



# BISNIS BULLETIN



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## UKRAINIAN PARLIAMENT PASSES PSA LEGISLATION

by Victoria Sergeeva

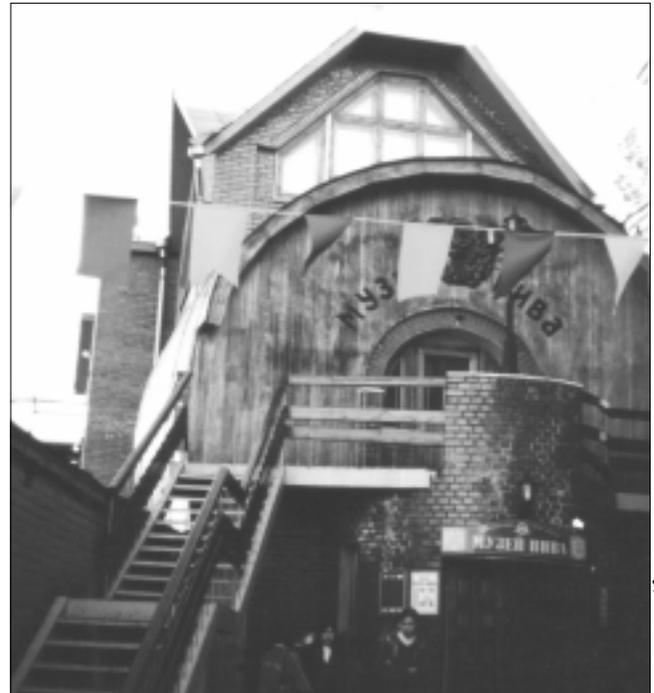
On September 14, 1999, the Parliament of Ukraine passed a long-awaited law on production sharing agreements (PSAs). The law came into effect on October 14, 1999. The PSA law includes benefits for investors—for example, exemptions from profit repatriation tax for PSA profit and from value-added tax (VAT) and customs duties for exported PSA product—while bringing badly needed income to government coffers through excise duties and through VAT on the product sold locally. The Ukrainian Government expects the PSA law to attract strategic investors for the extraction of mineral resources, particularly for oil and gas resources.

Although Ukraine's hydrocarbon reserves do not rival those of Russia and Azerbaijan, significant opportunities exist for foreign companies in this sector. Estimates indicate that Ukraine has about 5 percent of the world's mineral wealth. The state budget, however, lacks funding for the exploitation of these deposits. Some Western companies have already expressed an interest in the exploitation of gas deposits in the Dnipro-Donetsk area. Gas deposits in the area are estimated at 500 billion cubic meters, and unexplored gas resources are estimated at another 600 billion cubic meters.

### Major Provisions of the PSA Law

Under the newly adopted PSA law, a production-sharing agreement regulates the relationship between parties involved in mineral resource exploration and extraction. The law outlines the division, transportation, processing, storage, utilization, and sale of the extracted product. The state parties to a PSA are the Cabinet of Ministers and relevant local authorities of the region where the PSA is performed. The investor could be one or more Ukrainian

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The Beer Museum in Cheboksary, Chuvashia

## DISCOVER CHUVASHIA

by Philip H. de Leon

Russia's Republic of Chuvashia is located 400 miles east of Moscow in the Volga-Vyatka region. The Republic has 1.36 million inhabitants, with 458,000 living in the capital, Cheboksary, and 123,800 in the second largest city, Novocheboksarsk. Cheboksary is situated between the cities of Nizhny Novgorod and Kazan. Many business opportunities exist in Cheboksary, some of which are already being taken advantage of by European companies.

Certain industrial sectors are well developed, such as engineering, metalworking, electric power generation, food processing, and chemicals. Chuvashia mostly exports raw materials, textiles, and consumer goods. Its main imports are organic and inorganic chemicals, electronic equipment, and electrical measuring instruments.

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## ENTEREX 2000

March 13-16, 2000  
Kyiv, Ukraine

Enterex 2000, the main information technologies (IT) event in Ukraine, promotes information exchanges in the IT industry, and offers technical seminars and a trade show and exhibition.

