



AEB Business Quarterly

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Autumn 2012



Russia and the New WTO Reality

With AEB updates on:

Impacts of Russia's accession to the WTO in the automotive industry, food processing and building materials industries • IP protection • Russian tax policy • AEB-GfK joint survey • AEB Networking ... and more

Saint Petersburg, April 4th, 2013

The Fourth Northern Dimension Forum



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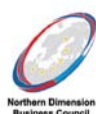


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Dear Readers,



I would like to welcome you to a special edition of the AEB Business Quarterly, which is dedicated to Russia's WTO accession.

On August 22, the Russian Federation officially became the 156th member of this global trade body. This is without doubt one of the most important events this year. We are inspired by the opportunities that it will bring to European companies in Russia, to foreign investment here and to EU-Russia relations as a whole. Its importance to Russia's future can hardly be overstated.

The Russian Federation is the 11th largest economy in the world. With a real GDP of 1.8 trillion US dollars, its membership of the WTO is an important step towards global trade liberalization and will stimulate the further modernisation of Russia's economy, reflect positively on its business environment, encourage foreign direct investment and prompt innovative growth.

Upon accession, Russia is committed to cutting its average import tariff by 5.9 percent. The main aim of the WTO is to reduce international trade barriers by, amongst other things, abolishing customs duties and import quotas.

WTO accession was not achieved easily. Russia was the last of the large economies that was not a WTO member. Negotiations began in 1993 and were completed in 2012. There will certainly be some teething problems with accession. Russia will be subject to WTO rules in all areas, including its monitoring and enforcement mechanisms.

This issue of the AEB Business Quarterly aims to throw light on the implications for European business of WTO accession. Themes include the impact of the WTO on Russia's industry and economy, potential market impacts, changes to import tariff regulation, possible effects on the construction and building materials industries and new opportunities within the food processing industry – to name but a few.

I wish you all the best ahead!

Dr. Frank Schauff
Chief Executive Officer
The Association of European Businesses

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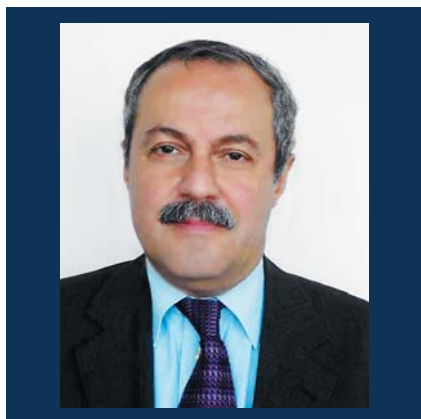
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RUSSIA JOINED THE WORLD TRADE ORGANISATION ON 22 AUGUST 2012



Peter Balas, Deputy Director-General, DG TRADE, European Commission

On 16 December 2011, after 18 years of negotiations, the Russian Federation was accepted as a member of the World Trade Organisation (WTO) during the WTO Ministerial Conference in Geneva. On 10 July 2012 the Duma ratified the accession protocol, paving the way for accession on 22 August 2012.

This accession is of particularly importance for the EU. Russia being our 3rd-largest trading partner, and the EU being the number one trading partner of Russia, European businesses will greatly benefit from Russian liberalisation. EU exports in goods to Russia in 2011 amounted to €108 billion (mainly cars, machinery and medicines) and imports from Russia to €199 billion (mainly oil and gas). The EU is also the largest foreign direct investor in Russia.

The WTO accession of Russia will be a major step towards further integration of the Russian market into the world economy. It will facilitate investments and the transfer of technology to Russia and, in more general terms, accelerate the modernisation of the Russian economy. Moreover, the

increased competition will provide Russian consumers with more affordable goods and services.

The main changes related to the WTO accession of Russia concern market access improvements for goods and services. The import duties for goods will decrease from a current average of 10% to an average 8%. In some important sectors, such as automotive, the import duty reductions are more significant (decreasing from currently 30% to 25% upon accession and to 15% after 7 years).

It is estimated that the overall tariff reduction will result in savings of €2.5 billion annually in import duties for EU exporters. Furthermore the reduced tariffs are estimated to stimulate €3.9 bn of additional EU exports to Russia per year.

In the telecommunications sector, Russia will phase out its current equity caps (49%) for foreign investors within 4 years. Russia also needs to undertake specific commitments for export duties, with a large list of raw materials, including oil, gas, ferrous and metal scrap having bound rates. Furthermore, the WTO accession of Russia covers a

range of regulatory issues including sanitary and phyto-sanitary rules, customs and intellectual property rights.

The EU was also able to secure specific commitments through four bilateral agreements signed with Russia in parallel to the WTO accession on 16 December 2011. The first one concerns the automotive sector and foresees a partial compensation for the potential negative effects of Russian investment policies for cars. The second one establishes wood export duty quotas for spruce and pine, which are of specific interest to the EU industry. The remaining two bilateral agreements cover raw materials and the preservation of certain services provisions linked to the existing bilateral Partnership and Cooperation Agreement.

The EU will closely monitor the implementation of Russia's commitments linked to WTO accession and will not hesitate to make use of the existing bilateral and multilateral legal options in order to challenge existing and possible future trade restrictions, thus ensuring that the accession truly benefits EU industry. **BQ**

RUSSIA AND WTO



Galina Balandina, Partner, Head of the Customs Law and Foreign Trade Regulation Practice, Pepeliaev Group LLC

General Provisions

After 18 years of negotiations, Russia has concluded its accession to the World Trade Organisation (WTO). According to an official spokesperson from the Russian Ministry of Foreign Affairs, on 23 July the Government of the Russian Federation notified the WTO that Russia had completed all the internal procedures required to assume membership, including the ratification of the Marrakesh Agreement, dated 15 April 1994, which established the WTO and which was signed in Geneva on 16 December 2011.

In accordance with the rules, Russia's accession to the WTO took place 22 August 2012, the thirtieth day after that notification was given.

The possible effects of Russia's accession to the WTO are yet to be fully analysed; however, preliminary forecasts are obviously contradictory – ranging from extremely negative to exceptionally positive.

The probable and less desirable consequences, as a rule, will most likely be as a result of the inertia exhibited by Russian firms when it comes to increased competition on the Russian market, an expected and unavoidable phenomenon once the barriers to accessing foreign goods and services are lowered.

The positive and welcome developments that will follow Russia's accession to the WTO will for the most part be as a result of the increased efficiency of various economic processes, including increased foreign trade, expansion of export markets in terms of access

to Russian goods, and motivation to increase the competitiveness of Russian goods and services.

Positive expectations related to Russia's WTO accession

Nevertheless, there are obvious positive and indisputable advantages of Russia's accession to the WTO.

These include:

1. Russia's active participation in the development and adoption of international rules and regulations regarding foreign trade under the WTO;
2. Transparency when it comes to the implementation of foreign trade rules, which assume that, first and foremost, the drafts of such rules must be published beforehand. Secondly, all interested persons will have the right to forward their opinions to the relevant authorities with regard to these projects.
3. Positive effect of generally accepted international rules on domestic legislation and its application. Here is an example that is rather sensitive to many Russian importers of goods: I have customs valuation in

mind. The rules applied in Russia are already based on the Agreement regarding the application of article VII of GATT 1994. However, guidelines, instructions and clarifications are obviously not enough for importers to feel confident in complicated border-line situations. There is hope that experience accumulated by the WTO Technical Committee on Customs Valuation will now be fully absorbed by the customs authorities and courts that consider disputes between the customs service and importers.

4. Some minor changes in customs administration, which are nevertheless very tangible for those involved in foreign trade operations. For example, the fact that customs clearance fees have been reduced and their amount now depends on the way the customs declaration is submitted (in hard copy or in electronic format) may significantly reduce the cost of customs clearance with regard to the import and export of goods.

WTO and the Customs Union

Russia's entry into the WTO is unique not only in terms of the time spent in negotiations. Another factor that marks this accession out as distinctive is the fact that Russia entered the WTO as a member of the Customs Union within the Eurasian Economic Community – a unique situation that involves only one of the member countries of the latter being a party to the former.

The day before the Protocol on the Accession of the Russian Federation to the WTO was signed, the parliaments of three member states of the Customs Union ratified the Agreement on the functioning of the Customs Union under the Multilateral Trading Facilities. The members of the Customs Union agreed that, from the date any of the Parties joins the WTO, the provisions of the respective Agreement with



the WTO, as stipulated in the Protocol on such Party's Accession to the WTO, will become a part of the Customs Union's legal system. The first Party joining the WTO must notify other Parties to this effect and coordinate their actions with regard to the need to change the Customs Union's legal system owing to the obligations which the Party in question assumed as a prerequisite for its accession. The agreement reached by the Parties means that Russia's obligations assumed as a prerequisite for its accession to the WTO will actually be treated as obligations of all three member states of the Customs Union and bodies of the Customs Union in which Russia has vested powers with regard to the state regulation of foreign trade operations.

