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# East Inform

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## **Preliminary Mission to Sochi for the Olympic Winter Games in 2014**

A Belgian delegation composed by representatives of FIT agency (Mr André De Rijck), from Awex and Brussels Export (Mr. Ivan Korsak), from Agoria-Olympic Business Club (Mr. François de Hemptinne) and from our Chamber (Mr. Arkady Arianoff), paid a visit (**22-24 October 2007**) to Sochi (a city in the South of Russia on the Black Sea ) which has been recently selected to be the host for the Olympic Winter Games in 2014. It was a ground –breaking initiative, objectives of which were multiple but key-elements were :

- to discover the site of the Olympic Games,
- to define which organization is responsible for what,
- to get a full and detailed overview of the possible investments, available budgets and timing,
- to understand who is in charge for what and who is taking the decisions,
- and to make more known in Russia and particularly in Sochi the Belgian-Luxembourg Chamber of Commerce for Russia, the Olympic Business Club and the know-how and experience of their members.

For the establishment of contacts and the organization of meetings, the delegation could rely on the strong support of the Russian Trade Representation in Brussels and the benefit of the full cooperation of the Office of the Mayor of Sochi, who reserved a warm welcome to the delegation, had invited the local press and television, and made a large presentation of the project.

The evening before, the Administration of Krasnodar - Ministry of Economic Development & Trade of the Russian Federation – Directorate of Development – Section of Sochi, gave us the opportunity to visit the site and made an extensive briefing on the different investments that will be realized by the Russian Federation as well as by private companies, for which tenders will be issued not later than 2009.

A concrete and detailed program covering the planned constructions as well as the equipment to be ordered, will take shape not earlier than February 2008, when the staff to be headed by M.S. Weinstok will be operational.

But it is obvious that as from now the Government is relying on the know how of experienced companies, to take advantage of their analysis of the possibilities and limits of the site.

In the light of the foregoing, we extended an invitation to our hosts to come over to Belgium and make a one-day presentation on the Olympic Winter Games project.

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We could enjoy a positive response on the issue and will be able to welcome a delegate in March 2008.

This meeting will give Belgian companies the possibility to understand better what the Russians are expecting and to adapt their marketing accordingly.

The budgets already been voted are spread as follows :

- 5.5 billion Euros for stadiums
- 3.3 billion Euros for transport infrastructure (roads, trains, airports)
- 1.4 billion Euros for hotels (19.000 chambers to be made available)
- 1,4 billion Euros for power supply and power generation
- 427 millions Euros for communication-infrastructure
- 270 millions Euros for engineering
- 75 millions Euros for environmental issues
- 33 millions Euros for medical and social infrastructure

For a start a total of 10 billion Euros, without taking into account the authorizations that have been delivered already now, on different sites to private enterprises for the construction of hotels, commercial and business centers...

Finally it has to be stressed that our Chamber with the support of our Ministry of Foreign Affairs, the three Regions, the OBC (Olympic Business Club) and Artgroup, will organize at the end of **September 2008 "The Days of BELGIUM in SOTCHI"**. These days will take place at the occasion of the International Economic Forum of Sochi.

The Belgian and Luxembourg companies will have the opportunity to introduce their technologies and know-how, by hiring a stand, and / or by participating at the B2B meetings that will be co-organized by the Chambers and the Russian Ministry in charge for Economy and Investment Policy.

A typically Belgian cultural program will amplify the business approach.

The combined program marrying business and culture, presented in September 2007 in Nizhny-Novgorod by our Chamber, and **Artgroup** with the highly appreciated assistance of different sponsors, proved to be a great success and contributed without any doubt to the repute of Belgium (33 articles in the press and 6 times broadcasted on TV).

As a logical consequence, we are convinced that we should repeat such initiative in Sochi.

We invite you to make known your interest as from to-day to our Mr Arkady Arianoff ([a.arianoff@cdbl.org](mailto:a.arianoff@cdbl.org))



Sochi, site Winter Olympic Games, 2014



On the futur site, A. De Rijck (Fit agency),  
I. Korsak (Awex-Brussels-Export),  
F.de Hemptinne (Agoria-OBC)



View from Sochi on Black Sea



## NEWS FROM RUSSIA

### \* GAZ auto maker to launch British Maxus truck production in 2009

NIZHNY NOVGOROD, November 4 - GAZ [RTS: GAZA], a leading Russian automaker, said it intended to launch the production of British Maxus light trucks in 2009.