The **U.S. & Foreign Commercial Service** in Kyiv will stage a business information office (BIO) at Enterex. U.S. computer and communications technology and services companies, and related trade and industry associations, that are interested in market exposure in Ukraine are invited to send catalogs and promotional materials for display in the BIO.

*For instructions on sending catalogs, contact your nearest U.S. DOC Export Assistance Center (find an EAC at [www.ita.doc.gov/uscs/domfld.html](http://www.ita.doc.gov/uscs/domfld.html)) or the Commercial Service in Kyiv at [ruben\\_beljaev@mail.doc.gov](mailto:ruben_beljaev@mail.doc.gov).*

*For further information on the exhibition itself, visit [euroindex](http://euroindex.com.ua) at [www.euroindex.com.ua](http://www.euroindex.com.ua).*

## BISNIS

*The Business Information Service for the Newly Independent States*

BISNIS is an information center for U.S. companies doing business in the Newly Independent States of the former Soviet Union. Operated by the **Market Access and Compliance** unit of the **International Trade Administration**, BISNIS disseminates information in print form, electronically, and through consultations by its staff of trade specialists. For more information, please contact:

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*press 3 and then press 2*

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*Articles by non-U.S. Government employees express the views of the authors and should not be construed as a statement of U.S. Government policy.*

## Kyrgyzstan Investment Event at the USA Trade Center

On December 7, 1999, some 50 U.S. company and organization representatives attended an "Investment Opportunities in Kyrgyzstan" event, hosted by BISNIS at the USA Trade Center in Washington, DC. The event, organized by BISNIS and the Embassy of the Kyrgyz Republic in the United States, featured a large Kyrgyz delegation, including Deputy Prime Minister/Trade and Industry Minister Esengul Omuraliev, State Investment Committee head Urkaly Isayev, KyrgyzAltyN state mining company president Kamyhchbek Kudaibergenov, and the CEOs of major mining, trade, food processing, construction materials, tourism, and textile companies.

Jan Kalicki, Counselor to the U.S. Department of Commerce on the NIS, opened the event, noting that "the United States and Kyrgyzstan enjoy a friendly relationship...and we look forward to increasing business ties." Keynote speaker Mr. Omuraliev expressed hope

that "links between our countries and business circles of the USA and Kyrgyzstan" will grow.

Kyrgyz company representatives then described their operations and suggested possible partnership opportunities. U.S. presenters who spoke of their activities in Kyrgyzstan included **USAID**, **Tour Designs, Charrier, Gibson & Associates** (a shipping company that stressed that, despite Kyrgyzstan's extremely landlocked position, it is possible to get goods there safely and within set timeframes), and **Booz-Allen & Hamilton**.

In the afternoon, Kyrgyz and U.S. businesspeople networked and held one-on-one meetings.

*A list of the Kyrgyz delegation, with contact information, can be found on **BISNIS Online** at [www.bisnis.doc.gov/bisnis/country/cntasia.htm#Kyrgyzstan](http://www.bisnis.doc.gov/bisnis/country/cntasia.htm#Kyrgyzstan).*

# FINDING KAZAKHSTAN'S LAWS ON THE INTERNET

by Judith Robinson

U.S. companies and law firms should be aware that it is possible to find information on Kazakhstan's laws, and sometimes even the full text, on the Internet. However, they should keep in mind that documents come and go, depending on a specific website's archive policy, and not everything on the Internet is free. That said, quite a number of websites contain English translations of Kazakhstani laws, often along with other materials. **BISNIS Online** has a few laws at [WWW.BISNIS.DOC.GOV/BISNIS/ISA/ISA-LEGAL.HTM](http://WWW.BISNIS.DOC.GOV/BISNIS/ISA/ISA-LEGAL.HTM), but defers to privately maintained websites.

The most developed source of online Kazakhstani laws in English is the USAID-developed database of commercial laws at [WWW.KAZECON.KZ](http://WWW.KAZECON.KZ). Included on this site are Kazakhstan's Constitution, the Foreign Investment Law, corporate law, and all of the laws relevant to the creation of Kazakhstan's securities market. The website is currently operated from Almaty by Golden Eagle Services. It also publishes excellent daily business and economics newsletters in English, called the Kazakhstan NewsWires (access available by paid subscription only). Kazecon contains a wealth of additional free commercial information and data, including a weekly news update, but appears to have fallen somewhat behind in publishing the laws themselves.

