



# BISNIS BULLETIN

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February 2001

## RUSSIA AGRIBUSINESS MISSION PLANNED FOR APRIL 2001

by Joan Morgan

U.S. agribusiness companies can capitalize on the opportunity to participate in a special trade mission to three dynamic regions of Russia that have been identified as good prospects for agribusiness trade and investment. The Program to Revitalize Agriculture through Regional Investment (PRARI), a joint project of the U.S. Agency for International Development and the Foreign Agricultural Service of the U.S. Department of Agriculture, with the cooperation of the U.S. Department of Commerce and the Russian Ministry of Agriculture and Food, has organized a trade mission to the Rostov, Samara, and Lipetsk regions for April 2001 and encourages U.S. firms to apply.

The PRARI program aims to promote agribusiness investment through technical assistance and support of the development of investor-friendly policies and institutions in Russia. PRARI has identified eight Russian regions—Saratov, Rostov, Omsk, Lipetsk, Chuvashia, Tomsk, Samara, Krasnodar, Voronezh, and Vologda—that are led by reform-minded leaders and are considered attractive for foreign investment.

### The 1999 Mission

PRARI ran its first investment mission, to Rostov, Saratov, and Moscow, in September 1999. The delegation comprised 10 U.S. medium-sized companies, all with

Russian market experience. Participating companies had varied interests, from crop and livestock production, to dairy and oilseed processing, to

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## RUSSIA'S PROMISING MEDICAL EQUIPMENT MARKET

by Ludmila Maksimova

The total market for medical equipment in Russia is currently estimated at about \$2 billion. This market has been growing rapidly during the last 2 years. Imports continue to play a major role, despite the significant increase in local production since the August 1998 financial crisis. Currently, high-tech medical devices dominate imports, while only a few years ago most imports were relatively inexpensive low-tech medical devices and equipment. Russia still produces few high-end medical equipment items, including computer

**Russian imports of medical equipment, 1998–2000**  
(in US\$ millions)

Year	Total Imports	Imports from the U.S.
1998	787	100
1999	980	170
2000	1,040	190

tomographs, ultrasound equipment, and x-ray equipment. Imports of medical equipment come mainly from Germany, the United States, Italy, the United Kingdom, Switzerland, Sweden, and Eastern Europe. The best sales prospects for U.S. medical equipment are for clinical laboratory equipment and test kits, dental equipment and supplies, and radiology, diagnostic, sterilization, intensive care for newborns, ultrasound, and home health care equipment.

### Domestic Market Overview

Russia produces about 7,000 types of medical devices and equipment at 1,100 enterprises, including 32 specialized medical device enterprises controlling 60 percent of the total output and 300 defense plants. A significant portion of high-tech medical equipment is

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## TRANSRUSSIA 2001

March 27–30, 2001

### Olimpiskiy Stadium, Moscow

Organized by: **International Trade and Exhibition Group (ITE)** with the support of the **Russian Ministry of Transport, Ministry of Railroads, State Customs Committee, and Russian International Association of Freight Forwarders**

A two-day international conference focused on transport, freight forwarding, and logistics, and devoted to the development of the transport system in Russia and its integration into the global economy. The 1st International Railway Technology & Infrastructure Exhibition “RailTech Russia 2001” will be launched as a part of TransRussia. Last year, TransRussia 2000 featured 260 exhibitors (107 international and 153 Russian) from 26 countries, and 6,100 visitors from different countries attended the trade show.

Contact: **ITE GROUP PLC**  
Tel. +44 (207) 596-5000; Fax +44 (207) 596-5111  
Email: [enquiry@ite-exhibitions.com](mailto:enquiry@ite-exhibitions.com)  
Web site: [WWW.ITE-EXHIBITIONS.COM](http://WWW.ITE-EXHIBITIONS.COM)

For more info. on the Russian transportation market, visit **BISNIS Online** at [WWW.BISNIS.DOC.GOV/BISNIS/ISA/ISA-TRANSP.HTM](http://WWW.BISNIS.DOC.GOV/BISNIS/ISA/ISA-TRANSP.HTM).

## BISNIS

Business Information Service  
for the Newly Independent States

**BISNIS** is an information resource 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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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.