GAZ, which exports cars to 35 countries, said its facility in Nizhny Novgorod in Russia's Volga area was expected to produce 50,000 Maxus vehicles a year.

GAZ said Maxus light trucks will be priced at \$20,000 and more, depending on their configuration.

British Maxus vehicles are currently produced by the LDV plant in Birmingham, England.

GAZ acquired a 100% stake in LDV, a British van manufacturer, in July 2006. The shares were bought from Sun Capital, a U.S. fund.

LDV, formerly Leyland DAF Vans Limited, produces about 15,000 vehicles a year.

### \* Nissan to launch plant in Russia in spring 2009

Nissan Motor, one of Japan's largest auto manufacturers, will start producing cars at a plant under construction near St. Petersburg in April-May 2009, the company's Russia director said.

Nissan signed the deal to open the facility near Russia's second city last September. The plant will produce 50,000 cars a year, which will include two models, Teana and Nissan X-Trail, said Toru Saito, director general of Nissan Motor Rus.

The plant will require investment of \$200 million and employ 750 people.

Saito said Nissan would sell 110,000 cars in Russia in 2007, compared to last year's figure of 75,500.

He said the company would initially import car parts, but could later purchase them inside Russia, which would lower the price of the product.

Nissan ranks fifth in terms of sales in Russia, behind Chevrolet, Ford, Toyota and Hyundai, according to the Automobile Manufacturers Committee of the Association of European Businesses in Russia.

### \* Sweden's Scania set to invest up to \$142 mln in Russia

Sweden's Scania, one of the world's leading truck and bus manufacturers, said it intended to invest 50-100 million euros (\$71-142 million) in auto production in Russia.

Scania, which develops, manufactures and sells trucks with a gross vehicle weight of more than 16 tons intended for long-distance haulage, earlier announced its intentions to build a heavy truck plant in Russia with an initial capacity of 10,000 vehicles a year.

"In February-March next year I believe we'll make a decision on the possibility of investment in Russia. The size of investment will range from 50 to 100 million euros. The project will be implemented in several stages," Leif Ostling, the company's president said.

Scania has been producing buses in St. Petersburg, Russia's second largest city, since 2002.

As the Russian economy is booming amid high world oil prices, foreign auto makers are seeking to expand their presence in Russia.

A number of foreign companies, including auto giants U.S.-based Ford Motor Company, Germany's Volkswagen, Japan's Toyota, and France's Renault have either opened or are building plants in Russia.

### \* Sochi trade boosted by Olympic host status

From January to September 2007, Sochi's trade with foreign countries nearly doubled compared with the same period last year to more than \$288 million, Tatyana Ponomarenko, a spokeswoman for Sochi's Customs Office, told RBC. She said trade had been boosted by Sochi's status as the 2014 Winter Olympics host.

The construction of Olympic facilities in Sochi also increased the number of companies involved in international activities from 156 in 2006 to 192 in 2007.

Since January 1, Sochi's Customs Office has transferred over RUR 1.791 billion (approx. \$72.6m) to Russia's federal budget, 14 percent more than planned.

On Wednesday, Russian President Vladimir Putin signed the federal law "On the state corporation to construct Olympic facilities and develop Sochi as a mountain resort," which was passed by the State Duma on October 18 and approved by the Federation Council on October 26.

Olimpstroi, a non-profit organization, will oversee the construction of sporting facilities, infrastructure and energy supplies. It will be financed from the federal budget, the Krasnodar region and Sochi budgets, in addition to private donations.

The use of the funds will be controlled by the President of Russia, with the state corporation obligated to submit quarterly and annual financial reports to the President.



### \* Russia needs strong companies

Strong companies cannot be created without state support, just as there cannot be a strong state without strong companies, First Deputy Prime Minister Sergei Ivanov said.

Russia's special economic zones, based on the principles of public-private partnership, are designed to provide favorable conditions for business development, he said at a conference on development prospects for the Dubna technology-innovative special economic zone.

