii” and the Ministry of Industry and Commerce that have already been made acquainted with the respective plans of the both sides. The merger is supposed to be finished by the end of the next year. In 2011, the largest scientific-industrial complex is expected to be formed in full.

The new enterprise is anticipated to consist of four structures; three of them are to be located in Taganrog. Testing rooms and labs should be there as well. Serial production of new systems is supposed to concentrate in Rostov.

From director’s prospective, the merger will allow solving the main task – to bring the new systems’ production terms to the Western standards, i.e. to three years, securing us from the danger of falling back from the potential enemy. In fact, the preparation procedure has already begun: the Taganrog technological university is negotiated with on the matter of graduating more electronic specialists for the needs of the new large enterprise.



TSRIC’s high authority is the reason why it suffered minimal personnel outflow in the 90’s. People were looking forward to better times and stayed the course.

However, this project has its critics as well. They claim the government should concern itself with improving the quality of components delivered from other enterprises. If that’s not the case, our naval defense devices will be worse than their foreign analogues anyway. Another apprehension is caused by the probability that if the creation of this new enterprise takes longer than planned, it could not get onto the list of enterprises taking part in the “Russia’s governmental rearming program for the years 2007-2015”, which budget makes \$205 billion; almost two thirds of this sum are supposed to be spent on purchasing new weapon models.

The communications institute has always considered as a place where all scientific elite of Taganrog is gathered. TSRIC’s high authority is the reason why it suffered minimal personnel outflow in the 90’s. People were looking forward to better times and stayed the course. The average age of TSRIC is 49: those are in fact not old people with huge experience.

In short, the coming merging has not yet come out of its “project phase”. But even if something could prevent those plans from realization, it is obvious that there would be no new crisis in TSRIC anyway: the enterprise is standing firmly on the ground.

Presently, a prospective program of civil production development frozen in the 1990ties is getting its second life. Unfortunately, it’s only at the “prototype phase”. Nowadays the respective market is oc-

cupied by Western companies. So we need to promote our domestic civil machinery and make it attractive for consumers. The task is complicated, but solvable though. In the next year, the institute together with 350 other defense industry enterprises is going to entry “Rostekhnologii” corporation and will change the property form – it will become a joint stock company while the government will remain the holder of 100% shares thereof. So what is the most essential in the “crisis-escaping” technology?

– I suppose it was very important to make a real team out of seven and a half hundred people, united by a common goal, where everybody knows his or her personal tasks, – says Mr. Fedotov, director. – And I do not overestimate my role in realization of this goal. The institute has many talented, enthusiastic people and my duty was only to return them some self-confidence, to outline clear and sound tasks for the future what I’ve succeeded to do. I’m sure: whatever obstacles are in our way, the institute won’t be seriously threatened”. ≡

Taganrog technological university is negotiated with on the matter of graduating more electronic specialists for the needs of the new large enterprise.



**Aleksey Vasilyev,**

Associate member of the Russian Academy of Science,  
Head of RAS Institute of Africa

Africa is ready to sell mineral materials to Russia,  
but Russian entrepreneurs have to hurry up to occupy  
favorable place in this market.



# Not by Oil alone

**T**he 21st century is going to be a century of severe fight for natural – first and foremost fuel and energy – resources. Day by day it becomes more evident. According to all forecasts, by the middle of the century, the demand for industrial commodities will increase by up to 50-60%, compared to its start. And this will happen even despite the usage of various energy-conservative technologies. Mature economies have already achieved considerable success in this respect. For instance, the USA decreased oil capacity of GDP to approximately 20% during the last

15 years (in Russia, incidentally, this figure rose to 30%). Generally though, the worldwide hydrocarbon consumption is growing. Not incidentally American Transnational Corporations (TNC) try to gain possession of oil pools and other kinds of raw materials all over the world.

At the same time, the US government raises investments in geological surveys, which are, in fact, funded from the federal budget by 60-70%.