## Some January BISNIS Events in Washington

On January 9, **BISNIS** welcomed Jonelle Glosch, executive director of the **American Chamber of Commerce (AmCham)** in Baku, Azerbaijan, to the USA Trade Center to speak about doing business in Azerbaijan. Ms. Glosch, who has been working with U.S. companies on the ground in Azerbaijan for the past 5 years, focused her remarks on how to identify business opportunities, work with local and state governments, and engage with U.S. oil and gas consortia operating in the country. She also offered insights into, and examples of, how to get things done in Azerbaijan and the region, with information about problems that exporters and investors are likely to encounter and how to overcome them.

The **AmCham Baku** comprises 81 member companies of all sizes and offers a wide range of practical business services and information resources. For more information, visit the Chamber online at [WWW.AMCHAMAZ.ORG](http://WWW.AMCHAMAZ.ORG).

For more information on Azerbaijan, visit **BISNIS Online** at [WWW.BISNIS.DOC.GOV/BISNIS/COUNTRY/AZERBAIJAN.HTM](http://WWW.BISNIS.DOC.GOV/BISNIS/COUNTRY/AZERBAIJAN.HTM).

On January 11, **BISNIS** held a roundtable on “Information Technology Developments and Opportunities in Russia” at the USA Trade Center in Washington, D.C. The roundtable featured the following speakers: Leonid Malkov, president of **Cogitum** (Reston, Va.); Geoff Evans, U.S. director of **Sib IT** (Minneapolis, Minn., and Novosibirsk, Russia); Winston Lindsley, president of **International Technology Information Consultants, Inc.** (Fairfax, Va.); and Dmitri Simonenko, CEO of **Plesk, Inc.** (Chantilly, Va.). Some 27 U.S. companies and organizations attended the event. The speakers discussed some of the pros and cons of working with Russian IT companies and programmers, addressing such issues as intellectual property rights protection, the qualifications and experience of Russian software engineers, and the difficulties of management and communications between U.S. and Russian firms. After the speakers presentations, they engaged in a lively Q&A session with the audience.

For a summary of the discussion, visit **BISNIS Online** at [WWW.BISNIS.DOC.GOV/BISNIS/COUNTRY/010111TRNDSUM.HTM](http://WWW.BISNIS.DOC.GOV/BISNIS/COUNTRY/010111TRNDSUM.HTM).

# ACCOUNTING REFORM IN RUSSIA: AN INSIDER'S COMMENTS

by Mikael Gorsky

As in the United States, the accounting system in the Soviet Union was developed in such a way as to serve needs of business owners. One substantial difference between the two is that, in the Soviet Union, there was a single owner of all enterprises—the state. This fact affected the accounting system in that the only purpose of accounting was to deliver fiscal data to the state, rather than provide information for shareholders and management. The development of the Soviet accounting system led to a unified depreciation method, a government-predefined fixed chart of accounts, and, globally, the development of a “form over substance” principle that drove accountants to abide by Soviet Ministry of Finance instructions, rather than follow business logic, when recording accounting transactions.

The current accounting system of the Russian Federation follows the Soviet path. It can hardly be any other way, considering that less than 10 years has passed since the breakup of the USSR. Businesses should be aware that there is no compatibility between Russian and any Western (U.S. GAAP, International Accounting Standards, or others) accounting systems. Because it derives from the “form over substance” principle, Russian accounting reports lack clarity and the accounting principles do not require transparency.

## Basic Considerations for Every Business

The gap that exists between Russian and Western accounting principles means that every company engaged in business in Russia incurs certain expenses necessary to bridge this gap. These expenses can be described as follows:

- **Companies with branches in Russia** have to employ accountants with dual accounting knowledge with salary expectations 200-300 percent higher than other accountants. In addition, they have to use dual-standard accounting software that is relatively expensive—a typical package costs around \$30,000, excluding implementation. Also, they should spend extra money for an auditor to review their transformation procedures.
- **Companies with a working relationship with a Russian partner** usually have to ask the Russian partner to transfer its annual accounting statements into GAAP/IAS statements. Audit companies can perform this job for a fee starting from \$10,000.