For example, the rates of the Customs Union's Unified Customs Tariff approved by the Eurasian Economic Commission may not exceed import duties stipulated in the List of concessions and obligations in relation to access to the commodity market forming an Appendix to the Protocol on the

Accession of the Russian Federation to the WTO.

The Agreement on functioning of the Customs Union under a multilateral trading facility also establishes obligations on the Customs Union's member states if and when Kazakhstan or Belarus joins the WTO, one such being the need to apply lower import duties than those stipulated in the Customs Union's Unified Customs Tariff. The Agreement provides, among other things, that in the event of any discrepancies detected in the consolidated results of negotiations regarding the Parties' import duties achieved in the course of joining the WTO, such Parties will immediately advise each other and will promptly initiate negotiations with WTO members whose interests are affected by such discrepancies, with a view to harmonising the rates of import duties. All Parties will coordinate their positions and express their intention to be guided by the relevant provisions of the Agreement with the WTO applied to harmonisation of the rates by customs unions.

Russia's obligations following WTO accession

The Protocol on the Accession of the Russian Federation to the WTO makes provision for a commitment to the Marrakesh Agreement and its annexes in the Multilateral Trade Agreements. Aside from that, in the course of negotiations, Russia committed itself to fully implementing several aspects of the regulation, which must be completed following accession. These obligations are fixed in section 1450 of the Report of the working group on Russia's accession to the WTO.

Russia's obligations within the WTO touch various aspects of government regulation, of which it is difficult to select the most important. Nevertheless, overall, the rules and regulations of the WTO are aimed at ensuring fair competition, the elimination of redundant barriers to trade and related measures, which, other things being equal, should lead only to an increase in Russia's economic potential and qualitatively meet the needs of consumers in the country.

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DO RUSSIA'S PLANS FOR NEW SUBSIDIES COMPLY WITH ITS WTO COMMITMENTS?



Vladimir Tchikine, Partner, Customs and International Trade, Goltsblat BLP and Vasiliki Avgoustidi, Associate Director, Competition, EU & Trade, BLP

WTO is not just about duties, it is about fair international competition

Russia has undertaken the commitment, under its Protocol of Accession to the WTO, that upon accession the Russian Federation would either eliminate or modify all subsidy programmes so that any subsidy provided would not be contingent upon export, or upon the use of domestic over imported goods. Russia also declared in its Protocol of Accession that any subsidy programme in place at the time of accession, or established after accession, would be administered in conformity with the WTO Agreement on Subsidies and Countervailing Measures.

SITUATION

The Russian Federation intends to establish a new type of subsidy, under the sub-programme "Technical and Technological Upgrading and Innovative Development" of the 2013-2020 Government Programme for Development of Agriculture and Regulation of Agricultural Products, Raw Materials and Food Markets (approved by Russian Government Resolution No. 717 dated 14 July 2012). This would provide financial support out of the federal budget to agricultural machinery manufacturers in the form of compensation for any revenue shortages arising from discounted sales to agricultural producers.

to a discount granted in the amount of 15 per cent on the cost of the sold equipment. The subsidies are granted within the scope of budget allocations duly envisaged to the Ministry of Agriculture of the Russian Federation for the purposes indicated in clause 1 hereof.

The yet to be effected Resolution of the Government "On the approval of the Rules for providing subsidies from the federal budget to agricultural equipment manufacturers to reimburse lost profits from sale of agricultural equipment to producers of agricultural products" establishes new rules setting out in more detail the terms and conditions under which the Ministry of Agriculture will administer this subsidy scheme.

A first reading of the draft legislation allows some preliminary conclusions to be drawn regarding its compatibility (or not) with WTO law.

ANALYSIS

Is the proposed measure a subsidy within the meaning of Article 1 of the WTO Subsidies and Countervailing Measures Agreement?

The measure in question seems to fulfil the required elements of a subsidy. That means that it is a financial contribution which is being given by the government of a WTO Member, and provides a benefit to the recipients in a way that the recipient could not get from the market, e.g. through bank loans or other financial instruments.

More specifically, the Draft Resolution provides, in paragraph 2, that: "The subsidies are granted in the amount of 15 per cent of the price of the goods sold to producers of agricultural products, exclusive of value added tax. The subsidy provided to an enterprise is equal

to a discount granted in the amount of 15 per cent on the cost of the sold equipment. The subsidies are granted within the scope of budget allocations duly envisaged to the Ministry of Agriculture of the Russian Federation for the purposes indicated in clause 1 hereof.

The financial contribution seems to take the form of a direct transfer of funds, such as a grant, falling within the meaning of Article 1.1(a)(1)(i) of the SCM Agreement.

This direct transfer of funds could arguably provide the recipients of the subsidy with a financial benefit which would not be available to them on the market. The determination of a market benchmark is a technical and complex exercise. However, it seems safe to say that no bank or other commercial lender, or other entity, would give away money to agricultural equipment manufacturers in order to compensate for their decision to sell their equipment at a discount.

Is the proposed measure a subsidy which is specific within the meaning of Article 2 of the SCM Agreement?

The title of the Draft Resolution is "Rules for providing subsidies from the federal budget to agricultural equipment manufacturers to reimburse lost profits from sale of agricultural equipment to producers of agricultural products." In addition, paragraph 1 of the draft rules provides that the subsidy will be provided only to "self-propelled agricultural equipment (tractors, grain and combine harvesters)". There is therefore a *de jure* restriction on the identity of possible recipients who must be manu-

facturers of the specific agricultural equipment to qualify for this subsidy.

In this sense, the measure in question should be deemed as a 'specific subsidy' within the meaning of Article 2.1(a) of the SCM Agreement because the legislation pursuant to which the granting authority operates explicitly limits access to the subsidy to certain enterprises. Being a 'specific subsidy,' it can be challenged by any party affected (a WTO member country) and is, therefore, an actionable subsidy.



However, if such a measure is also considered to be a prohibited subsidy, there is no need to establish its specificity under Article 2 of the SCM Agreement.

Is the proposed measure a prohibited subsidy within the meaning of Article 3.2 of the SCM Agreement?

Article 3 of the SCM Agreement defines prohibited subsidies as those deemed to be specific *ipso facto*, without the need to establish the applicability of Article 2 (see paragraph 3 of Article 2 above). The only thus element that a WTO Member needs to establish in order to prove their existence is that one of the two conditions below exist:

"3.1 Except as provided in the Agreement on Agriculture, the following subsidies, within the meaning of Article 1, shall be prohibited:

(a) subsidies contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance, including those illustrated in Annex I5;

(b) subsidies contingent, whether solely or as one of several other condi-

tions, upon the use of domestic over imported goods.

3.2 A Member shall neither grant nor maintain subsidies referred to in paragraph 1."

The draft Resolution provides that "The aggregate value added created by the enterprise during the reporting period during supply, manufacture and sale of a unit of the equipment model on the territory of the Russian Federation amounts to at least 35%."

Is that legal? The answer lies in

"– the applicant must perform the following operations on the territory of the Russian Federation: with respect to tractors:

- frame (where applicable) assembly, welding and painting;
 - production either of the engine or the transmission or the axle;
 - assembly of the engine, transmission, axle;
 - production, assembly and painting of exterior elements;
 - production, assembly and painting of the cabin;
 - installation and painting of the engine unit, axles, transmission and draft hitch(es);
 - installation of the electrical equipment and water equipment systems.
- with respect to self-propelled grain and combine harvesters:
- frame (frame structure) assembly, welding and painting;
 - production either of the engine or the transmission or the axle(s);
 - assembly of the engine, transmission, axle(s);
 - assembly (and painting where necessary) of exterior elements;
 - production, assembly and painting of the cabin;
 - production, including welding (where necessary) and painting of the bunker (if envisaged);
 - production, including welding and assembly of draft equipment (platform, adapter);
 - production, including welding and assembly of draft hitches;
 - installation and painting of the engine unit, axles, transmission and draft hitch(es);
 - installation of the electrical equipment and water equipment systems."

It can be argued that the requirement to produce either the engine, transmission or the axle of a tractor or harvester as well as the production of the cabin and exterior elements of a tractor or harvester would require the use of domestic goods.

Should this assumption be correct, then it may be that this requirement is contingent upon the use of domestic goods over imported goods, which would make this subsidy a prohibited one within the meaning of Article 3.1.b of the SCM Agreement.

WTO case law. The Appellate Body in the *Canada – Autos* case stated that a proper examination of each specific value-added requirement is necessary, in particular as regards the actual value-added levels required so as to scrutinize properly whether the requirements could in fact be satisfied without the use of domestic goods. In addition, the Appellate Body found that, if the level of the value-added requirements is very high, it is possible that the use of domestic goods would be necessary to fulfil such a high requirement. However, if the level of the value-added requirements is low, the Appellate Body considered that it would be easier to meet the requirements without using domestic goods.

In the present case, the question to ask would be whether, theoretically, a manufacturer could satisfy the value-added requirement without using any domestic goods.