"Among other things, special economic zones should be granted tax and customs preferences, simplified administrative procedures and the introduction of a single window system," Ivanov said, noting that laborious, coherent and interested work of ministries, departments and companies operating in special economic zones was needed to achieve the desired results.

There are thirteen special economic zones in Russia, divided into three major branches. Two industrial-production special economic zones are in the Lipetsk region and Tatarstan, four technology-innovative special economic zones are in Zelenograd, Dubna, St. Petersburg and Tomsk and seven tourist-recreation zones are in the Krasnodar, Stavropol, Kaliningrad, Altai, Buryatia and Irkutsk regions. RBC.

### \* Foreign direct investment exceeds \$40 bln in Russia in Jan-Sep

Foreign direct investment in Russia exceeded \$40 billion in the first nine months of 2007, presidential aide Igor Shuvalov said on Wednesday at a session of the U.S.-Russian business council.

"Foreign direct investment totaled around \$30 billion in 2006, but exceeded \$40 billion in the first nine months of this year," Shuvalov said.

The Kremlin official assured investors that the Russian tax system would be "further simplified", following the substantial reduction in the tax burden and abolishment of property tax that the country has seen in recent years.

Shuvalov also said that a proposal to replace value-added tax with sales tax was currently being considered. Alternatively, VAT could be unified and substantially lowered.

Prime Minister Viktor Zubkov said early last week that Russia had so far accumulated foreign investment worth \$178.5 billion, of which \$60.3 billion came in the first half of 2007, about three times the inflow during the same period of 2006.

Zubkov said investment in fixed capital from all funding sources exceeded \$130 billion in January-August, up 22% year-on-year. He said half of all investment went to equipment and transportation. Ria Novosti

**ANGARSK (Irkutsk Region)**, (RIA Novosti) - The European Aeronautic Defense and Space Company (**EADS**) plans to convert its shares in the Irkut aircraft company into United Aircraft Corporation (**UAC**) shares, a first deputy premier said.

"All private shareholders, including EADS, plan to convert Irkut shares into United Aircraft Corporation stock," Sergei Ivanov told the press in Angarsk, east Siberia.

Ivanov said the "two largest aircraft corporations", EADS and the UAC, will now own each other's shares.

He said the Russian authorities had decided to transfer 5% of EADS shares owned by VTB Bank (RTS: VTBR) to the UAC, which was established by a government commission for the integration of Russian aviation companies in November 2006.

The Irkut aircraft manufacturing company has begun the shipment of Airbus A320 components. Some of them have been successfully tested and integrated into A320 batch production in the city of Meaulte, France.

The first agreements for the production of various A320 components were signed in December 2004, and are worth \$200 million over ten years. Estimated order portfolio may reach \$1.9 billion by 2015.

As of this December, the components will be made of Russian parts. Annual shipments from 2010 onwards are planned to be worth at least \$100 billion, with a further goal of a turnover of \$300 million a year.

The UAC unites the Sukhoi Company, Aviaexport, Ilyushin Finance Co., Irkut, Ilyushin aircraft company, Tupolev, and other companies.

The UAC controls 50.09% of Irkut stocks, of which 38.2% consists of private shares in the UAC authorized capital, and 11.89% is owned by the Sukhoi Company.



## International Seminar

### CCBLR presents

The Organizing Committee of the **56-th World Salon of Innovations, Scientific Research and New Technologies "Brussels-Innova"** and the **Science and Technology Association "Technopol-Moscow"** have the pleasure to invite you to

### the international Seminar

## **"PROBLEMS OF ENERGY EFFICIENCY: EU AND RUSSIA"**

Brussels, Belgium, Expocenter Heysel, pavillon # 1,  
November 22, 2007, 13:30 - 17:30

### Supported by:

- Ministry of Industry and Energy of the Russian Federation
- Ministry of Education and Science of the Russian Federation
- Commission of European Communities
- Permanent Mission of the Russian Federation to the European Communities.

### The participants will be able to:

- get information concerning strategy and latest trends of the Russian energy policy in Europe
- discover expert assessments of the latest solutions adopted by EU and Russian leaders in the energy area
- learn forecasts of major Russian and European experts about the future of EU/Russia energy saving cooperation
- understand the particulars of energy-issued dialogue Russia/EU based upon comments by the participant
- set direct contacts with key figures in Russia and EU concerned with the energy policy and energy efficiency problems.