The U.S. House of Representatives Internet Law Library, a U.S. taxpayer-paid effort, resulted in a very well-developed database of laws that included laws of Kazakhstan. This database is no longer maintained on the Internet by the House of Representatives, but it has been distributed to various other law libraries, some of which carry it on their websites. For a list of these sites, visit [HTTP://LAW.HOUSE.GOV/89.HTM](http://LAW.HOUSE.GOV/89.HTM).

One excellent website incorporating the House of Representatives Internet Law Library is maintained by the University of New South Wales/University of Technology in Sydney, Australia ([WWW.AUSTLII.EDU.AU/LINKS/HRILL/](http://WWW.AUSTLII.EDU.AU/LINKS/HRILL/)). In addition, this site offers the prototype of the Asian Development Bank's Project DIAL (Development of the Internet for Asian Law), which offers free access to an incredible number of legal sources and a powerful search capability in the area of Asian/Central Asian law at [WWW.AUSTLII.EDU.AU/AU/SPECIAL/DIAL/](http://WWW.AUSTLII.EDU.AU/AU/SPECIAL/DIAL/). Note: Read the search instructions carefully.

The Australian National University maintains the Kazakhstan mirror site ICARP (Interactive Central Asia Resource Project), which is a good search mechanism for Kazakhstan legal materials, among other information: [HTTP://PERSONAL.ROCKBRIDGE.NET/BICHEL/WELCOME.HTP](http://PERSONAL.ROCKBRIDGE.NET/BICHEL/WELCOME.HTP).

The Kazakhstan Legal Information Institute online ([WWW.RELCOM.KZ/KZCOURT/](http://WWW.RELCOM.KZ/KZCOURT/)), maintained by Southern Illinois University at Carbondale, contains a wealth of Kazakhstani

laws and legal information for use by judges and lawyers in Kazakhstan and worldwide.

Good sources for economy-related laws include:

- ◆ The International Tax and Investment Center website ([HTTP://ITICNET.ORG/CONTENTS](http://ITICNET.ORG/CONTENTS)) has Kazakhstan's Tax Code.
- ◆ Eurasian patent information and decrees can be found at [WWW.IPMENU.COM/KAZAKHSTAN.HTM](http://WWW.IPMENU.COM/KAZAKHSTAN.HTM) (the website is owned by an Australian law firm).
- ◆ A website administered by the Law Faculty of Southampton University in the United Kingdom offers banking laws and financial papers ([WWW.SOLENT.AC.UK/LAW/NETLAWLIB/](http://WWW.SOLENT.AC.UK/LAW/NETLAWLIB/)).

For lists of laws just passed (but in Russian), the [WWW.CONLEX.KZ](http://WWW.CONLEX.KZ) site of the Urios enterprise is free with a two-month archive, with links to other sites that contain Russian-language laws both free and for a fee.

Other sources:

- ◆ Kazakhstani newspapers occasionally publish information on laws: *Panorama* and the *Almaty Herald* in Almaty (search on their names) and *The Times of Central Asia* in Bishkek ([WWW.TIMES.ELCAT.KG](http://WWW.TIMES.ELCAT.KG)). For Russian language readers, the newspaper *Kazakhstanskaya Pravda* usually publishes newly passed Kazakhstani laws ([WWW.KAZPRAVDA.KZ](http://WWW.KAZPRAVDA.KZ)).
- ◆ U.S. and Western European law schools often maintain legal databases, including Kazakhstan laws, for example, Cornell or University of Chicago.
- ◆ American law firms with practices in Kazakhstan (some of which can be found by visiting **BISNIS Online** at [WWW.BISNIS.DOC.GOV/BISNIS/COUNTRY/9806USKZ.HTM](http://WWW.BISNIS.DOC.GOV/BISNIS/COUNTRY/9806USKZ.HTM)) sometimes have copies of their excellent newsletters online, although they usually contain analyses rather than law texts.