In Russia, the question of providing the national economy with primary resources becomes more and more acute. According to experts, existing natural resources will last Rus-

sia only until 2015, and then our country will face a shortfall of 36 main types of resources. Presumably, Russia's shown reserves of oil, zinc and lead will be fully depleted, and its reserves of copper, molybdenum, nickel and tin will decrease by three fourths.

Leonid Fedun, vice-president of Russian oil company LUKOIL, believes Russia passed the peak of oil production – 10 million barrels a day – as early as last year. Capital investments of at least \$30 billion are required to compensate the retired capacity of hydrocarbon, and other \$10 billion – to preserve the current production capacity. These figures may

The first samples of oil produced on the shelf of the Baltic Sea





certainly differentiate from other forecasts, but the intensification of negative tendencies in the Russian mineral resource industry is not arguable.

Is there a possibility of supplying national economy with natural resources? The answer to this question shall be sought domestically, in the first place. Primarily, we have to strengthen standards of nature management, increase capital investments in reprocessing of reserves of natural resources, to implement resource-recovery technologies, etc.

Nonetheless, all the measures mentioned above aren't likely to solve the problem cardinally. The matter is that even if our geologists receive

addition funding and explore new mineral deposits, they are hardly to be settled quickly. There are a number of objective reasons to obstruct it. Here are some of them. The largest part of the Russian territory has already been explored, and new discoveries may arise only in northern latitudes or even in uninhabited areas. The development and exploitation of such territories will cost a lot of time and money. These deposits are likely to be found in those areas, where wide-scale mining operations can easily affect ecological environment.

in relatively shallow depth, and mined ore is usually rich with the usable raw material. It also should be observed that Russia's political positions in Africa are quite strong. Moreover, Russian geologists are highly experienced in exploring Africa and possess required knowledge in the geological structure of many of its regions.

Foreign businesspeople often achieve high profits here as African governments offer them profitable conditions for mining investments. For instance, returns of American companies operating in countries

## *Africa seems to be a natural partner for Russia to help our country solve its problems in the field of recharging the industrial raw materials*

One more circumstance should be taken into consideration. Ore in Russian deposits is usually baser than that in many other foreign deposits, African in particular. Unit costs for extractions of raw materials per ton of sub-soil recovered raw materials are likely to be high, which would considerably decrease the competitive ability of Russia, being still not excessively strong by itself. That's why we have not only to conscript domestic resources, but also to make use of external sources more extensively and profit by the great potential of our foreign economic relations. It would be sensible to add to our arsenal a principle which many countries are lead by: to postpone the development of their own deposits and use other countries' resources.

By various parameters, Africa seems to be a natural partner for Russia to help our country solve its problems in the field of recharging the industrial raw materials – mostly due to the fact that this continent is very rich with mineral resources. According to different evaluations, a considerable part of explored world natural resources fall on the African countries. This continent has a lot of places geologists haven't touched upon yet. Apart from this, the best part of African mineral resources occurs

southwards Sahara are about 28-30%

However, Russian business is not welcomed in Africa with open arms. This is a continent of high competitive struggle, especially in the mining sector. Major world transnational corporations have been operating here. 420 affiliates of the large-scale Western corps, 60% of them being European, are registered southwards Sahara (with exception for RSA) alone. Russia yields to western countries in the government support for domestic exporters of goods and funds. While developed western economies spend 0,35% of GDP in average for financial backing of export, the same figure is Russia is just 0,15%. Moreover, only half of funds allocated from the budget are really used. The authorized ≡

**Russian business is not welcomed in Africa with open arms.**

This is a continent of high competitive struggle, especially in the mining sector.



capital of Roseksimbank that is an official governmental agent backing export in the Russian Federation amounts to approximately \$40 million, whereas the authorized fund of China's Eskimbank totals \$408 million.

There is an urgent necessity to establish a public authority that will promote and back Russian export of goods and funds abroad. Russia lacks an integral system of financial and administrative support for business, especially in the developing countries, where Russian entrepreneurs have quite strong positions and will continue expanding their business.