The draft rules provide that the 35% value-added requirement to be created within the Russian Federation will be calculated by providing, *inter alia*, evidence that:

Analysis of the measure's compatibility with the WTO General Agreement on tariff and trade 1994

It could be argued that the proposed measure could also violate Article III.4 of GATT 1994 which provides that WTO members must abide by the National Treatment principle, and must therefore afford to imported products treatment no less favourable than that provided to like domestic products.

Firstly, it seems that in our case imported and domestic agricultural equipment are "like products" within the meaning of GATT Article III.4 and they are in a competitive relationship. It would have to be further examined whether the definition of the products eligible to receive the subsidy is solely based on the origin of the goods, based on the value-added criterion that aims at promoting the use of Russia-originated goods.

In addition, the proposed measure is based on a domestic "law, regulation or requirement". The fact that private companies would need to take some action in order to comply with the value-added requirement does not mean that there is no governmental requirement. The Panel in the *Canada - Autos* dispute stated that a "determination of whether private action amounts to a 'requirement' under Article III.4 must rest on a finding that there is a 'nexus' between that action and the action of a government, such that the government

can be held responsible for that action; here the Panel found that the Letters of Commitment containing Canadian value added requirements met the criteria of 'requirement' under Article III.4."

Moreover, the proposed measure affects the "internal sale, offering for sale, purchase, transportation, distribution or use" of the relevant good within the meaning of Article III.4 of GATT 1994. The word "affecting" has been interpreted by the panel in the *Canada - Autos* case as "any laws or regulations which might adversely modify the conditions of competition between domestic and imported products." The first paragraph of the Draft Resolution suggests that the subsidy will be provided in order to "reimburse lost profits from sale in the Russian Federation of new self-propelled agricultural machinery and equipment to producers of agricultural products." It is thus a measure that affects the "internal sale and offering for sale" of the relevant products.

Finally, the proposed measure seems to accord to imported goods less favourable treatment than to domestic goods. However, the Appellate Body in the *Thailand- Cigarettes* dispute stated that "an analysis of whether imported products are accorded less favourable treatment would require a careful examination grounded in close scrutiny of the fundamental trust and effect of the measure itself, including of the implications of the measure for the conditions

of competition between imported and like domestic products. This analysis, need not be based on empirical evidence as to the actual effects of the measure at issue in the internal market of the member concerned." The implication of the contested measure for the equality of competitive conditions are, first and foremost, those that are discernible from the design, structure and expected operation of the measure.

The less favourable treatment standard should not be established by an assessment of the degree of likelihood that an adverse impact on competitive conditions will materialise. It must simply be a genuine relationship between the measure at issue and its adverse impact on competitive opportunity for imported versus like domestic products to support a finding that imported products are treated less favourably. In the *Canada - Autos* case, the panel found that "the Canadian value-added requirement, as a condition for eligibility for the duty exemption, adversely affected the conditions of competition, thereby resulting in 'less favourable treatment' to imported products, in violation of Article III.4" of the GATT.

It could thus be argued that the Russian value-added requirement could also be, by analogy, a violation of Article III.4 of the GATT 1994.

Overall, it can be concluded that the proposed new subsidy may be violating Russia's obligations under WTO law. **BQ**



MEDIATION AND SETTLEMENT AS KEY ELEMENTS OF THE WTO DISPUTE RESOLUTION SYSTEM



Dmitry Davydenko and Alexandra Khizunova,
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Securing a positive outcome to a dispute is the aim of the WTO dispute resolution mechanism. It is expressly specified in the Understanding on Rules and Procedures Governing the Settlement of Disputes (Marrakesh, 15.IV.1994). Mediation is central to the WTO approach to dispute settlement.

The WTO system includes a number of “diplomatic” techniques which aim to provide a chance for the parties to find a mutually satisfactory outcome. These methods are: consultations, mediation, conciliation and good offices. All these methods are part of the traditional diplomatic toolkit. In the WTO they are especially valued because complicated and tough regulation created by the WTO treaties provokes numerous and often “high-stakes” disputes. Finding a solution which works for every state involved is vital to preserving a benign legal and regulatory environment for international commerce.

The United Nations Charter provides, in Article 33: “The parties to any dispute, the continuance of which is likely to endanger the maintenance of international peace and security, shall, first of all, seek a solution by negotiation, enquiry, mediation, conciliation, arbitration, judicial settlement, resort to regional agencies or arrangements, or other peaceful means of their own choice.”

tation regarding, any representations made by another Member State concerning measures affecting the operation of any applicable agreement.

A Member State having a claim against another Member State must request consultation with the other party and then wait 60 days before initiating arbitration proceedings. This period starts to run from the date of receipt of the request.

During consultation, parties exchange information, assess the strengths and weaknesses of their respective cases, narrow the scope of the differences between

them and, in a large number of cases, reach a mutually acceptable solution. Where no such agreement is reached, consultations also provide the parties with an opportunity to define and limit the nature of the dispute between them.

“Good offices” is the terms describing organizational and logistic assistance given in order to facilitate negotiations. Mediation and conciliation are similar procedures. The difference in international law is that, unlike the conciliator, the mediator is expected to propose and recommend to the parties possible solutions which he or she deems appropriate.

Good offices, conciliation and mediation are undertaken voluntarily if the parties to the dispute agree. Proceedings involving good offices, conciliation and mediation are confidential, and without prejudice to the rights of either party in any further proceedings. Good offices, conciliation or mediation may be requested at any time by any party to





a dispute. They may begin at any time and be terminated at any time. Once procedures for good offices, conciliation or mediation are terminated, a complaining party may then proceed with a request for the establishment of a panel.

When good offices, conciliation or mediation are entered into within 60 days after the date of receipt of a request for consultations, the complaining party must still allow a period of 60 days after the date of receipt of the request for consultations before requesting the establishment of a panel. The complaining party may request the establishment of a panel during the 60-day period if the parties to the dispute jointly consider that the good offices, conciliation or mediation process has failed to settle the dispute.

If the parties to a dispute agree, procedures for good offices, conciliation or mediation may continue while the panel process proceeds.

The Director-General of the WTO may, acting in an *ex officio* capacity, offer good offices, conciliation or mediation with a view to helping Member States settle a dispute.

Importantly, such techniques may be used by Member States at any stage of the dispute resolution process. The Parties are, furthermore, encouraged to negotiate a solution, provided that it is consistent with the WTO treaties and does not infringe upon other Member States not involved in the dispute in question.

Eighty-seven disputes have been settled or terminated: either the complaint was withdrawn, or the parties

reached a mutually agreed solution. This constitutes about 20% of all disputes initiated under WTO rules.

Sometimes the dispute is settled even after it was heard and resolved within the WTO system. Thus, in 21 cases the parties notified agreement on implementation of the decisions of the Dispute Settlement Body.

The following example demonstrates the use of mediation in the disputes arising out of the WTO treaties. A dispute arose between Thailand (aggrieved party) and the EC (defaulting party) and concerned tuna exports. The Philippines joined the dispute as another aggrieved party. In September 2002, the parties jointly submitted a formal letter to the Director-General of the WTO, requesting mediation. The parties negotiated working procedures and agreed a joint "compromise" exhaustively describing the facts and issues of the case backed by the parties' arguments. The Deputy Director-General was appointed as mediator.

The dispute arose from preferential tariff set by the EC for canned tuna originating from ACP (African/Caribbean/Pacific) states. The main issue was the extent to which the economies of Thailand and the Philippines were affected by the EC preferential tariffs. The aggrieved countries prepared a detailed analysis of economic injury and described a methodology to assess that injury.

On 5 November 2002 the WTO ambassadors of Thailand and the EC presented their oral argument outlin-

ing essential arguments and claims of the parties. Then the mediator gave each party an opportunity to refute the arguments of the opponent and to ask questions directly.

As early as 20 December 2002, the mediator prepared an advisory opinion and proposed a possible solution to the dispute based on thorough research into the problem.

However the final result was achieved by further state-to-state communication when the advisory opinion of mediator was considered. Consequently, on 5 June 2003 the EC Council adopted a Regulation declaring the EC's intention to resolve the "long-standing" case with the Philippines and Thailand. Pursuant to that Regulation the EC "has decided to accept this [mediator's] proposal" by approving that "an additional tariff quota for a limited volume of canned tuna should be opened."

The so-called Canned Tuna case proves how efficient and adequate mediation as a mean of WTO dispute settlement is. The Mediator's opinion is not binding. However, if the states are actually interested in resolving the case, such opinion may greatly assist to reach and elaborate final reasonable outcome for all parties within shorter time period and with lower costs.