### Main subject matters:

- Outlook for energy efficiency in Russia
- International cooperation in energy and energy saving fields
- EU Commission energy efficiency program
- Intellectual property protection in energy technologies
- Experience of joint energy efficiency projects with international investors
- Supply and demand balance in power industry
- Some aspects of Russia/EU cooperation for efficient energy.

November 22, 2007

## International Seminar

13:30 - 13:50	Welcome to the participants: <b>Yury Sentyurin</b> , State-Secretary, Vice-Minister of Education and Science of Russian Federation; <b>Konstantin Trofimov</b> , Deputy Permanent representative of the Russian Federation to the European Communities in Brussels. <b>Florent Godin</b> , C.P.E. Exhibition General Manager
REPORTS	
13:50 - 14:15	<b>Outlook for energy efficiency in Russia</b> <b>Sergey Mikhaylov</b> , Vice-Director of the Fuel-Energy complex department of the Ministry of Industry and Energy of Russian Federation, Co-president of the workgroup for energy efficiency dialog EU-Russia
14:15 - 14:40	<b>International cooperation issues in the energy and energy saving fields</b> <b>Mikhail Solovyov</b> , Head of division at the Fuel-Energy complex department of the Ministry of Industry and Energy of Russian Federation
14:40 - 15:05	<b>EC Commission Program for energy efficiency</b> <b>Daniel Descoutures</b> , Head of Dept at Main directorate for scientific research of the of the Commission of the European Communities
15:05 - 15:30	Coffee break
15:30 - 15:55	<b>Cooperation between Russia and the EU countries in efficient use of energy</b> Representative of the Commission of the European Communities
15:55 - 16:15	<b>Patent protection of power technologies in Russia</b> <b>Valery Medvedev</b> , Managing partner of the IP Law Firm "Gorodissky and partners", President of the Science and Technology Association "Technopol-Moscow"
16:15 - 16:35	<b>International aspects of the activities of regional centers for energy efficiency in Russia</b> <b>Evgeny Martynov</b> , Director of the Center of Energy saving technologies of Tatarstan
16:35 - 16:50	<b>Experience of realization of investment projects in the field of energy efficiency</b> <b>Evgeny Zenyutich</b> , Executive director of Innovative energy efficiency center of Nizhny Novgorod
16:50 - 17:15	Representative of RAO UES of Russia (Unified Energy System of Russia)
17:15 - 17:20	Closure
17:20	Cocktail

**For all information about your participation please contact STA Technopol-Moscow:**

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## NEWS FROM BELARUS

### \* Belarus to hold tender in 2008 to build nuclear power plant -1

Belarus will hold a tender next year for a project to build its first nuclear power plant, at which Russian and Western partners are expected to bid, the prime minister said.

The Belarusian leadership has said the country needs the plant to ensure national energy security amid rising hydrocarbon prices. Russia doubled its gas price for Belarus at the start of the year, after over a decade of heavily discounted prices. The new plant is expected to provide 15% of the country's power consumption.

"We have proposals from our Western partners and Russia to carry out this project," Sergei Sidorsky said following a session of the Council of Ministers of the Russia-Belarus Union State.

Russia and France have been mentioned as possible participants in the tender.

Russian Prime Minister Viktor Zubkov said earlier today in Minsk that Russia had the experience and potential to build the plant for Belarus, and that its proposal would be the most reasonable and meet international security standards.

The plans for a nuclear power plant have been taken warily inside Belarus, which was heavily affected by the devastating Chernobyl accident in neighboring Ukraine in 1986. In April, on the anniversary of the disaster, some 2,500 people took to streets of Minsk to protest against the project.

Sidorsky said the Belarusian government was studying several potential sites for the future plant.

Belarus's energy ministry earlier said the plant would be built in the eastern Mogilyov Region, 100 km (62 miles) from the border with Russia, with the first reactor to be commissioned in 2017 and the second in 2020.

### \* Yamal-2 pipe project across Belarus should be revived - Russian PM

Russia's prime minister said that previously abandoned plans to build a second leg of a pipeline delivering natural gas via Belarus to Europe should be reconsidered.