The practice shows, however, that the government takes prompt and efficient decisions very seldom. Consequently, it would be reasonable to put forward the idea of developing a social agency (for example under RF CCI) in which representatives of the business community and other engaged structures could participate, and which could lobby interests of Russian entrepreneurs operate, or wanting to operate, in Africa. The first step could be the forming of the initiative group commissioned with developing of the agency's regulations and solving of financial and legal issues.

I suppose that some Russian businesspeople would be glad to occupy their own "plot" in Africa just now. The Institute of Africa under the Russian Academy of Science is ready to assist them. We have collected a lot of data on the economic situation in African countries, on their export-import demands and needs, on investment legislation etc. The Institute of maintains contacts with officials and governments of many African countries and is able to secure a warm welcome of Russian businesspeople there. The Institute's experts can advise on, for example, social and economic environment in an African country and its development opportunities; the role this state plays in the world market; cultural and behavior peculiarities of the population. The Institute can organize seminars for exporters and investors to make

them acquainted with historical, social and economic peculiarities of African countries as well as with their tax, commercial and investment legislation, etc.

To remember, in the second half of the last century, our economists, sociologists and economic executives failed to foresee the coming of "Asian tigers" – countries from South-East Asia, which rapidly extended their economy and achieved considerable success in

mastering hi-tech industries. Now we have to admit that we began to maintain technical economic and trade cooperation with these countries too late and, therefore, put ourselves at a disadvantage. We don't want to make the same mistakes. The economic situation in a number of African countries is changing rapidly, this market is gaining momentum, and it is high time for the Russian business to occupy a well-deserved place here. ■

Russian geologists are highly experienced in exploring Africa and possess required knowledge in the geological structure of many of its regions.



# In concord with the beautiful

In the present issue of our Magazine, we want to make you acquainted with some artworks of Siberian painters. Thanks to the Novosibirsk picture gallery "Siberian masters", we can give you an impression of traditional arts of Siberia and Altai.

Although being oriented to realistic art, the gallery represents all modern painting styles and demonstrates artworks of both young talented painters and famous experienced artists. As it is known, seeing once is better. . . Let's look at some works of Siberian artists, which, in our view, reflect the variety of the Siberian palette.



**Vladimir Stvolov.** Winter 1941.



**Vladimir Chukuev.** An Altai woman with a pipe.



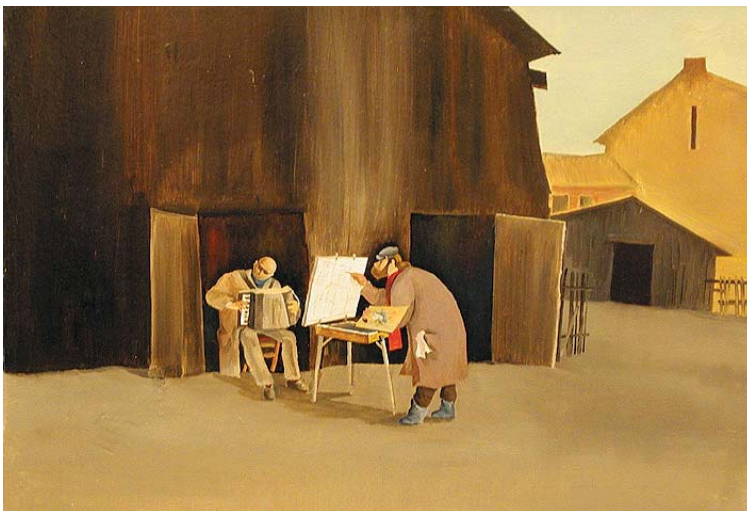
**Alexander Pesotskiy.** Golden autumn.



**Vladimir Chukuev.** In Altai Mountains.



Vladimir Chukuev. After a thunderstorm.



Yury Ivanov. Nostalgia.



Valery Tebekov. Over the land of Altai.



Alexander Pesotskiy. Grannie, do you have a bonbon?



Denis Oktyabr. Gulls.



Denis Oktyabr. Guitarist.



Denis Oktyabr. Old town.



Alexander Pesotskiy. Elks.



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