U.S. treaties with other governments, including Kazakhstan, are in a Senate, House, and Treaty Documents database located at [WWW.ACCESS.GPO.GOV/CONGRESS/CONG006.HTML](http://WWW.ACCESS.GPO.GOV/CONGRESS/CONG006.HTML). The Department of State's legal publications can be obtained at [WWW.STATE.GOV/WWW/PUBLICATIONS/DISPATCH/INDEX.HTML](http://WWW.STATE.GOV/WWW/PUBLICATIONS/DISPATCH/INDEX.HTML). The Department of Commerce also maintains copies of various commercial treaties at [WWW.MAC.DOC.GOV/TCC](http://WWW.MAC.DOC.GOV/TCC). U.S. treaties are available free from Oceana Publications ([WWW.OCEANALAW.COM](http://WWW.OCEANALAW.COM)), but you must register with them.

Bilateral and regional treaties between Kazakhstan and countries other than the United States can be found at [WWW.AUSTLII.EDU.AU/LINKS/WORLD/INTERNATIONAL/TREATIES\\_AND\\_INTERNATIONAL\\_AGREEMENTS/](http://WWW.AUSTLII.EDU.AU/LINKS/WORLD/INTERNATIONAL/TREATIES_AND_INTERNATIONAL_AGREEMENTS/), or in the United Nations Treaty Collection at [WWW.UN.ORG/LAW/](http://WWW.UN.ORG/LAW/).

*Judith Robinson covers law and Kazakhstan for BISNIS in Washington, DC.*

(CHUVASHIA, continued from p. 1)

### **Electronics and Machinery**

The Electronics and Mechanics Plant **ZEIM PLC** ([www.zeim.ru](http://www.zeim.ru)) is a major company specializing in manufacturing electronic devices and controlling equipment, such as electric actuating mechanisms, microprocessor controllers, water flow and heat meters, transducers, and controlling devices for automated process control systems, electric stop and control valves. ZEIM PLC, as a production and financial holding, employs several thousand people both directly and through its subsidiary and affiliated companies.

### **Chemicals**

**Khimprom**, one of the largest chemical plants in Russia producing consumer goods and goods for different branches of industry, is a key producer of cationic dyes and methylenechloride. In a 1999 Chuvash Republic investment guide, called *Handshake*, Khimprom said it was looking for investment to introduce polycrystal silicon production to satisfy the needs of the home electronic industry, to establish a facility to satisfy the needs of the technical rubber production and tire-making industries, and to introduce specialized production of pharmaceutical preparations and substances.

### **Heavy Machinery**

Anyone visiting Cheboksary can only be impressed by the size of the **Promtraktor** plant, which produces tractors for agricultural and industrial purposes similar to Caterpillar's equipment and machinery. Promtraktor also produces several versions of tracked and wheeled bulldozers, pipe layers, and mechanical lift trucks.

### **Agribusiness**

Chuvashia has huge potential in beer production as the region grows two-thirds of Russia's hops. Cheboksary brewery **Buket Chuvashii** is a major producer of beer, as well as of nonalcoholic beverages. The company is interested in creating a joint venture to install new equipment to increase beer output. The brewery **Yantar** has a similar goal. The Association of Hop Growers of Russia, founded in 1994 and based in Cheboksary, aims to increase production and processing of hops.

### **Banking in Cheboksary**

One of the largest banks in the region is the Chuvash branch of the Savings Bank of Russia, **Chuvashsberbank**. Chuvashsberbank benefits from the widest network of branches available in Russia. Another major bank is **Chuvashkreditprombank**, which is an independent regional bank with branches throughout the Republic. It works closely with the Chuvash Republic Government. Both banks have correspondent relationships with major foreign banks.

### **Travel Tips for Cheboksary**

One can fly to Cheboksary from Moscow on Aeroflot three times a week (via Bykovo and Domodedovo airports). There is a direct train from Moscow five times a week (via Kazansky train station).