## Brief Introduction to Russian Accounting Reform

The obvious need for change of the Russian accounting system, putting it into compliance with free market economic principles, drove the Russian government to devise an accounting reform program. In March 1997, President Yeltsin signed an order for an accounting reform program. The program consisted of two parts: (1) the development of new Russian accounting standards in compliance with IAS, and (2) the growth of the accounting profession in Russia through the creation of

the Russian Institute of Professional Accountants. The deadline for program implementation was set for January 2000.

Right after the reform program was announced, two possible approaches were revealed. One, the “revolutionary” approach, suggested that Russia should adopt IAS in full by announcing the official Russian translation of IAS as the set of Russian accounting standards. This approach was recommended by foreign experts involved with the reform process. The other, “evolutionary,” approach, supported by Russian experts and, ultimately, the Ministry of Finance, was to develop new Russian standards by following ideas and principles of Western accounting.

Russia followed the “evolutionary” approach, but the deadline for the reform was not met. Only 14 of 27 standards had been developed by the end of 2000, and even those developed need improvement. In early 2001, a new government order is expected to appear. It will set the new deadline for the development of Russian accounting standards and will enable selected enterprises to follow IAS without following Russian standards. The bottom line: the Russian accounting system will change shortly, but it still won't be 100 percent compatible with IAS or GAAP, although some enterprises may be permitted to follow IAS.

## Considerations for U.S. Businesses

As the Russian saying goes, “the one who is prepared is armed.” There will be changes and you should be ready for them.

- **Companies already present in Russia** may consider fostering the education of accountants and financial managers in IAS, even those accountants who are involved with the “Russian” part of accounting. Every long-term project (whether it is software or consulting) in the accounting sphere should be prudently considered with regard to the reform process.
- **Companies considering setting up an office in Russia** should require all financial specialists to have IAS knowledge. While establishing an accounting system, the “change of standards” issue has to be addressed.
- **Companies looking to establish a working relationship with a Russian company** might insist that their Russian partner has IAS or another Western accounting system in place. That will provide the U.S. counterpart with compatible accounting data and ensure that the Russian partner is ready for further accounting reform.

*Mikael Gorsky is the director of the Moscow-based **Foundation for International Accounting in Russia** ([www.fiar.ru](http://www.fiar.ru), [fiar@fiar.ru](mailto:fiar@fiar.ru)), a private, nonprofit organization that promotes professional training and knowledge dissemination in the area of international accounting practice.*

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wholesale and retail distribution, to equipment for farms and factories. The companies explored investment opportunities in Rostov and Saratov through meetings with local government officials, local companies, local chambers of commerce, and Western companies with operating investments in the regions. The mission resulted in the conclusion of two contracts for limited, but real, investment in the Rostov oblast. One was for a contract with a farm, and the other was for a trial program for popcorn production.

Highlights of the trip to Rostov included a visit to an oil-seed refining facility built from a combination of its own funds and Belgian credit, a visit to a **Coca-Cola** bottling plant, meetings with regional administrators, and a business roundtable with 60 Rostov companies. In Saratov, the delegation met with Saratov oblast administration officials (including the governor), the Saratov Bank Association, and a dealership for **Caterpillar**, attended a business roundtable hosted by the Saratov Chamber of Commerce with 50 local agribusiness companies, and visited a factory that leases, sells, and repairs **Case** equipment. The delegation ended its trip in Moscow, meeting with Russian government officials, the American Chamber of Commerce, and the U.S. Ambassador to Russia.

According to Dale Posthumus, a trip coordinator, "One of the biggest impressions mentioned by several of the 1999 participants was the vibrancy of economic activity they saw in Rostov and Saratov. They were well aware of the problems in Russia, but were surprised at the positive scene they found—they expected a far more dormant, struggling situation. They were also impressed with the Western companies with whom we met, who were invested in Russia and their positive, yet realistic attitudes. They all felt the opportunity to meet with Russian company officials was important for them to assess the opportunities they may be able to find. Government officials may represent/stress the positives, but it is the companies with whom our participants ultimately could be working."