Conclusions

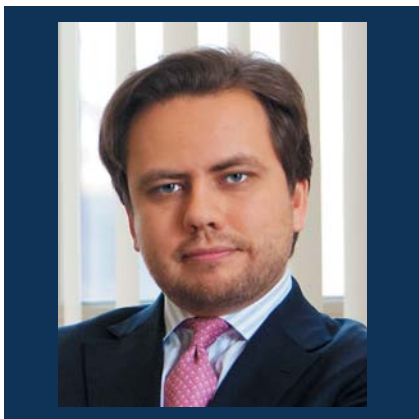
Mediation as a method of WTO dispute resolution helps, by informal negotiations (as opposed to formal dispute proceedings), parties at odds with each other reach mutually acceptable compromises in a fairly short period of time. The Canned Tuna case was settled in less than three and a half months, which saved a lot of "court" costs.

At the same time, mediation also encourages the parties to reach a decision on their own rather than having one imposed by a "kind of court proceeding." A mediator scrutinizes the parties' arguments and tries to provide a solution "absolutely viable" for all parties.

WTO mediation helps to avoid formal proceeding and encourages dialogue between Member States with the assistance of a neutral person on a voluntary, non-binding basis. Acceptance or rejection of the mediator's opinion is always at the discretion of the States involved in the dispute.

BQ

IP PROTECTION AND THE WTO



Denis Khabarov, Partner, Baker & McKenzie

rationale behind TRIPS is to provide a set of minimum principles, standards and regulations that the IP legislation of a WTO member country must incorporate in statute, and comply with.

Russia's road to WTO accession started in June 1993 when the application to join was filed. Since then, Russian legislation has greatly benefited from the many changes aimed at enhancing the IP protection regime in order to comply with the TRIPS requirements. This was the case with the 1990s laws with specific IP objectives, such as the 1992 Law On Trademarks, Service Marks and the 1993 Law Appellations of Origin of Goods and On Copyrights and Neighbouring Rights. This was also the case with the newly adopted Civil Code, which systematised all Russian IP legislation in 2006. Specific WTO accession package changes have resolved a number of issues that raised concerns for IP rights owners in the newly adopted Code.

However, not only does the WTO system and TRIPS provide for a set of standards and regulations that member countries must comply with, it provides an effective dispute resolution mechanism that allows members to monitor and prevent non-compliance by other members. Amongst the WTO disputes concerning tariffs, quotas, state protective measures and other purely trade issues, disputes in the IP area are quite prominent.

An important aspect of the dispute resolution mechanism is that it may address issues at the legislative level as well as in terms of application. This is important since there have been many instances where relevant laws comply with TRIPS, but are construed and applied by the relevant state authorities in ways which give cause for concern to business.

TRIPS: general outline

Generally, TRIPS envisages two equally important groups of standards: general standards for IP protection, and standards for enforcement of IP rights.

First, TRIPS requires, albeit with some exceptions, that the domestic legislation of a member country be in compliance with the substantive obligations of the major international treaties in the area of IP protection, such as the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works.

Second, TRIPS provides for a significant number of additional obligations. Some enhance the level of protection provided by these treaties, while others set out new standards in cases where some issues are not sufficiently resolved in the existing treaties, or are not covered at all.

On the IP enforcement side, TRIPS provides for some general principles and criteria that must apply to the enforcement of IP rights by a member country. Generally, in addition to

Significance of TRIPS for IP protection

Looking at the WTO from an IP protection regime perspective, the main significance of WTO accession lies in the Agreement on Trade-Related Aspects of Intellectual Property Rights, which came into effect on January 1, 1995 (known as "TRIPS"). TRIPS forms an important part of the WTO structure as one of the annexes to the Marrakesh Agreement Establishing the World Trade Organization (April 15, 1994).

Many believe that TRIPS is the most comprehensive and complex multilateral, international treaty in the area of IP protection and enforcement. The main



purely IP-specific issues, it also covers civil, criminal and administrative procedures and remedies, provisional measures, and special requirements pertaining to border controls. TRIPS specifies in great detail those procedures and remedies that must be available to IP rights owners in a member country to enable them to effectively enforce their IP protection regime.

Russian IP legislation and the WTO

In addition to purely trade and political issues, IP questions were historically considered to have been one of major obstacles during Russia's eighteen-year period of negotiation with the WTO. As a result, over the last few years many changes have been introduced to various Russian IP laws. But quite a few issues remained unresolved and required additional review and coordination of member parties even before accession. A Report of the Working Party on the Accession of the Russian Federation to the World Trade Organization (November 17, 2011) is shedding some light on these last-minute issues and discussions.

Though the Report resolved many issues, it leaves an impression that some issues related to Russian IP legislation and, importantly, how it is applied by state bodies, are still on the radar of many WTO members.

These issues include, but are not limited to, the following: limitations of exclusive IP rights, which are still viewed as too broad by some WTO member countries; the activities of collecting societies and the non-contract administration of copyrights and related rights; the seemingly insufficient technical protection measures for copyright and related rights; registration requirements for well-known trademarks that are viewed as excessively burdensome by many; issues related to priority of Geographical Indicators over trademarks as well as the definition of GIs under Russian law; exclusions from patentability that are still viewed as too broad.

Apart from legislative issues, Russia's WTO partners are concerned with issues like the insignificant amount of judgments leading to confiscation and destruction of machinery used

for infringing activities, as well as the overall domination of administrative over criminal proceedings in cases of IP rights infringements. Insignificant criminal penalties, suspended sentences, derisory numbers of cases resulting in criminal sentences, along with the recent increase of the criminal threshold with respect to copyright and trademark infringements, seem also to concern a number of WTO members.

Conclusion

Realistically, it is unlikely that Russia's accession to the WTO will substantially affect IP legislation in the short term. The accession is a clear indicator that with all the questions and dissatisfaction related to IP legislation or domestic enforcement practice, Russia's WTO partners are still ready to see Russia in the World Trade Organization. But that will not stop questions being raised about matters that were not resolved during the access negotiations, including those in the area of IP, at the level of WTO dispute resolution mechanisms. BQ

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THE WTO, INVESTMENT AND INNOVATION



Michael Akim PhD, Director of Strategic Development, ABB Russia

General conditions: good or bad?

Over the last twenty-five years Russia has gone through drastic changes and some economic and social ups and downs. But the last decade has shown sustained economic growth and political stability, which is essential for business planning. Migration rules and laws on investment in strategic entities have become much more advanced than before, and government is now more supportive of foreign investors. A major obstacle for investors in Russia is related to administrative barriers, which are the root cause of corruption that triggers an extra cost burden resulting in the high cost of capital projects, logistical difficulties and shortages. There are definite areas for improvement in the legal and regulatory infrastructure. However in general, the last decade has seen an increase in the investment attractiveness of Russia for foreign businesses. And Russia's accession to the WTO opens up new avenues for foreign business development and investment. But, according to the United Nations trade organization UNCTAD: "WTO accession may not have substantial FDI-generating effects" for Russian manufacturing.

There is a huge variety of opinions published by various analysts about the likely impact of the WTO on Russian industry and the economy. According to Ernst & Young, "The greatest growth on a country-wide scale is expected in nonferrous metal production (14.45% of the level of the basic year), ferrous metal production (3.63%), and in chemical and petrochemical production (2.05%). Production is expected to be reduced

to the greatest extent in the following industries: timber processing, pulp and paper manufacture and woodworking (-6.74% in relation to the level of the basic year), light industry (-4.35%) and machine-building (-2.77%)." However, in accordance with a Strategy Partners Group (SPG) survey, 82 percent of chief executives did not find it necessary to prepare for WTO accession in any special way. At the same time, 24 percent of respondents said the country's accession to the WTO would have an adverse impact on the development of its economy as a whole.

According to PwC, "Russia will proceed with further reform of the government procurement system, transparency of regulation, responsibility for discrimination of foreign companies, etc." Investcafé's analyst, Ilya Rachenkov, says: "Joining the WTO makes it impossible to place tariff barriers on Russian exports; while in the current situation, Russia has no effective instruments for protecting domestic producers." He adds, "General reductions in import tariffs will be beneficial for foreign producers as this will make their products more competitive."

Potential market impact

The most obvious benefits relate to reduced administrative complications concerning customs procedures for exporters. The oil and gas industry is a major segment in the Russian industrial equipment market. Analysts believe that this will not be negatively impacted by WTO membership. Furthermore, Russian companies will receive additional protection against tariff and non-tariff discrimination. WTO regulations could support the technology transfer process that is essential for offshore, and particularly polar offshore, development.

Russian metallurgical products are suffering from severe discrimination, so the removal of foreign countries' restrictions on Russian products should have a positive influence on export-oriented metal and coal producers. Increases in

local consumption by the metal industry will also create additional demand in the mining industries. The mining and minerals industries also require support for the implementation of new technologies if they are to compete with other extraction-based economies, such as Australia or Brazil, which have already developed their production capacity.

Customs procedures could be improved, mainly by reducing the number of documents required, simplifying the procedure for permits, and reducing the time taken for customs clearance. Of particular benefit to industrial equipment producers should be the simplification of temporary import-export procedures for goods for warranty repairs. Another big help for exporters would be an improvement in the tax administration and the procedures for reimbursing VAT.

