

MONTHLY NEWS UPDATE FROM RFE

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This report contains the following information on Primorsky Krai:

- Ports/Transportation, Fisheries, Business Development, Foreign Affairs, Telecommunications

PRIMORSKY KRAI

Transportation/Ports

** Vostochnii Port announces development plans*

Vostochnii Port shareholders plan to increase the port's cargo turnover by attracting new cargo as well as by increasing turnover of the traditional cargo. Currently, the port is building methanol-handling terminal with a projected volume of 1 mil tons of methanol a year. It will become the first specialized methanol terminal in Russia. In the third quarter of 2004 the port also plans to launch the construction of additional storage facilities for up to 75,000 tones at its chemical fertilizers terminal, which will allow to double the volume of cargo handled by the terminal (*Source: Vostok Media, May 1, 2004*).

** Vladivostok Marine Commercial Port increases cargo turnover*

During January-April 2004, Vladivostok Marine Commercial Port handled 2.61 mil tons of cargo, which constitutes 10.2% increase over the same period of 2003. In April alone, the port handled 687,000 tons, up 55% than last April. The growth of cargo turnover was driven by a number of factors, including strong metal products export from metallurgical mills, expansion of traffic routes, and new business contacts established with "Amur Steel Company", Iron&Steel Metallurgical Mill "Krasny Oktyabr," and others (*Source: Vladivostok Marine Commercial Port press release, May 12, 2004*).

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** New Rate of Export-Import Cargo Free Storage in the Marine Commercial Port of Vladivostok*

In accordance with the adopted regulation on the order of applying tariffs by the Federal Energy Commission of the Russian Federation, Vladivostok Marine Commercial Port introduced new rules on free export-import cargo storage, starting April 15, 2004. Free storage of containerized import cargo is allowed for 7 days, other cargo—for 30 days. Free storage of containerized export cargo- up to 25 days, other cargo –up to 30 days (*Source: Vladivostok Marine Commercial Port press release, April 17, 2004*).



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* *Vladivostok Marine Fishery Port changes its owner*

54.03% shares of Vladivostok Marine Fishery Port were acquired by the president of Primorie-based Aqualine Corporation. Until recently, the major shareholders of Vladivostok Marine Commercial Port were the government (27, 73%), and “Turbox LLC,” (16,4 %). The rest of shares were distributed among the port’s management and employees (Source: *Kommersant*, May 6, 2004).

* *East-Siberian Railway to Ship More Oil to China*

East-Siberian Railway plans to increase oil shipments to China as a part of a deal between Russian Railways and Yukos to 20 mil tons a year by 2010. Russian Railways President Gennady Fadeev and Yukos Chairman Simon Kukes signed an agreement at the end of March on cooperation in organizing oil shipments to China. Increasing shipments will require the construction of new routes and installing power transmission lines in one of the sections of the railroad in East Siberia (Source: *Interfax*, May 6, 2004).

* *Far Eastern ports are the first to join the unified railway, marine, and avia telecommunications network*

Transtelecom Company in partnership with St. Petersburg-based Marine Express launched a project on the creation of a corporate network that would unite all the Russia seaports. The project is being implemented within the federal program “Modernization of Russia’s transportation system in 2002-2010.” The system extensively uses equipment supplied by Cisco systems, RAD data communications, Allied Telesyn. The first communications hub has already been set up in the Russian Far East. The first RFE clients are Port Vostochnii, Nakhodka and Vladivostok Marine Commercial Ports. The system will provide the ports with high-speed communication channels. The project involves uniting 6 major seaports into a single network by the end of 2005.

TransTelecom Company was established in 1997 and is wholly owned by Russian Railways (Source: *Vostok Media*, April 26, 2004).

Fishing Industry

* *Working group on fishing industry proposes import quotas on processed seafood*

Working group on the development of Russia’s fishing industry held a regular meeting in Vladivostok on April 27, 2004, where proposed measures to assist Russia’s fishing industry in becoming competitive in the world market. Specific initiatives proposed included the introduction of import quotas and tariffs on processed sea products, as well as taking steps to increase transparency of Russian fishing companies. The latter task would include fighting poaching, encouraging the development of fish processing, allocating additional quotas etc (Source: *Konkurent*, ? 18, 2004).