### **The 2001 Mission**

The next PRARI Agribusiness Investment and Trade Mission will be April 20–30, 2001. PRARI is currently in the process of recruiting 10 companies for this mission to the Samara, Lipetsk, and Rostov regions. The deadline to apply is March 15, 2001. According to PRARI, now is the time to go if you are considering investing in the Russian food processing sector. "Russia's need for foreign investment in the agriculture sector is obvious from even the most cursory glance. What might not be so discernible yet are the great opportunities that await early bird American investors in this area," said Jim O'Meara of the USDA's Foreign Agricultural Service.

According to PRARI, the Russian economic meltdown is over, and the dislocation has created niche markets, particularly in the food processing sector. The ruble devaluation dramatically lowered local business costs. Food processors and farms are recovering, are more profitable, production is up,

and inflation is stabilized. Moreover, business-friendly tax reform is underway.

In the food processing sector, multinational food processors are sourcing more raw materials locally, and foreign direct investment from the European Union is growing. The precipitous decline in food imports that followed the economic collapse in August 1998 stimulated production by Russian food processing machinery companies and the food processors that use this equipment. These food processing businesses have been upgrading and expanding their operations. The decline in imports appears to be driving demand for all ranges of food processing and packaging equipment, including small-scale, inexpensive machines for local farmers, local processors, food wholesalers, and supermarkets, as well as more sophisticated high-tech equipment for large food processors. Some of this demand is driven by new investments from Western food firms, but the Russian firms are also replacing their aged equipment.

**Russia's need for foreign investment in the agriculture sector is obvious from even the most cursory glance. What might not be so discernible yet are the great opportunities that await early bird American investors in this area — Jim O'Meara, USDA/FAS**

The USDA Investment Mission will visit some of the organizations in which this progress is taking place. It will provide an opportunity to meet and talk to U.S. agribusinesses that have already have located in southern Russia. The mission will also introduce members to pre-screened strategic or financial partners, provide briefings by top U.S. Embassy and trade officials, and meetings with local government and private sector representatives.

Medium-sized businesses are encouraged to apply, but all agribusiness companies are welcome. The program is open to food producers, processors, and marketers in a variety of sectors. U.S. company costs are limited to international travel, Moscow hotel expenses, and some meals. Interpreters, translators, internal ground transportation, hotel costs in the regions, and some meals will be provided.

For more information, contact Jim O'Meara, **USDA/Foreign Agricultural Service**, tel: (202) 690-2895, fax: (202) 690-3982, email: [omearaj@fas.usda.gov](mailto:omearaj@fas.usda.gov), or visit [www.PRARI.RU](http://www.PRARI.RU).

For more information on Samara, visit **BISNIS Online** at [www.BISNIS.DOC.GOV/BISNIS/COUNTRY/VOLGA.HTM](http://www.BISNIS.DOC.GOV/BISNIS/COUNTRY/VOLGA.HTM); for Rostov, see [www.BISNIS.DOC.GOV/BISNIS/COUNTRY/SOUTHERN.HTM](http://www.BISNIS.DOC.GOV/BISNIS/COUNTRY/SOUTHERN.HTM); and for Lipetsk, go to [www.BISNIS.DOC.GOV/BISNIS/COUNTRY/CENTRAL/CENTRAL\\_OTHER.HTM](http://www.BISNIS.DOC.GOV/BISNIS/COUNTRY/CENTRAL/CENTRAL_OTHER.HTM).

Joan Morgan covers agribusiness for **BISNIS** in Wash., D.C.

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still developed and produced at defense enterprises, which have traditionally had access to advanced technologies. According to different estimates, domestic production supplies 40-60 percent of the total medical equipment market. Only about 25 percent of medical equipment produced in Russia can compete internationally. According to *Remedium* magazine (October 2000), locally made medical equipment can be divided into several large groups: medical devices and apparatus (42 percent), medical instruments (25 percent), medical devices made of glass and polymeric materials (16 percent), and other types of equipment, including glass lenses (2 percent).