In accordance with the WTO agreement, as Russia reduces tariffs, quotas and other barriers against foreign goods and services, foreign countries must likewise reduce equivalent barriers against Russia. It should be easier in future for Russian exporters to act when the legislation of different countries is based on common rules. It is doubtful that immediate changes will satisfy other countries that wish to sell goods and services to Russia. In particular, non-tariff barriers in government contracts and service will be hard to identify and eliminate. *Vice versa*, not all foreign countries will immediately remove barriers to Russian goods. The immediate impact could be a huge increase in international trade disputes, and demand for the relevant legal services to resolve these disputes.

The cost competitiveness of manufacturing

There are some key factors that define the competitiveness of Russian industry: a domestic focus, with few producers trying to sell outside the CIS; a limited knowledge of foreign markets and technologies; and the language barrier.

A spokesman for Strategy Partners says, "In general, the major factor is very ineffective business processes and organization." Current cost structures do not support the global competitiveness of Russian manufacturing. One of the real disadvantages of the current system is the unreasonably inflated prices that Russian industry and consumers pay for goods and services, and particularly for imported goods. Prices are commonly 50% higher and sometimes significantly more, compared to other global markets. This is partly due to Russia's lack of effective transport infrastructure, the cost of inbound and outbound transportation caused by tariffs and distances, the situation with the customs service, the number of intermediaries with high margin expectations, and the generally obscure regulatory environment. Combined, these have a significant negative impact on the cost of industrial investment and modernization projects, and the competitiveness of Russian manufacturing operations.

Labour costs are growing in Russia. They are already higher than in the

CIS and some neighbouring former Soviet bloc countries, and are particularly high in Moscow. It might be not a critical issue yet due to market attractiveness, but could be limiting factor soon. Russia will not be able to compete with developing countries that have cheaper labour forces. And the developed countries have stronger and more innovative economies.

Russian capital projects are significantly more expensive than comparable global practice. Implementation of the best global project solutions is needed in order to reduce project costs. Legislation and tender procedure regulations should support the implementation of the best project practices, such as the MEC (Main Electrical Contractor) and MAC (Main Automation Contractor) approaches. It is vital to control project time and cost, reduce project risks, ensure reliable interface management, and define responsibility throughout the full project lifecycle, from Front End Engineering and Design (FEED) to completions, start-up and service.

Need for innovation

Therefore, to minimize possible economic losses, the appropriate steps should be taken at all the levels to reduce costs and to focus on developing competitive enterprises and industries, and to redirect those which cannot be competitive within the structure of the existing distribution of labour.

WTO membership will help lower Russian tariffs, and the laws governing imports will be liberalized. Consumer and industrial goods won't suddenly become as cheap as they might be in developed, open-market economies, but they would start to come down towards that level. Russian private consumers and businesses will then gradually increase their spending power, and have more choice, as certain previously protected industries are opened up to foreign competition. The Russian economy, perhaps, will not receive a massive boost from WTO entry, but it will get a modest push into more rapid and sustainable growth in an increasingly competitive environment.



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Major steps to boost competitiveness should be the adoption of the major trends toward advanced manufacturing as described in "Emerging Global Trends in Advanced Manufacturing" by the IDA institute. These include:

- Increasing the role of information technology
- Reliance on modelling and simulation in the manufacturing process
- Acceleration of innovation in supply-chain management
- Move toward the ability to change manufacturing systems rapidly (what the literature calls rapid changeability) in response to customer needs and external impediments
- Acceptance and support of sustainable manufacturing

The cost of wind-power generation is already coming down close to the level of gas generation in China and Brazil. Resource-efficient investments and demand management should become the main feature of technological progress to help avoid needless infrastructure investment so that funding can be targeted where it is most needed. Investments in resource productivity, such as energy efficiency, have a higher economic multiplier than general expenditure, as resource-efficient investments provide a substantial financial return as well as usually providing additional productivity improvements.

Global competition

Very few big Russian plants were constructed in the last 20 years, so technology in the manufacturing sector is largely outdated. In China, by comparison, cheap labour operates with up-to-date technologies which were imported recently. These provided China with a post-WTO miracle, during which goods exports rose by more than 20 percent a year. FDI inflows increased five-fold over the decade, thanks to foreign companies setting up factories that allowed the lowest production costs, and were supported also by developing infrastructure. Those factories partially targeted the huge domestic market that further supports economies of scale and boosts the competitiveness of Chinese goods worldwide. The manufacturing-for-export model is unlikely to work in

Russia because of relatively high labour and other costs.

According to "The Russia Competitiveness Report 2011," published by the World Economic Forum, "productivity is higher in India and China. High Russian salaries mean that for each dollar of wage, a Russian worker produces half the output of his or her Chinese or Indian peers. Competitiveness enhancing reforms will improve the business environment, strengthen efficiency, and align manufacturing productivity better with international wage-productivity ratios."

There is evidence that the free market access due to trade liberalization could lead to the loss of jobs in both developing and developed countries. According to World Bank studies, "an average tariff reduction of 20 percentage points reduced real wages by 5-6% on average, and by much more in the most affected industries."

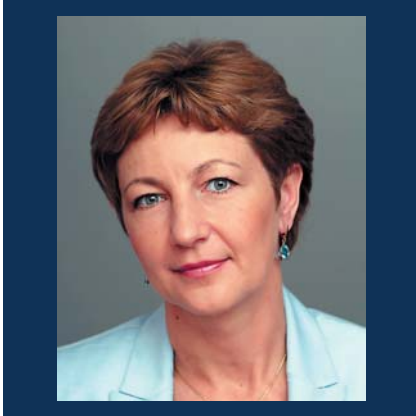
The introduction of modern robots to production processes should boost the competitiveness of Russian manufacturing by reducing operating costs, improving product quality and consistency, as well as by enhancing the work environment for employees, increasing output rates and product manufacturing flexibility, reducing material waste, and increasing yield. Zero duties for some high-tech goods within three years after joining the WTO should support such industry developments.

Several joint programs have been carried out with foreign companies during recent years. According to analysts, as a result of this cooperation, local enterprises get investment and new technologies which will mitigate the effect of joining the WTO. Recently we performed some "Technical Policy" and energy efficiency study projects for major Russian customers to benchmark their technologies and manufacturing processes against best available global practices. This encourages the trend towards foreign equipment and products for solutions and best practices that are crucial for resource productivity.

The Russian government needs to provide support to foreign investors in research, development, implementation and the commercialization of innovative products in Russia. Such research could be developed jointly with Russian partners. More foreign involvement is needed to develop a common knowledge-base in order to benchmark Russian innovation against best global practices. Implementation of automation and robotization technologies is crucial to boosting the competitiveness of Russian producers, and we should continue development in those areas in Russia. It is crucial to adapt the best global practices and experiences in order to develop and implement competitive products and technologies if we want a modern, innovative economy. BQ



WTO AND SECONDMENT PROHIBITION INITIATIVES – DO THEY FIT TOGETHER?



Olga Bantsekina, Chief Representative, Coleman Services UK; Chairman of the AEB HR Committee; AEB Board Deputy Chairman

Not long before Russia's WTO accession, the State Duma's Committee on Labor, Social Policy and Veterans' Affairs put forward a draft law on the general prohibition of secondment and agency labor in the Russian Federation. The authors of the draft are trade union leaders. It passed the first reading in the Duma on May 20, 2011. At the moment, the draft law is being prepared for its second reading, which is scheduled for this autumn. Let's try to think together if such initiatives of the Russian legislative bodies prepare Russia better for the new WTO reality.

Secondment (in all its different manifestations and various terminologies, such as agency labor, personnel leasing, outstaffing, temporary and seasonal staffing) was established in our country back in the late 90s. These worldwide-known services started in Russia with outstaffing shortly after the crisis of 1998, helping international investors in the implementation of their plans and projects in the post-default country with no increase of headcounts shown to their headquarters, while at the same time helping the country itself and its citizens to survive. They have developed gradually during the last decade into a strong market all over the country, with an average yearly growth of about 30 percent.

Estimates of the numbers of employees working legally through agencies are between 120,000 and

140,000 people, which equals to 0.1 percent of the economically active population (compare with 5 percent in the U.K.; 2.6 percent in the Netherlands; 2.29 percent in Belgium; 1.3 percent in the U.S.; 1.7 percent in Japan; 1.2 percent all over the world).

"Mobile labor" has always been in demand by major international investors in Russia who are used to these services in their operations all over the world. The flexibility it provides to companies, especially in countries with a developing economy and in times of economic instability, which we are going through nowadays, does not need to be specifically proved.

On the other hand, due to the peculiarities of the migration laws in Russia, the majority of expatriates in the country use secondment agreements with their mother companies simultaneously with local labor contracts in

order to maintain social security rights in their countries of origin.

Under Russia's WTO accession one of the terms of conducting business in the country is secondment of key personnel within groups of companies, including top management and highly qualified employees. According to world practice, such secondment is conducted on the basis of general secondment agreements, which might be prohibited in the view of the Duma's new initiatives.