Business Development

* *Vladivostok International Business Association meets to discuss new Customs Code*

Vladivostok International Business Association (VIBA) held a meeting dedicated to customs issues on May 13, 2004. The head of Vladivostok City Customs briefed the audience on the changes, introduced in the New Customs Code, and their implications for foreign trade participants. The Head of the Vladivostok Customs and VIBA members have agreed to arrange regular meetings with the customs and thus strengthen cooperation between customs and local businesses.



* *Manufacturers and distributors of alcoholic beverages to form a strong union*

Several associations of manufacturers and distributors of alcoholic beverages in the region will form a powerful union that will consist of 23 organizations. The union will strive to build effective cooperation with the local authorities and controlling bodies, and to enhance discipline in retail trade. According to the executive director of the Association of Manufacturers and Distributors of Alcoholic Beverages of Primorsky Krai, Genndy Reznikov, the local market is currently flooded with counterfeit products, which complicates the work of official distributors of licensed alcohol products (*Source: Konkurent, ? 19, 2004*).

Foreign Affairs

* *Primorski Krai-China trade doubled over the last 6 years*

Committee for International Cooperation, Primorsky Krai administration reports that during the period of 1997-2003, the volume of trade between Primorye and China increased by 2.2 times. The last 2 years showed a particularly rapid increase in Primorye-China trade turnover, which constituted 13 % in 2003 and 95% in 2002 over 2002 and 2001, respectively. There are 176 companies with Chinese capital operating in Primorsky Krai, which amounts to 36,5 % of all the companies with foreign investments operating in the region (*Source: Vostok Media, April 27, 2004*).

* *Agricultural Minister-Counselor visits Vladivostok*

Mr. Allan Mustard, Minister-Counselor for Agricultural Affairs visited Vladivostok on April 26-30, 2004. During the visit, Mr. Mustard had a series of meetings with the local food-processing companies, banks, and the regional government, where discussed the demand for agricultural products in the region as well as the development of U.S. Government GSM programs on financing agricultural import from the U.S. (*Source: FAS representative, US Consulate Vladivostok*).



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* *NASA representative in Vladivostok*

On May 12, 2004 NASA representative from Moscow Philip Cleary visited Vladivostok to make presentations about the history of Russian-American cooperation in the sphere of space exploration. He briefed the audience on the successes that were achieved during the

last 40 years in the course of cooperation and the amount of research accumulated on the subject of space exploration. (Source: *Public Affairs Section, US Consulate Vladivostok*).

* *Japan will finance utilization of nuclear submarines of the Russian Pacific Fleet*

During the international conference “Global partnership on the weapon of mass destruction,” Japanese delegate announced that Japan would finance utilization of at least 20 nuclear submarines of Russia’s Pacific Fleet (Source: *Vostok Media, April 27, 2004*).

* *Korean delegation looks for cooperation with regional tourism companies*

Delegation of South Korean tourism companies visited Vladivostok with the purpose of establishing ties with local tourism companies and promoting tours to Korea in the local market. During the visit, National Tourism Organization of South Korea held a press conference and participated in the local tourism expo “Daltur 2004.” National Tourism Organization also announced its plans to open a representative office in Vladivostok by September 2004. (Source: *Konkurent, ? 19, 2004*).

Telecommunications

* *Primorski Krai is ranked #8 among Russia regions based on the revenues raised from cellular phone services*

According to the research conducted by AC&M Consulting, currently 10 regions of Russia with the highest revenue from cellular phone services contribute to 75 % of the total national revenues from cellular phone services. Primorsky Krai is ranked ? 8 out of 10, on the basis of revenues received from cellular phone services in various regions of Russia. In 2003, revenues from cell phone services in Primorsky Krai totaled \$77 mil, which constituted 2 % of the total Russia revenues in the cellular communication segment. None of other Far East regions was able to make it to the list of the top 10 regions (Source: *Vostok Media, May 15, 2004*).