"Considering that in the near future a 50% stake in [Belarusian pipeline operator] Beltransgaz will pass to [Russian state gas giant] Gazprom, it would be expedient to return to the issue building a second leg to the Yamal-Europe gas pipeline," Viktor Zubkov told a news conference after a session of the Russia-Belarus Union State's Council of Ministers.

Belarusian Prime Minister Sergei Sidorsky said his country would be able to provide Russia with favorable conditions for the construction, as it did when the first leg was built.

The Yamal-Europe pipeline runs from northwest Siberia to Russia's border with Belarus, and from there extends 2,000 km (1,240 miles) to Germany, via Poland. The addition of a second leg of the pipeline was proposed in 2005, to meet Europe's growing gas demand.

The Belarusian segment of the Yamal-Europe pipeline is 575 km (360 miles) long, and has capacity of around 33 billion cubic meters per year.

Gazprom's May 18 deal to buy 50% in Belarusian pipeline operator Beltransgaz for \$2.5 billion in four equal installments by 2010 is expected to tighten the Russian gas monopoly's operational control over the Yamal-Europe pipeline, one of its main export routes to Central Europe.

Belarusian President Alexander Lukashenko proposed on October 12 that Russia start to build a second leg of the Yamal-Europe gas pipeline, and offered free transit for five years.

Gazprom delivers over 20 billion cubic meters of natural gas to Belarus annually. This year Belarus has imported Russian gas at a cost of \$100 per 1,000 cu m, but paid only 55% of the price in the first half of the year, until Gazprom's threats to cut supplies over arrears forced Belarus to agree to the full price. Ria Novosti.

### \* Foreign investments in Belarus to exceed \$3 billion in nine months

Foreign investments in Belarus are expected to exceed \$3 billion in the nine months of 2007, Deputy Prime Minister of Belarus Andrei Kobayakov told deputies of the House of Representatives of the National Assembly of Belarus on October 26.

The number of investment offers has been constantly growing. In H 1 2007 the foreign investments doubled as compared to the same time last year to reach \$2.3 billion.

Capital investment soared by 16.6% in January-September. The country credit rating that Belarus received in August this year also promotes the investment inflow.

The Government attaches special importance to investments in the innovation sphere. According to Andrei Kobayakov, main investment projects of all the ministries, concerns, Belarusian oblasts and Minsk City have been considered. The number of projects on setting up new manufactures under the innovation development programme grew from 100 to 168.



### \* Over 8 months Belarus boosts import of cars 1.5 times

Over the eight months this year, Belarus imported cars at the amount of \$236 million, or 1.5 times up, First Vice Premier Vladimir Semashko told a session of the Council of Ministers on October 23.

The official also noted the growth of the import of other nonfood goods. In the period under review Belarus imported medicines 1.2 times more as against the same period last year (\$27.2 million). The import of refrigerators and freezers increased 1.6 times. The import of electrotechnical goods went up as well.

According to Vladimir Semashko, the import of consumer goods has been growing as the capacity of the Belarusian consumer market has been increasing. Nevertheless, the imports of consumer goods exceed their exports. As a result, in January-August, Belarus posted a deficit in trade in consumer goods to the tune of \$352 million.

Belarus ramped up the import of frozen fish by \$17 million. The import of beer, tea and coffee upped as well.

These factors have contributed to the growth of the foreign trade deficit, the First Vice Premier noted. The gap between the growth of imports and exports reduced down to 8 percentage points while at the beginning it was more than 20 percentage points.

According to Vladimir Semashko, immediate measures need to be taken to even the situation in foreign trade.

### \* Belarus is applying great efforts to create favourable investment climate in the country

The Belarusian economy is resilient to the impact of outside factors, including to the increase in energy prices, Belarusian Premier Sergei Sidorskiy said today opening the fourth plenary session of the foreign investment consultative council of the Council of Ministers of Belarus.

According to him, foreign investors have been expressing ever stronger interest in Belarus lately. The interest has been fuelled by economic and social stability in Belarus and by the presence of highly-qualified specialists in this sphere.