In the last 2 years, because of the change in demand from imported to locally produced medical devices and supplies, as well as some types of equipment, a significant number of Russian enterprises managed to strengthen their positions and increase their share in the market. Some recently developed medical equipment and devices manufactured in Russia are now successfully competing with Western equivalents within the country, due to higher technical standards and relatively low price. These products include certain types of laser equipment, scanning probe microscopes, devices used for magnetotherapy in dentistry, knee joint implants, artificial heart, lung, and kidney devices, three-channel microprocessing electrocardiographs, and endoscopes. Also, Russian computer specialists create advanced software that is used by Western firms developing new, sophisticated medical equipment. Generally, locally made medical equipment is 3-5 times less expensive than similar Western equipment, but it is often inferior in terms of design, efficiency, and after-sale services.

#### **Registration and Certification of Medical Equipment**

Russia has a developed legal framework and process for the registration and certification of imported medical devices and equipment.

According to a 1996 order, all imported medical equipment used or purchased in Russia must be registered with the Ministry of Health. In June 2000, the Ministry of Health issued new rules on registering foreign-made medical equipment, which introduced several changes into the registration process. The new rules require a number of new documents, most of which must be translated into Russian. In addition, the number of tests the product must undergo was significantly increased. Moreover, the equipment or device will be compared to similar items available in Russia, and if an equivalent is found, it may be rejected. The registration procedure involves several stages—such as technical, safety, toxicology, hygienic, and clinical tests—which must be undertaken by various testing centers accredited by the ministry.

Imported medical equipment and devices must also receive certification that it conforms to Russian quality and safety standards, which are set by the state standards agency (Gosstandart). Gosstandart sets certification procedures, maintains and updates annually lists of goods and services that are

subject to obligatory certification and metrological control in Russia, and authorizes a number of national testing institutes to issue certificates of safety.

As registration and certification procedures involve direct personal contact with appropriate Russian government entities, as well as substantial time and paperwork, it is recommended that U.S. companies complete both procedures either through an accredited representative office in Russia or through a hired Russian or foreign agent or distributor.

#### **Procurements and Financing**

Financing is a major problem for the majority of medical equipment companies working in Russia. The role of the Russian federal government in financing medical equipment purchases has diminished significantly, while the role of local governments has increased. In 1999, with the reduction of both federal and local health care budgets, the regional governments drastically reduced purchases of large and expensive equipment to modernize local hospitals. However, hospitals continue to buy small devices and supplies in significant quantities using internal funds.

Local governments modernizing hospitals and clinics on their territories arrange tenders to buy medical equipment and supplies. Currently, methods of procurement in Russia are a mixture of public procurement and direct purchases by hospitals and clinics, both of which are financed through regional health care budgets, obligatory insurance funds, and open tenders sponsored by local healthcare authorities and international financial institutions. Tender announcements are published on a regular basis in a special magazine, called *Competitive Bids*. Foreign companies are allowed to take part only in some of the tenders either directly or through their local distributors. Equipment and services for private clinics are self-financed.

Many major hospital modernization projects have been financed by foreign credits and international financial organizations, such as the World Bank, which is currently completing a number of medical projects in various regions of Russia. These projects involve several stages, including renovation of facilities and supplying medical equipment. Most tenders have been completed, but some are ongoing or will be announced in the future. In July 2000, the U.S. Export-Import Bank provided \$31 million in loan guarantees for 20 U.S. companies selling medical equipment to a Moscow pediatric hospital.

*For more information on the medical equipment market in Russia, including key contacts, registration procedures, and certification requirements, visit **BISNIS Online** at [www.bisnis.doc.gov/bisnis/country/001204ovmedeq.htm](http://www.bisnis.doc.gov/bisnis/country/001204ovmedeq.htm).*

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## FROM THE U.S. OMBUDSMAN

During the second half of 2000, in my duties as ombudsman, I focused on helping to lay the foundation for regional cooperation in the Caucasus when politics would permit, encouraging a swift conclusion to outstanding negotiations on East-West energy transportation corridor projects in the Caspian and solidifying progress made in Russia with regard to commercial energy legislation, tax reform, and rule of law issues.