Despite the wide use and rapid development of secondment, and many attempts by the major international staffing agencies to legalize agency labor, Russia still does not have any legislation in this area.

Unfortunately, despite the aforementioned development, outstaffing and secondment services are still pretty new to the Russian market. The majority of the population of this huge coun-



try do not know such words as “agency labor,” “outstaffing,” “secondment” and “temporary personnel,” and they are not aware of the privileges and peculiarities of “mobile labor” world practices and do not know how to protect themselves from fraud in this area in their mother country.

Due to the absence of legislation in the field of outstaffing and secondment (the only reference to secondment we can find in three articles of the Russian Tax Code), there are huge numbers of violations of law on the part of dishonest agencies and companies, which are discrediting these services and ruining the image of reliable service providers as well.

Thus, in order to lower expenses, such agencies either do not sign contracts with their employees at all (and all the payments to them are “black” cash) and often cheat them, or they pay “grey” salaries, reducing tax payments to the state. Employees of such agencies do not have proper social security and guarantees. There are a lot of illegal migrants work on such schemes.

All this needs to be put within a legal framework in order to protect both employees and the government from breaches of law.

But, from our point of view, it should not be done via prohibition of a huge part of the Russian HR services market. It seems much more reasonable to establish certain rules and borders within the framework of the Labor Code, which should take proper care of the whole market. It is not really difficult to do. For instance, introducing agencies’ accreditation or licensing alongside the adoption of new articles of the Labor Law regarding “mobile labor” rules and regulations and securing employees’ rights and social guarantees.

Still, if the draft law passes its second reading without significant amendment, it will inflict huge damage on businesses such as oil and gas, FMCG, food production, automotive, logistics, warehouses, retail, IT/telecoms, etc., which use these services in Russia due to their economical suitability, especially in the present overall unstable

conditions. It will also impact on labor agencies, many of which will suffer greatly and will reduce their operations in the country.

The whole investment climate of the Russian Federation will become even less attractive, also because of the prohibition of using secondment agreements for highly qualified personnel of international companies. Moreover, such Russian governmental projects as Skolkovo and the Sochi Olympics will suffer as well.

Fortunately, the Russian government is listening to the needs of business nowadays. The ministries attract experts from different areas for evaluating and forming opinions on the draft laws, including the one on secondment.

We hope that the voice of various business associations present in the country (both international and local), which was raised immediately after the publication of the draft law against prohibition and in favor of regulation of the existing market, will be not only heard but also followed, and ultimately a compromise will be achieved. **BQ**

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LEGAL ASPECTS OF WTO ACCESSION – FOCUS ON THE AUTOMOTIVE INDUSTRY



Bilgeis Mamedova, PhD, LLM, Senior Associate, BEITEN BURKHARDT Moscow and **Alex Stoljarskij**, Senior Associate, BEITEN BURKHARDT, Moscow

On 11 July 2012 the Russian parliament ratified Russia's accession protocol to the World Trade Organization. On 23 July 2012, President Vladimir Putin signed it into law, bringing an end to a process which has taken eighteen years to complete.

Despite that, accession is still controversial. The most feelings are positive, arguing that Russia will be forced to develop a more competitive economy. The World Bank estimates that WTO membership will boost Russian economic growth by 3.3% in the medium term, and as much as 11% percent in the long run.

Nevertheless, there are still many who feel that domestic production will suffer from excessive international competition. Let's have a look at automotive industry, focussing on the legal changes which WTO accession will bring in its train. Many within the automotive industry feel that implementing the nearly 700-page accord detailed in the agreement between Russia and current WTO members will raise many practical difficulties.

In recent years the government has promoted the localization of automobile manufacturing in Russia. Since 2005, there has been a drive to attract foreign investors who would develop domestic production through the use of an "industrial assembly" regime for motor vehicles. Preferential customs duties (up to 5%) were stipulated for the import of spare parts for automotive concerns that create major indus-

trial centers in Russia (with an annual output of at least 350,000 units if existing production facilities are modernized, and at least 300,000 if new production facilities are built and production is localized). A condition of the implementation of these preferential rules was the conclusion by automobile manufacturers of agreements with the Ministry of Economic Development on the acceptance of corresponding localization obligations. Some automotive concerns signed these agreements either individually (e.g. Fiat) or after joining forces with another market player and accepting these obligations within the framework of a partnership (e.g. Volkswagen and GAZ; Sollers and Ford, Daimler, GM and Magna).

However, after the Russia's accession to the WTO the localization of the automotive industry might be at the risk. The Ministry of Economic Development has drawn attention to a number of factors which could have a negative effect on the development of automobile engineering. For example, after accession to the WTO the growth rate in the production of passenger cars could fall from 88% to 30%, and production of trucks from 109% to 11% (comparing 2010 with 2014). This would be due to the reduction of import duties mandated by the WTO. That related to new passenger cars will fall from 25% over the first three years after accession to 15% after a seven-year transition period. The duty on used cars (3-7 years old) will decrease from 35% to 25%. Then the rate will not change for five years, after which it will fall to 20% over the following two



years. Russia's forced abandonment of protective tariffs in accordance with WTO rules will lead to a growth in the supply of inexpensive foreign cars. It is feared that Russian consumers will choose cheaper foreign cars, to the detriment of domestic manufacturers, both locally- and foreign-owned.

At the same time Russia could not reject the agreements signed with the leading automobile manufacturers due to its accession to the WTO. As a result, the obligations on localization and provision of a preferential customs regime for the import of auto parts will be observed by all parties to the respective agreements. The transition period will expire on 1 July 2018. It is hoped that most manufacturers will succeed in building factories for the production of spare parts in accordance with the requirements of the investment agreements on industrial assembly of automobiles by then, and the need for imports will not be too great.

This set of concessions to Russia was opposed by the European Union, since they run counter to the rules of the WTO which stipulate the abolition of all concessions and preferential treatment. A deal was reached which resulted in the conclusion, on 16 December 2011 in Geneva, of an Agreement between Russia and the

EU on trade in automobile components and assemblies. This Agreement stipulates the use of a compensatory mechanism in the case of a reduction in the export of European spare parts to Russia as a result of the new investment regime in the automotive sector.

Nevertheless, according to the Russian Ministry of Finance, a set of measures aimed at maintaining support for automobile manufacturers, but which still meet WTO standards, has been developed. Also, the allocation of subsidies for automobile manufacturing investment in the modernization of property, plant and equipment will continue in 2013.

In addition, the government has introduced a compensatory solution in the form of an indirect "salvage duty" to help protect the Russian automotive industry from the influx of used foreign cars. On 28 July 2012, the President signed Federal Law No. 128 "On Amending the Federal Law 'On Production and Consumption Waste' and Article 51 of the Budget Code of the Russian Federation (in that part concerning the safe salvage of certain types of wheeled transport)", coming into force on 1 September 2012.

Furthermore, the government has developed Regulations on the Salvage Duty. Pursuant to the Regulations, the duty will be calculated in the same way

as the transportation tax, i.e. using a basic rate and various salvage labor coefficients. The basic rate will be the same throughout the country (at present RUB 20,000), and the coefficient will depend on the size of the engine and age of the automobile. The salvage labor coefficient for new passenger automobiles with an engine capacity of no more than 2,000 cm³ will be, for example, 1.34. For the same category of automobiles with an engine capacity of 2,000 cm³ to 3,000 cm³, it will be 2.56. The coefficient for used passenger automobiles with the same engine parameters will be: 8.26 (no more than 2,000 cm³) and 16.12 (from 2,000 cm³ to 3,000 cm³), respectively.

The introduction of the salvage duty is advantageous for global automotive concerns that have production facilities in Russia, since the proposed measures to limit the import of used cars will stimulate internal demand for their products.

Thus, the legal framework of the automotive industry is beginning to change. The need to increase competition is compelling the industry to abandon direct prohibitive measures and to rely on market mechanisms. It will probably be problematic to completely avoid incentive mechanisms. Only now it will be impossible to take the "easy way out." **BQ**



RUSSIA'S WTO ACCESSION: NEW POTENTIAL FOR THE FOOD PROCESSING INDUSTRY



Evgeny Makhortov, Unilever, Chairman of the AEB Food Processing Sub-Committee

92 1000 and used for food packaging production, has been increased from 5 to 15%, whilst in accordance with WTO Protocol, following Russia's accession, it must be kept at the level of 5%. This particular material is not produced in sufficient volumes and quality inside Russia, so the entire food industry (including local manufacturers) is affected by this decision.

This is not the only example. Our wider concern is the risk that the program for tariff alignment between Russia, the Customs Union and the WTO may be reviewed or frozen, while there

is a lack of clarity on the effect of the Customs Union (where Belarus is still a non-WTO member) on the Russia's WTO integration roadmap.

Customs Procedures

It is also well known that one of Russia's obligations to the WTO was to stop referring to so-called "indicative prices" in the process of adjusting the customs value of goods.