## **REMINDER**

**For regular email updates on the NIS, subscribe to industry- and region-specific reports via *BISNIS Online* at [www.bisnis.doc.gov/bisnis/Data/bismail0.cfm](http://www.bisnis.doc.gov/bisnis/Data/bismail0.cfm)**

Cheboksary is also about a two-hour drive from Nizhny Novgorod. A car with a driver is recommended for this trip and for around the city to save time. It can also be used to reach neighboring cities such as Nizhny Novgorod and Kazan, which also offer good investment opportunities.

There are no hotels meeting international standards in Chuvashia at this time. However, the **Atal** (meaning Volga in Chuvash) hotel in Cheboksary is very nice, and its room prices are reasonable.

A unique tourist experience in Cheboksary is the Beer Museum, which serves as a showcase for the Cheboksary brewery Buket Chuvashii. Beware that if you go for a beer tasting, the standard serving is 1.5 liters of beer.

### **Local Assistance**

The Republic has been proactive in compiling useful information for potential investors, some of which can be found on the Internet, including on the website of the Presidential Administration of the Chuvash Republic ([www.chuvashia.com](http://www.chuvashia.com)). The site contains local companies' business proposals listed by industry sectors, although they are mostly in Russian.

A strategic approach to doing business in Russia's regions is to closely interact with the local **Chamber of Commerce and Industry** (CCI) ([tppchr@chuvashia.ru](mailto:tppchr@chuvashia.ru)) and the local city administration, especially the Department of Foreign Relations ([torg@chuvashia.com](mailto:torg@chuvashia.com)). Both usually have close contacts with local companies and would be able to discuss your interests, study your business proposals, and arrange meetings for you with the right decisionmakers.

The CCI provides a wide range of services such as certification of goods, organization of events, and company matchmaking services. It also acts as a trade facilitator by compiling a database of "Commercial Proposals" consisting of business proposals submitted by local companies.

*For contact information for Cheboksary companies and additional information on the Volga region of Russia, visit [www.bisnis.doc.gov/bisnis/country/Volga.htm](http://www.bisnis.doc.gov/bisnis/country/Volga.htm).*

*Philip de Leon covers the Volga Region for **BISNIS** in Wash., DC.*

*(UKRAINE PSA, continued from p. 1)*

or foreign citizens, or legal entities or corporations carrying mutual responsibility for the assigned PSA. Investors are commissioned by the State of Ukraine to perform all work at their own expense and risk, and is to be compensated with the product after it has been extracted and divided among parties. The law is believed to correspond to international standards for PSAs.

Some key features of Ukraine's PSA law are:

- ◆ The list of mineral deposits allowed for exploitation in accordance with a PSA, and their size, is to be approved by the Cabinet of Ministers. The investor can apply to the Cabinet or to the State Interagency Commission (SIC) to add any new mineral deposits to the list. The Parliament has yet to approve a list of subsoil areas prohibited from being used in PSAs.
- ◆ The Cabinet decides on a tender for a PSA. Within two months, SIC works out the tender documents and announces the tender. SIC then evaluates the submitted bids, and sends recommendations to the Cabinet, which selects the winner.
- ◆ Investors and subcontractors are exempt from licensing and quota limitations when importing into Ukraine equipment necessary to perform work under a PSA, as well as when exporting this equipment out of Ukraine after completion of the PSA. This equipment is not subject to VAT and custom duties (except customs fees).
- ◆ The Ukrainian state retains ownership of the product before it is distributed among the PSA parties. At the time of production sharing, the ownership rights for the compensation portion of the product and the profit portion of the product (determined by each specific PSA) are vested in the investor. The product obtained by an investor is subject to VAT when sold locally, but not subject to any tax and custom duty payments (except custom fees) when exported.
- ◆ The Cabinet can terminate, suspend, or restrict an investor's right to utilize mineral resources under a PSA "in case of a direct hazard to human life and health or to the environment." This right is restored as soon as the investor remedies the factors that caused the rights restriction.

#### **Further Steps to Be Taken**

The adoption of the PSA law is expected to improve opportunities for foreign oil and gas extraction firms interested in opening or expanding operations in Ukraine. However, some steps still need to be taken. Ukraine's Parliament is currently considering enabling legislation that will make relevant laws consistent with the PSA law. The enabling amendments are expected to be passed in early 2000. In addition, the Cabinet of Ministers (advised by the relevant ministries and committees) must approve a list of deposits that can be used for PSAs, and the Ukrainian Government needs to delineate the investment tendering procedures.