### Caucasus: Regional Standards Seminar

In the fall, I traveled to Turkey, Azerbaijan, and Georgia for bilateral meetings and to co-chair a regional standards and certification seminar in Tbilisi, Georgia. This event was co-sponsored by the U.S. Department of Commerce and the Georgian Standards Agency and attended by representatives of the three Caucasus countries and various U.S. agencies. The seminar enjoyed support from the three presidents of the Caucasus, outstanding cooperation from the National Institute of Standards and Technology (NIST) and the WTO, and excellent support from our embassies in the three capitals. As a result, we were able to achieve a joint report that underlined upgraded standards as an integral part of Armenia and Azerbaijan eventually joining Georgia and the United States as members of the WTO and the integration of the Caucasus region into the world economy. I also held informal meetings with the delegation chairs to plan for expanded cooperation in trade, investment, and private sector development following this path-breaking seminar.

In addition, we continued to advocate proactively for U.S. companies in pending power projects in Turkey, in oil, gas and shipping in Azerbaijan, and in a longstanding expropriation case in Georgia, with the Azeri and Georgian leaders assuring us of positive action. We argued strongly against planned increases in Azerbaijani tariffs, supported the current anti-corruption campaign in Georgia, and met with the heads of American Chambers of Commerce in all three Caucasus countries. The Chambers are launching a "regional alliance" and participated in the regional seminar in Tbilisi.

### Caspian Energy: East-West Corridor

In other meetings during this visit, Presidents Aliyev and Shevardnadze and their prime ministers, and Energy Minister Ersumer of Turkey, all agreed on the importance of maintaining the forward momentum of the Baku-Tbilisi-Ceyhan oil export pipeline and of negotiating early sales and purchase agreements for Azerbaijan's gas to reach the Georgian and Turkish markets.

### Russia

In December, I traveled to Moscow and St. Petersburg for Business Development Committee and Ombudsman meetings

with Russian government officials and U.S. and Russian business leaders. The Russians have made progress on new tax laws going into effect this year, which, I believe, will encourage increased investment and economic growth. They also agreed to review tax provisions to encourage development of a Russian leasing industry and provide for deductibility of normal business expenses. On energy projects, we continue to make progress toward Russian adoption of a full-fledged production-sharing agreement (PSA) regime, and I urged the minister of finance to listen to the views of potential energy investors in drafting the PSA Normative Acts and the PSA chapter in the tax code.

While much progress has been made, many hurdles still need to be overcome in order for the business climates in Russia and the CIS to evolve into mature, stable, free-market democracies. Without the commitment and persistence in the private sector, the outlook for many of these fledgling economies would not be as bright. It has been my pleasure to work with you in my capacity as ombudsman, and I look forward to continued progress in the years to come.

*Jan H. Kalicki*

*Counselor to the Department of Commerce and  
U.S. Ombudsman for Energy and Commercial  
Cooperation with the New Independent States*

## Prospects for Energy Infrastructure Development in Ukraine March 21–22, 2001 Kiev, Ukraine

Organized by: **The CWC Group**

The conference will highlight the significance of Ukraine in the transit of energy supplies to Europe; reforms in the fuel and energy sector; the investment climate; and prospects for privatization of Ukraine's gas transmission system.

**For more information, please contact  
Georgie Eldridge, tel: +44 (207) 704 6239  
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## REGIONAL CORNER: Volgograd Oblast, Russia

by Ekaterina Solovova

Volgograd oblast is one of the most economically dynamic regions of Russia, experiencing average annual output growth of 15 percent over the last 2 years. The leading industry sectors of the Volgograd region are chemicals and petrochemicals, metalworking, machine building, and agribusiness. Such transnational companies as **Coca-Cola**, **Du Pont**, **Sun Brewing**, and others have already explored investment opportunities in the region. Progressive investment legislation creates conditions for further growth in investment activity.

Volgograd is located 670 miles southeast of Moscow between two major Russian rivers—the Volga and the Don. Western Russia, the Urals, the Caucasus, and Kazakhstan are accessible from Volgograd as the Volga flows into the Caspian Sea. The Volgograd region is rich in natural resources, including oil, natural gas, phosphorites, cooking and chlormagnesium salts, mineral water, and limestone.

The region has 33 administrative districts and six industrial cities. The total population is about 2.7 million people. Over one million people live in the capital city of Volgograd.

### Foreign Investment

In 1999, the region received \$53 million in foreign direct investments (FDI). Cumulative FDI for the period of 1993–99 was \$195 million. The main form of foreign investment has been production equipment contributed to joint ventures. The leading investors are Cyprus (45 percent), Germany (8.3 percent), and Great Britain (5.5 percent).