The growth in GDP in Belarus in H1 2007 will amount to no less than 9% from the same period last year, Belarusian Premier Sergei Sidorskiy said today opening the fourth plenary session of the foreign investments consultative council of the Council of Ministers of Belarus.

Belarus has opened business opportunities for foreign investors in small towns, Belarusian Premier Sergei Sidorskiy said today at the fourth plenary session of the foreign investments consultative board of the Council of Ministers of Belarus.

According to him, nearly every town in Belarus features companies with well-developed business plans which will be provided to foreign investors.

Investors coming to small and medium-size towns will face significant preferences. Belarus has switched from the creation of a legal framework to the development of specific documents which are to provide investors with real opportunities to do business, Sergei Sidorskiy said.

Belarus plans to increase the share of direct investments to 15-20% of all investments in the country, Belarusian Premier Sergei Sidorskiy said today opening the fourth plenary session of the foreign investments consultative council of the Council of Ministers of Belarus. Today this figure is 2.6%.

According to the Belarusian Premier, Belarus is applying great efforts to create favourable investment climate in the country. For example, last week the government adopted an investment programme for 2007. In accordance with the document, the investments are expected to exceed Br22 trillion as against Br19 trillion in 2006.

Sergei Sidorskiy has highlighted the great importance of foreign investments. Last year, over \$4 billion, two times more than in 2005, was attracted to Belarus. Today, the main investors of Belarus are Russia, Great Britain, Germany, Switzerland, Austria, Cyprus. All in all, there are over 3.5 thousand organisations with foreign investments registered in Belarus.

The Premier of Belarus, Sergei Sidorskiy, has called upon the European Bank for Reconstruction and Development to work more intensively in Belarus. This he said today during a session of the foreign investment consultative board of the Council of Ministers of Belarus.

During the session, Michael Davey, the EBRD director for Belarus, Moldova and the Caucuses, presented a EBRD programme for the promotion of small and medium-size business in Belarus.

According to Sergei Sidorskiy, today the European Bank for Reconstruction and Development can switch from micro-crediting to bigger projects. Belarus and the EBRD have experience of cooperation, both are willing to work on and Belarus is willing to continue the cooperation, he said.



## **From Transcript of the Direct Line with the President of Russia Live Television and Radio Broadcast, October 18, 2007**

**On the socio-economic situation in Russia.** "We have indeed achieved positive results over all these last years, and the current year is no exception. Indeed, the results are even better than we had hoped. The main measure of success is economic growth, the country's gross domestic product. We are always making reference to this particular indicator. This is because the GDP represents the size of our economy. The amount of economic growth we achieve determines the number of jobs created, the amount of revenue coming into the budget, and the state's ability to not just fulfil its social obligations such as paying wages and pensions on time, but also to raise these same wages and pensions. The development of the social sector, healthcare, education, and our ability to ensure the country's defence and security all depend on economic growth.

Last year, we achieved 6.7 percent growth. This is a good result. This year we planned for 6.2 percent growth, but over the first eight months of this year we have already reached a figure of 7.7 percent – considerably higher than the planned figure. This in itself is a good result, but what is even better is that we have finally reached the goal we were aiming at over all these years. This growth, far from being entirely fuelled by raw materials, oil, gas, metals and so on, it is other economic sectors that account for two thirds of it. Which sectors in particular? They include construction, transport, communications, retail, and investment activity. In this respect I would like to point out that investment in main capital has now reached a figure of 25 percent, that is to say growth of 25 percent. Direct foreign investment has increased by even more – 2.5-fold – and comes to \$16 billion. As I said, the construction sector is the leader in terms of growth, with an annual increase of 15 percent over the last five years. This is a very high growth rate. This year, the figure will increase to almost 25 percent – 24.4 percent – and growth in the area of housing construction is even higher – 34.5 percent. We could say that this looks now like a genuine construction boom.

The processing sector has grown by 10.3 percent, and growth in terms of machinery and equipment comes to a figure of 25.4 percent.

Russia's gold and currency reserves have reached record levels, higher than ever seen in either the Soviet or tsarist periods, and now total \$424 billion, while the Government Stabilization Fund now comes to 3.5 trillion roubles.