However, one month after WTO accession, we still see that the Federal Customs Service has not stopped this practice, and quite frequently refers to

Accession to the WTO gives Russia an opportunity to modernize its regulatory system covering the whole investment cycle. Gaining access to world best practice, as well as to mechanisms for overcoming the barriers to foreign trade, gives the business community a chance to solve problems that have existed in different areas of the economy for decades.

This is why foreign food processing companies are watching the implementation of WTO commitments in Russia very closely. It would seem that in certain areas this progress is already giving cause for concern.

Export Commitments

As we know, Russia has agreed to cut its export duties on more than 700 commodities, whilst reducing the average rate of its import duties from the current 10% down to 7.8% on all goods.

Despite clear terms and bound rates for all categories of goods, we see that today, a month after Russia became a fully-fledged WTO member, obligations to adjust the rates of the customs duties for a number of commodities have not been implemented.

The Customs Union's Unified Customs Tariff, effective as of July 16, 2012, envisages a number of import duties in conflict with the WTO commitments: e.g. the duty rate for cardboard imported under the code No. 4810

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either “relative” price adjustments with an option to confirm the price upon provision of documents, or “market price” adjustments (based on the prices of other market players).

Again, foreign investors are not clear about how to bring current practices into line with Russia’s WTO commitments.

Sanitary and Technical Barriers to Trade

Another consequence of Russia’s WTO accession that foreign investors have long been waiting for is harmonization of local technical standards with global ones. Russia is committed to implementing technical regulations, and standards and compliance assessment procedures, that meet the standards of the WTO Agreement on Technical Regulation.

For this purpose, the Russian Government has expressed its intention to re-visit lists of products subject to mandatory certification and declaration of compliance on a regular basis. Russia has also been revising all technical regulations applicable on its territory (including the Customs Union and the Eurasian Economic Community ones) to confirm their compliance with the WTO Agreement on Technical Regulation.

The ideas of deep harmonization were introduced to Russian legislation long ago. On September 29, 2009 the Government adopted regulation No. 761 “On Harmonization of The Russian Sanitary and Epidemiological Requirements, Veterinary and Phytosanitary Measures with International Standards”, which implies that legal acts establishing sanitary and epidemiological requirements, veterinary and phytosanitary measures, should be subject to examination for compliance with the standards, guidelines, and other documents of international organizations, including the World Health Organization, the Codex Alimentarius Commission, etc. If the results of the examinations prove that such acts are restrictive in comparison with international standards, and there is no scientific basis for a restriction or risk to life or health of humans, animals or plants, they should be adjusted in accordance with international standards.

At the same time, we are not aware of a single case where a newly introduced sanitary, veterinary or phytosanitary measure has passed this by-default examination, despite the fact that many of the requirements they are based on were specified in the USSR in the middle of the last century and never had an adequate scientific basis. Today more liberal requirements for the same or similar products exist and have such a scientific basis in other WTO member states (i.e. in the EU).

One of the examples here might be a microbiology safety indicator for raw black and green tea which is 1,000 (10^3) times stricter in Russia than in the EU. This particular indicator was set in the USSR in 1961, at a time when almost 99% of all raw tea consumed in the country came from Georgia, which is not the case today.

We see WTO accession as a fresh start that could bring a lot of value for both domestic and international businesses here. Rebalancing the export and import tariff systems should offer new opportunities for purchasing and help us as manufacturers to be more flexible in bringing in the best technologies, research-and-development facilities, and other capabilities that we need in order to meet our consumers’ demands.

Most of the tea producers import raw tea from places like Sri Lanka, Kenya and Indonesia, which are well-known for the highest quality tea. This same tea is produced and sold across the world and enjoyed by Russians when they travel abroad. With this indicator still in effect in the Customs Union Technical Regulation on Food Safety, we have to limit our tea range and cannot meet the full demand of our Russian consumers.

Another example is a single (not even a microbiology!) safety indicator for vegetable-oil-based products like spreads and mayonnaise. This indicator never applied to these traditional products in the USSR and it does not exist in the European Union but it was just “copy-pasted” as the safety indicator applicable for vegetable oils and applied evenly for all vegetable-

oil-based products as envisaged by the Customs Union’s Technical Regulation on Oil and Fat Products. It now has a huge impact on the entire make-and-deliver system of the entire oil and fat industry.

The problem is that there is no single, clear and legally approved mechanism to examine and, where necessary, eliminate these regulatory gaps that create huge competitive disadvantages for products made in Russia.

The fact that the Russian authorities do not necessarily follow the WTO requirements is reflected in the current public debate on the Draft Decree “On Approval of the State Sanitary and Epidemiological Regulations of the Russian Federation.” For example, part (a) of Article 11 of the draft decree specifies that “the state sanitary and epidemiological rules and hygienic standards must be developed based on comprehensive research to identify and assess the impact of environmental factors on human health.”

In our opinion, this unreasonably complicates the harmonization of Russian sanitary, veterinary and phytosanitary measures with international standards in cases where such international standards have been applied in the WTO member states for many years without evidence of risk to human life or health, or to animals and plants, and which have a serious scientific basis that ought be valid and adequate for Russia.

We see WTO accession as a fresh start that could bring a lot of value for both domestic and international businesses here. Rebalancing the export and import tariff systems should offer new opportunities for purchasing, and help us as manufacturers to be more flexible in bringing in the best technologies, research-and-development facilities, and other capabilities that we need in order to meet our consumers’ demands. At the end of the day, what is good for our consumers is good for us.

However, we should not forget that there is a long way to go. We are keen to work with the respective government agencies in order to help find solutions and share best practice, so that all the roadmaps and mechanisms we need to make sure the WTO commitments are clarified and duly implemented. **BQ**

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RUSSIA'S ACCESSION TO THE WTO IN RELATION TO THE CONSTRUCTION AND BUILDING MATERIALS INDUSTRIES



Antonio Linares, Managing Director, ROCA Russia and CIS, Chairman of the AEB Construction & Building Material Suppliers Industry and **Igor Levchenkov**, Procurement and Logistics Manager, ROCA Russia, PhD in economics

Russia's joining the World Trade Organization (WTO) has been on the agenda since the WTO was incorporated in 1995 as the successor of the international trade system governed by the General Agreement on Tariffs and Trade (GATT). During this time Russia signed bilateral agreements with almost all members of the WTO, until reaching the last steps towards integration at the end of 2011. Following Duma ratification and the approval of the Federal law № 126, Russia officially became the 156th member of WTO on August 22nd, 2012.

Business circles reacted with mixed feelings. Although many welcomed it as a step towards broader internationalization of the business environment, there were concerns about the roadmap and the kind of country that the Government envisages after the change. Domestic producers of goods and services seem to fear the negative consequences of accession, worrying that it could bring less investment, more unemployment, a decrease in local industrial production and substitution of domestic production by imports.

On the other hand, foreign businesses without a local presence, as well as importers and companies where foreign supplies represent a big share of their cost, are satisfied with the change. Some expect that closer

increase competition in the Russian market and result in further economic growth. Most likely, all these views are partially right. Here we will try to put the focus on the possible effects that WTO accession will have on Russia's growing construction and building materials industries.

Among the most immediate effects, we can expect a progressive reduction in customs duties for many building materials. This reduction has started already for some products, preparing the ground for the new rules. By signing the WTO treaty, Russia accepted an obligation to reduce customs duties for most types of goods and materials within a reasonable period of time.

Based on official statistics from the Federal Customs Service (FCS), the total import in the first half of 2012 reached the value of US\$ 145bn compared to US\$ 140bn in the same period in 2011, which represents a 3.6% increase. If we take a look at the most relevant categories for the construction industry we will note that for approximately a quarter of them there will be no changes in customs duties, while for the rest, duties will decrease by 50-55% on average during the next seven years. This means a drop from an average of 13-15% to 5-7%. The same trend could be expected in other important sectors of the construction industry, like chemicals, metals and minerals. These

integration of the Russian economy into the system of world trade will

three categories are of special relevance for companies with a big share of imports in their raw materials supply chain. Approximately half of imported materials will see their duties reduced significantly.

These changes should bring improvements in cost structure of companies whose the supply chain is highly dependent on imports. Against that, unless significant changes are introduced, local businesses competing with importers will see that the labour market continues to be saturated, energy costs increase and the protection that they had until now slowly starts to disappear. And here lie the two matters that will define the success or failure of this transition:

- Changes need to be introduced to improve productivity of local businesses. Some of these changes might be painful and require some time.
- The speed at which protectionism will disappear needs to be monitored so as not to destroy the still incipient local construction industry.