It is expected that oil and gas deposits on the Black Sea shelf will take precedence on the list of PSA deposits. The geology committee of Ukraine conducted an international

## **Moldova to Introduce Pre-Shipment Inspections**

by Derek Nowek

Moldova is planning to introduce pre-shipment inspection of certain goods imported into the country during the first quarter of 2000. The pre-shipment inspections will be conducted by Société Générale de Surveillance (SGS), a Swiss goods inspection company, which administers similar services on behalf of about 140 countries, including some in the NIS region.

According to Dumitru Braghis, Moldova First Deputy Minister of Economy and Reform, the pre-shipment check of imported merchandise will ensure that commodities meet Moldova's quality, conformity, pricing, and customs codes requirements. The new inspection checks are related to Moldova's efforts to join the World Trade Organization (WTO). The system is expected to improve the country's customs revenues collection, professionalize its customs personnel, reduce corruption and smuggling at the borders, and identify overinvoicing. Companies exporting to Moldova will have to hold a Pre-Shipment Inspection Certificate before the goods are shipped and cleared through local customs.

Moldovan officials are now drafting the list of goods that will be subject to the inspection and the amount of the inspection fee. Pre-shipment inspections are usually carried out on a fee-for-service basis. Since they can be expensive, the sales contract should clearly designate which party bears inspection costs. BISNIS will provide updates on new developments.

*More information on SGS is available at the company's website at [www.sgsgroup.com](http://www.sgsgroup.com).*

*Derek Nowek covers Moldova for **BISNIS** in Wash., DC.*

tender in 1996 for oil and gas extraction on the shelf. A geological survey was conducted by **Western Geophysical** (Houston, TX) and sponsored by the geology committee. Shell Oil Co. affiliate **Pecten International Company** (Houston, TX) won the tender, but the joint activity agreement was not signed because the PSA law was not yet adopted at the time.

*For more information on the PSA law, visit **BISNIS Online** at [www.bisnis.doc.gov/bisnis/country/wstnis.htm#Ukraine](http://www.bisnis.doc.gov/bisnis/country/wstnis.htm#Ukraine).*

*Interested investors are encouraged to contact their nearest **Export Assistance Center** ([www.ita.doc.gov/uscs/domfld.html](http://www.ita.doc.gov/uscs/domfld.html)) for detailed information on Ukraine's oil and gas market.*

*Victoria Sergeeva is a commercial assistant at the U.S. Embassy in Kyiv.*

**TRICKS OF THE TRADE****Tips for Opening an Office in Samara**

by Ekaterina Solovova &amp; Dimitry Melnikov

Foreign companies and some large Russian corporations are increasingly moving or expanding their activities away from Moscow into the Russian regions. The regions attract companies by their great commercial potential and, at the same time, lower costs of doing business. Recently, several small- and medium-sized companies, both Russian and foreign, have emerged in Samara, a city of 1.2 million people that is located some 600 miles southeast of Moscow on the Volga River. As a result, the demand for high-level office services has increased. The existing supply sometimes cannot satisfy the needs of every customer. However, office services are rapidly developing in Samara.

**Office Rental**

In spite of its vast commercial and business activities, the city of Samara lacks first-class office space. Nevertheless, there are several ways to find suitable office space.

First, one can lease space in various business centers, which in Samara sometimes combine the functions of trade centers. Stores are located on the lower floors, and available office space is situated on the upper floors. Business centers usually offer well-decorated and convenient suites with telephone lines, security, cleaning, and sometimes a parking space. Furniture, air-conditioning, garage, and additional security are available for an extra fee. The monthly rent in business centers is \$7-20 per square meter.

Another option for finding an office space is to contact a real estate agency. Such agencies will locate office space for a small fee (usually not more than 20-60 percent of a single monthly rent payment). These agencies often offer office space in former state enterprise buildings. Telephone lines and security are also available there. The main drawback of this option is that upkeep of the office might not be up to Western maintenance standards. Rent in these buildings usually does not exceed \$6 per sq. meter monthly and depends on the distance from the city center. Due to a shortage of office space in Samara, some foreign companies rent apartments and convert them into offices.