According to regional officials, about two-thirds of all foreign investments are concentrated in the energy, chemical, and petrochemical sectors. One of the most striking examples is French investment into the chemical giant Volzhsky Orgsintez. LUKoil (Russia) and **Chevron Oronite Co., LLC** (USA) announced recently that they have signed a statement

of intent to create a joint venture to produce lubricating oil additives at LUKoil's Volgograd refinery.

The second leading investment sector in Volgograd is food and food processing. Examples of foreign investments in this sector are the Coca-Cola Inchcape bottling plant in Volzhsky, the Reemtsma-Volga Tobacco Factory (Germany), and the Povolzhye brewery, acquired recently by Sun Brewing.

### Economic Performance

Volgograd region has a number of large industrial enterprises, which have been concentrated here since the 19th century. Most large and medium-sized enterprises in the region are in the food processing industry, metalworking and machine building, light industry, production of construction materials, and chemical and petrochemical industry. Volgograd city is a center of ferrous and nonferrous metallurgy, machine building, oil processing and chemical industries. Volgograd enterprises produce tractors, railway tanks, construction materials, and consumer goods.

Besides Volgograd city, there are several other industrial centers in the region, such as Volzhsky, the site of the Volzhskaya hydroelectric station, built in the 1950s. Later, large chemical enterprises, such as Lateks and Voltire, were built there. Volzhsky Pipe Plant produces pipes for the gas and oil industry. A dairy and brewery are also located in Volzhsky.

Another big industrial and cultural center in Volgograd region is Kamyshin, which produces cloth, automobile components, glass packaging, painting materials, and equipment for cattle breeding.

*For a more detailed report on Volgograd, visit **BISNIS Online** at [WWW.BISNIS.DOC.GOV/BISNIS/COUNTRY/010105OVVOLGAGD.HTM](http://WWW.BISNIS.DOC.GOV/BISNIS/COUNTRY/010105OVVOLGAGD.HTM).*

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

## AGENCY SPOTLIGHT

**U.S. Export-Import Bank**—Ex-Im announced in December 2000 that St. Petersburg, Russia, now qualifies for potential financing under Ex-Im Bank's recently approved subsovereign program. In August 2000, Ex-Im said that it will accept the credit of qualified cities, states, and other subsovereign governments in emerging markets for purchase of U.S. equipment and services to address vital infrastructure and public sector needs. The program will help foreign borrowers with the support of St. Petersburg to gain access to Ex-Im Bank financing to buy, among other things, medical equipment, construction vehicles, information technology, and environmentally beneficial goods and services. *For info., visit [WWW.EXIM.GOV](http://WWW.EXIM.GOV).*

**Multilateral Investment Guarantee Agency**—According to MIGA, the Ukraine State Property Fund ([WWW.SPFU.GOV.UA/ENG/INDEX.HTML](http://WWW.SPFU.GOV.UA/ENG/INDEX.HTML)) has published 15 new profiles of companies slated for divestiture during 2000-2001. Ukraine National Airlines, Bohuslav Stone Quarry, and Kyiv Yeast Plant are among the companies to be privatized under a World Bank Technical Assistance Project. The Ukrainian government is also planning to sell state shares in 20 electricity distribution companies and 4 electricity generation companies by the end of 2002. Information on the power sector privatization program and tenders is available at [WWW.UKRAINEPOWERPRIVATIZE.COM](http://WWW.UKRAINEPOWERPRIVATIZE.COM), a new web site developed by Deloitte Touche Tohmatsu.

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## TRADE EVENTS CALENDAR

**Building Materials 2001**    **March 13–16, 2001**    **Yekaterinburg**  
Organized by: UralExpo Center  
Telephone: +7 (3432) 49-30-17  
Facsimile: +7 (3432) 49-30-19  
Email: uralexpo@dialup.mplik.ru  
Sectors: WWW.URALEXPO.MPLIK.RU

**Sport**    **March 22–25, 2001**    **St. Petersburg**  
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**Ferrous & Nonferrous Metals in the CIS**    **March 27–28, 2001**    **Mayfair, UK**  
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