What impact does this have on our people's lives and on the real social situation? The main indicator here is wages growth. Last year, wages rose on average by 13.4 percent, and this year by 14.4 percent. But what I particularly want to note is that, although wages rose by 13.4 percent on average last year, pensions rose by only 5.1 percent on average. This year, taking into account the increase that will take place as from December 1, pensions will rise by 21 percent on average. I think that this is a decent result. I want to stress that this is real growth, adjusted for inflation. I do realize that we still have problems to address and I will say more about this later, but this growth is real growth and it does take inflation into account.

What is especially pleasing to see are the changes in the demographic situation. When we discussed our programmes a couple of years ago, there were sceptics who said that no matter how much money invested in demographic projects, they would not produce results because low birth-rates are simply the general trend in all post-industrial countries, including throughout Europe. But I nonetheless agreed with those who said that in our country, if the state gave this problem its attention, we could produce results, and this has proven to be the case.

What have we seen over this last period? The birth-rate is higher than it has been for the last 15 years and the mortality rate is at its lowest since 1999. Infant mortality has also come down.

Finally, one of the positive effects or positive results of this last year that I would like to name is the reduction in unemployment. Last year, unemployment stood at 6.5 percent, while this year it has dropped to 5.7 percent. To give an idea what this actually means, this figure represents 600,000 people who have found jobs and begun working over this last year.

Of course there are still problems, and some of them are very clear, obvious to everyone in this country. They include rising prices and inflation, which we are unlikely to be able to keep within the target limit this year. We had planned for inflation of no more than 8 percent, but cumulative inflation already comes to 8.5 percent this year, and we still have two-and-a-half months to go before the end of the year. This is a problem that the Government must and will address, of course, and I am sure that we will succeed in resolving this problem too, but we need to take swift action to address it now, increasing people's incomes, especially pensioners' incomes.

I have decided to increase the basic pension by 300 roubles as from December 1, and this means that some categories of pensioners will see their pensions increase by 500 or more roubles, but the inflation problem still remains.



Rising prices go hand in hand with inflation. The Government has adopted a whole package of measures that I hope will bring positive results in this area. I think that we will feel the effects of these measures by the end of the year.”

**On inflation in Russia.** “Why are prices rising? Above all, this is because our country has become part of the world economy and everything that happens on world markets has an impact on us. We import a great many foodstuffs from Europe, but Europe has recently ended a lot of its agricultural subsidies and this has pushed up prices there by 15-17 percent. The increases in Europe have in turn pushed up prices here by 25 percent and in some cases, such as sunflower seed oil and a few other goods, by as much as 40 or even 60 percent.

We also have to look at what is happening in the global economy. Demand for alternative energy sources, bio-ethanol, for example, has increased, and this means that grain crops are also being used now for producing fuel that serves as an alternative to gas and oil. The volumes are not great as yet, but this increasing demand has already led to rising prices on this market.

What is the government doing to address this issue? What measures is it taking?

First, it is intervening on the market by drawing on grain reserves.

Second, it has increased export duties on grain in order to keep supplies here on the domestic market. It has also lowered import duties for some foodstuffs coming into Russia, in particular milk and dairy products, but we are proceeding very cautiously in this area so as not to undermine our own agriculture sector.

I know that people in the rural areas are probably also listening. Rising food prices are not good for people in the cities, but for agricultural producers they have a positive effect, and people in rural areas are no doubt afraid that we might lift all the barriers and they will end up having to sell everything they have produced at bargain-basement prices. These are all very delicate operations and I hope that the Government will make the optimum decisions.”

## Business offers

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Arlene Van Bulck



## Tougher Rules for Business Visas

The government is tightening the screws on foreigners who want to work here full time without a work visa -- and itinerant English teachers look likely to be the first to feel the squeeze.

Multiple-entry business visas, which used to let foreigners stay in Russia for up to one year, will now only allow stays of up to 90 days at a time, according to a decree signed by Prime Minister Viktor Zubkov on Oct. 4. Under the new rules, such visas will still last one year. But they will only let people stay in Russia for up to 180 days of that year, and for no longer than 90 days at a time. Moreover, if a foreigner stays in Russia for 90 days straight, he or she is then required to leave and not come back until another 90 days have passed.