**Labor Market**

There are 11 higher education institutions located in Samara. Traditionally, Samara is famous for its technical specialists because of the high concentration of defense industry facilities that used to develop and apply high technologies. At the same time, business and management courses are relatively new for Samara universities. Thus, it is easy to find highly qualified technicians, but hard to find people with Western-type management skills. It is especially difficult for

companies to find an English-speaking accountant, for example. Most of the bilingual work force graduated from the Philological and Foreign Languages Departments of local universities. Usually, they need to be trained to fulfill the required work. One of the informal ways to find office staff is to contact U.S. companies operating in Samara, which might have resumes of previous applicants available. Another way is to advertise in the local newspapers or contact employment agencies. Employment agencies usually charge a percentage of the annual salary of each position.

**Telecommunications**

All types of telecommunication services are available in the Samara region. Installation of an additional telephone line costs \$80-400. The fee depends on waiting time and service quality. The main local phone companies are **Samara-SvyazInform**, **SamaraTelecom**, **TeleRoss**, and **GlobalOne**.

Three major cellular phone operators work in Samara: **Mobitel** (using GSM-900 standard), **BeeLine** (AMPS/DAMPS), and **Samarskiy Radio Telephone** (NMT-450). The connection costs \$100 on average, and the per minute rate ranges from \$0.14 to \$0.30. Monthly payments are usually under \$5. Cellular phones are expensive in Samara, but it is important to note that many cellular telephone companies charge lower fees to customers that buy telephones from them.

Of the 10 Internet service providers in Samara, the main companies are: **Kraft-S** ([www.kraft-s.ru](http://www.kraft-s.ru)), **Samara Internet** ([www.samara.net](http://www.samara.net)), and **Samara Infonet** ([www.saminfo.ru](http://www.saminfo.ru)). Most Internet service providers do not charge for connecting customers or a monthly fee. A per minute payment scheme is possible, as is unlimited access. The cost of a one-minute call does not exceed \$0.02, and unlimited access costs about \$50 a month. Reserved lines are also available.

**Business Services**

Several companies design and print various types of business cards, leaflets, seals, etc. Printing of 200 tricolor business cards costs about \$165. The cost to produce 1,000 leaflets is around \$300. Prices for advertising in the local press in Samara are much lower than in Moscow.

*Some information in this report was provided by the CARANA Corporation, which is funded by USAID.*

*A list of useful contacts and additional information on Samara can be found at **BISNIS Online** at [www.bisnis.doc.gov/bisnis/country/regions.html#VolgaUrals](http://www.bisnis.doc.gov/bisnis/country/regions.html#VolgaUrals).*

*Ekaterina Solovova is the **BISNIS** representative in Samara.*

## REGIONAL CORNER: Tver Oblast, Russia

by Olga Ananina

Tver oblast, with 1.6 million inhabitants, is the largest region in Central Russia, covering 84,100 sq. kms. Although its moderate continental climate and landscape are typical for Central Russia, Tver oblast does have unique characteristics. It is very rich with forests and water: over 800 rivers cross the oblast, including the beginning of the Volga River, and 1,769 lakes attract tourists and fishermen. It is the natural source of fresh water for Central Russia and Moscow.

Tver is an important transportation hub because of its location between the two largest metropolitan areas in Russia—Moscow and St. Petersburg. The road linking the cities has traditionally been well-maintained and is heavily used for cargo transportation. The Moscow-Riga highway connects Tver with the Baltic States and Finland. Tverskoy Port, the largest port on the upper Volga, is equipped with cargo decks and is fitted to serve river-sea ships. Tver also has an international airport.

### Investment Climate

The Tver Oblast Government is actively seeking to attract foreign investors. The Governor's Office for External Economy and Investments has published *Invest-100 International Investment Magazine*, which discusses investment opportunities in the oblast, publishes interviews with Tver businesspeople, and highlights local legislation. The Office for External Economy and Investments is in the process of organizing an international forum of technology brokers, "Investment and Technologies/Tver-99," to bring together representatives of local and foreign companies, potential investors, and government officials. **FES International, Inc.** (Glendora, CA) is helping the Tver Government organize the event.