Zubkov's decree also says foreigners might have to obtain the visas in their native countries -- which implies that U.S. and British expatriates could no longer hop on the train to Kiev for a visa run. But representatives of visa agencies and foreign business lobbies were unsure how that rule would be implemented, and some said it might not apply to Westerners. What is clear, however, is that expats can no longer stay in Russia endlessly by obtaining multiple-entry business visas and renewing them each year, said Alexei Filippenkov, director of the Visa Delight agency. "Now, any foreigner who wants to come live here has to either go through the immigration process, and eventually obtain a residence permit, or else find an employer who will prepare a work visa for them," Filippenkov said. Foreigners with work visas are not affected by the change. It is unclear whether the new rules will affect foreigners with multiple-entry business visas issued before Zubkov's decree. But Filippenkov said it was unlikely.

Spokespeople for the Foreign Ministry and the Federal Migration Service declined to comment by telephone Friday, saying that all questions had to be submitted in writing. E-mails sent to the agencies were not answered as of Sunday. The new rules could complicate life for expat English teachers, many of whom have multiple-entry business visas.

"If people have to come for 90 days and then leave, this will be very disruptive for the teaching process," said Helen Panovich, academic director of ITC, a company that hires English-language native speakers to give lessons to Russian businessmen.

Amy Cartwright, a spokeswoman for the Association of European Businesses, said most of AEB's member companies would not be affected because their foreign employees had work visas.

But she singled out expat English teachers as a potential trouble spot. "It's very worrying because it means that if you're a teacher, for example, and if you're on a business visa, you can't stay here," Cartwright said. AEB has met with representatives of the Federal Migration Service to find out how the rules will be implemented, and one of the open questions is whether expats will have to return to their home country to obtain a business visa, she said.

"We don't have an answer yet, but we have asked them," Cartwright said. Representatives of visa agencies had different takes on the provision in Zubkov's decree about returning to one's home country for a visa. Timur Beslangurov, managing director of Vista Foreign Business Support, said foreigners would be able to obtain visas in the Russian embassy of any country as long as they could present a residence permit for that country, or at least some document proving that they had the right to live there for 90 days.

Filippenkov, of Visa Delight, said the provision about returning to one's home country did not apply to Westerners and was instead directed at countries like China, Turkey and India.

Russian embassies are notoriously inconsistent in their approach to issuing visas. In the past, it has often taken several months to see how rule changes are implemented.

Zubkov's decree puts Russia on the same footing as many Western countries, which also draw a distinction between visas designed for short visits and visas that grant one the right to work.

U.S. citizens who visit Britain, for example, are allowed to stay for up to six months, but they get a stamp in their passport stating they are prohibited from working there. "The government is making things work the same way as they do in America and Europe," Filippenkov said. Russian citizens face the exact same 90- and 180-day restrictions in Germany, he added.

Still, such comparisons have not reassured expats accustomed to the ease of obtaining multiple-entry business visas and daunted by the obstacles of getting Russian work permits.

"What will they think of next?" asked one visitor at RedTape.ru. "Shooting all foreigners? Might be quicker to get rid of us that way!"

*By Alexander Osipovich*

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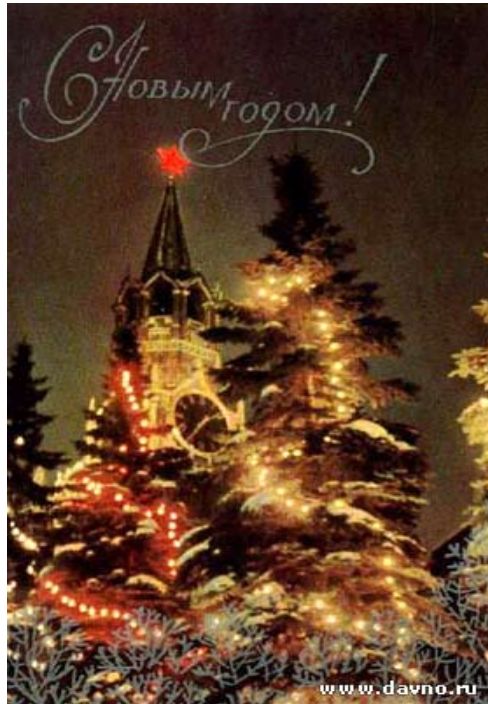
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