The regional law on "Tax Privileges to Investors in Tver Oblast" supports foreign investors by reducing the profits tax for companies investing in renovation, modernization, or creation of production facilities, and for leasing companies.

By 1998, 37 companies with foreign investment were registered in the oblast. These joint ventures were mostly with European companies, including some from Bulgaria and Italy. German companies are active in selling technologies for producing construction materials and equipment to Tver companies. German construction firm **Tver-Osnabryuk**, which united 20 entrepreneurs that collectively invested over 1 million DM, built the three-star Osnabryuk hotel. Canadian companies are also investing in construction of private homes and assembly of construction materials in the oblast.

### Promising Industry Sectors

Machine-building, agribusiness, wood-processing, construction, and tourism are considered the most promising sectors for investment in the oblast.

*Machine-building:* Into the 1990s, machinery and metal processing enterprises in Tver oblast were among Russia's leading manufacturers of passenger train cars, excavators, tower cranes, fire-prevention equipment, steel frames, and more. Mainly due to Russia's general economic situation, output has fallen in recent years. Companies must search for new products, customers, and equipment to stay afloat. As larger plants would need prohibitive amounts of new investment for overhaul, smaller companies that are forming out the facilities of a large plant are the best candidates for investment.

*Agribusiness:* Agribusiness is mainly concentrated in two sectors: flax breeding and dairy and meat processing. Tver oblast used to produce up to 40 percent of all flax in Russia. Despite the 35 textile plants in the oblast, not all flax is processed locally, and the majority of the local mills work with resources purchased elsewhere. Major mills produce cotton, wool and silk fabrics, and man-made leather. All of these mills need modern technologies.

*Wood Processing:* The timber and wood processing industry holds great potential for regional industrial development. Forest covers 53 percent of the oblast (5.1 million hectares). Currently, only 30 percent of the viable woodcutting area is utilized. Tver has 27 large forestry farms, 23 saw mills, and some 400 companies producing veneer, paper, cardboard, and furniture. Most local wood is exported as timber, lumber, and veneer. The opportunities for foreign investment in this sector are concentrated in pre-export wood processing and supply of various wood-processing equipment.

The local industry overall is limited to the lower value-added end of the production cycle, with exports of timber prevailing and weakly established processing of recycled paper products. However, Tver's **Kamenskoe** company processes recycled paper into corrugated cardboard, and produces cellulose and manufacturers paper, polygraph goods, and packaging materials. The company seeks investment to expand production of cardboard and refurbish equipment.

*Construction:* Major construction materials plants are currently experiencing difficulties because old technologies produce outdated, noncompetitive products. Significant investments would be needed to overhaul large production facilities, but smaller firms are appearing and successfully competing by implementing new technologies. Also, strong potential exists to build private housing and hotels.

For additional information on Tver and other central Russian regions, visit **BISNIS Online** at [www.bisnis.doc.gov/bisnis/country/Central.htm](http://www.bisnis.doc.gov/bisnis/country/Central.htm).

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Organized by:	Comtek International	
Telephone:	(203) 834-1122	
Facsimile:	(203) 762-0773	
Email:	worldfoodtech@comtekexpo.com	
Website:	www.comtekexpo.com	
<b>Trade &amp; Warehouse 2000</b>	<b>Feb. 29–March 3, 2000</b>	<b>Moscow</b>
Organized by:	ExpoService -F	
Telephone:	+7 (095) 924-4556	
Email:	softool@garnet.ru	
Website:	www.softool.ru	
Sector:	Retail, wholesale trade, and warehousing	
<b>Informatika 2000</b>	<b>Feb. 29–March 3, 2000</b>	<b>Yekaterinburg</b>
Organized by:	Uralexpocenter	
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Facsimile:	+7 (3432) 49-30-19	
Email:	uralexpo@dialup.mplik.ru	
Sectors:	IT, computer hardware & software, telecom	
<b>Turkmenistan Intl. Oil &amp; Gas Exhibition 2000</b>	<b>March 15–17, 2000</b>	<b>Ashgabat</b>
Organized by:	ITE Group	
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