Building materials have in common sales networks that are often structured as B2B, with low brand awareness and with medium to low unitary prices. There are exceptions, but for those that fall into this general description, competition might be even harder since there is no strong brand. Unless there are improvements in the labour and energy markets, the only competitive advantage that will remain to local producers will be transportation costs. And that means that only those catego-

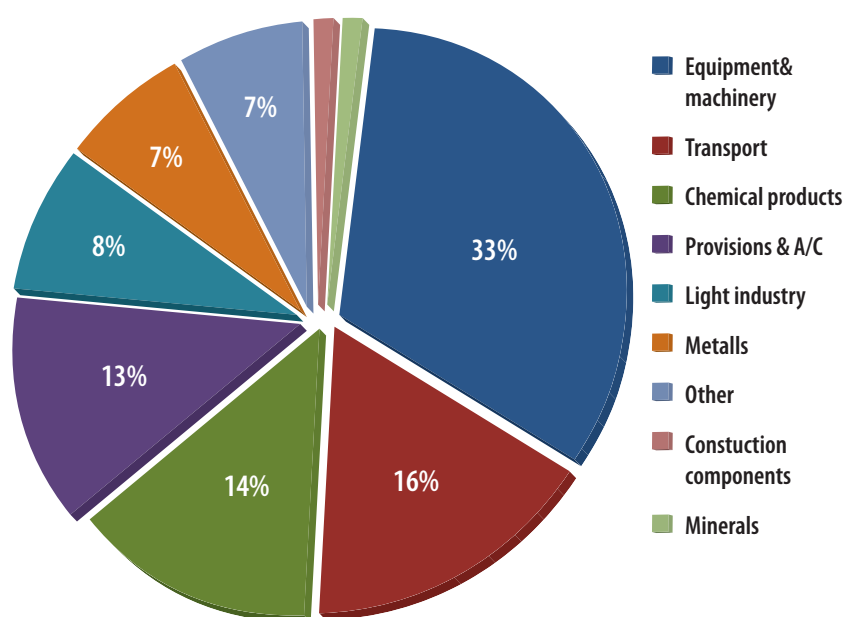
ries of goods sensitive to transportation (or where transportation represents a significant share of cost) will still keep some degree of protection in front of imports.

There are also some questions that remain open: how will the Government cope with the big decrease in income that will follow the drop in customs duties? That has been and still is the main source that feeds the Government's budget. The only way to avoid losing that income seems to be by tightening controls in order to stop the practice of declaring goods below their value. But that will require a big effort, and many changes in the current working practice of customs officials. The WTO accession agreement foresees that the basis for the customs assessment of declared values shall be contracted prices instead of current internal statistics based on average indicative prices.

In any case, many companies whose main business has been the import of goods will see one of their main competitive advantages disappear, and they will need to adapt. This will also result in a restructuring of the Russian distribution map, where some of the main players might change – it has actually started already. And construction materials have been prominent in the portfolios of these import companies. We will see an increase in multinational firms opening trading subsidiaries in Russia, while until now they were selling through third parties.

The agreement that rules the accession of Russia to the WTO gives Russia

Import Structure for the first 6 Months of 2012

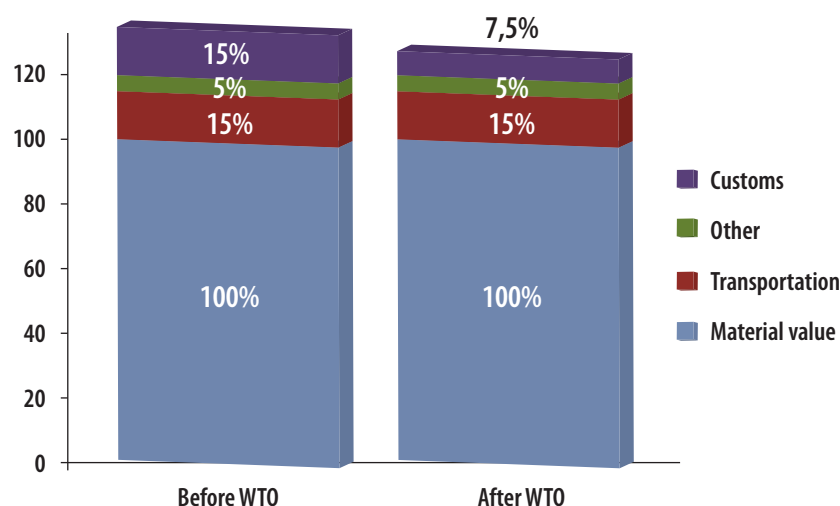


time to adjust to the new environment. But it will require the effort of all of us to make sure that no-one is left behind. There are market sectors that are understood to be strategic by the Government, and these will receive a lot of attention. The construction and building materials industry is fragmented and heterogeneous, and there is a risk that problems will be noticed too late if we do not stay alert. The Government has promised support for those businesses that can show in their new business plans that they will suffer under the impact of the new rules. Included in this support will be preferential conditions in State purchases for certain industries. For example, producers of construc-

tion machinery have been given protection from competition with importers (TNVED code 2924820, based on Order of Ministry of Economic Development № 120 March 12th 2012). This Order states that an importer must make a commercial offer 15% more attractive than the one of an equivalent local supplier in order to win a State tender. How this Order will be put into practice, and to what extent it will bring practical benefits, remains unclear.

And if all the above is not well monitored and managed by the Government, it might result in a decrease in Foreign Direct Investment, since multinational firms will understand that having a warehouse for rent involves less risks and fewer headaches. If Russia is to take the path of modernization and industrial diversification, accession to the WTO will further open up export markets to local producers. For that to happen, there need to be local producers able to enter international, highly competitive markets. This is where bodies such as our Association of European Businesses can play a key role, since we have our feet on both sides, with interests in promoting free, trans-national and healthy competition and at the same time in contributing to the development of Russian industry, of which many of the Members of the AEB are already an integral part. **BQ**

Example of Cost Structure Before and After Russia's Accession to WTO



RUSSIAN TAX POLICY OVER A THREE-YEAR HORIZON: QUO VADIS?



Alina Lavrentieva, Partner, PricewaterhouseCoopers Russia B.V.

In May 2012 the Russian Government approved a document entitled “Key Directions in Russian Tax Policy for 2013 and the 2014-2015 Planning Period”, describing planned tax reforms. The key issues the Ministry of Finance intends to address are aimed at countering tax avoidance. But the Ministry hopes to reduce burdens too, for example by allowing cost sharing within a corporate group, and by exempting movable property from corporate property tax. Additionally, the Ministry proposes keeping the rates of employer-paid social contributions unchanged.

In this article, we look more closely at these changes.

Key changes for the business community

Perhaps most importantly, the Ministry proposes introducing Controlled Foreign Corporation (CFC) rules, under which a CFC’s undistributed income will be treated as the income of a holding company for tax purposes. This will mean the allocation of profits to offshore entities no longer makes sense for such a holding company because the aggregate profit will still be taxed in the holding company’s home country. There will be exceptions allowed, for example if a company regularly pays dividends, or if it actively conducts business with third-party entities and not just within its own corporate group. The document describes only the need for introducing CFC rules.

It gives no details about how a CFC regime might work.

Along with CFC rules, the Ministry recommends introducing the concept of tax residency for legal entities into tax law. The Ministry points out that current legislation does not use the term “legal entity - Russian tax resident”, but instead only refers to a “Russian organisation”. The Ministry believes that the latter term is too narrow, and does not take into account the economic ties between a company and its shareholders and/or subsidiaries. Accordingly, the Ministry proposes introducing the concept of tax residency based on specific eligibility criteria. We should note here that, in international practice, the “place of effective management” criteria are used to determine residency status. It seems likely that the Ministry will use similar criteria, which would allow the levying of corporation tax on companies which are managed from Russia.

The Ministry also proposes introducing the concept of the beneficial ownership of income, which it believes will be a useful tool for countering tax avoidance in an international context, especially when applying tax benefits under double

tax treaties. According to international practice, when deciding who is the beneficial owner of income, the tax authorities usually take account of the ability to determine the future use of the relevant funds. It is likely that this approach will underpin the new concept. Generally, however, lawmakers face a difficult task, as too general a definition would allow contentious interpretations, and increase the likelihood of disputes with the tax authorities, while rules too tightly drawn might limit the Ministry’s ability to investigate complex international tax relationships. Accordingly, it will make sense for lawmakers to follow international practice. The relevant OECD document, for example, gives guidance for drafting workable definitions.

The Ministry proposals discussed above indicate that the fiscal authorities are seriously committed to countering tax avoidance, including through the use of offshore companies. At the same time, the Ministry is prepared to assist Russian taxpayers by suggesting that expenses incurred by one company within a group, but which benefit all companies in the same group, might be deductible. For example, a holding





company might incur substantial R&D costs to the benefit of its subsidiaries. The Ministry proposes allowing taxpayers to conclude cost-sharing agreements, which would establish a basic allocation framework.

The Ministry also proposes to exempt movable property from corporate property tax. Another important topic is social contributions, the rates of which are proposed to remain at the 2013 level throughout 2014 with respect to majority of taxpayers: 30% on the base sum and 10% on any amount above for Pension Fund contributions.

Key changes affecting individual taxpayers

Recently, there has also been active discussion of the "luxury tax" concept. But which goods are to be considered a "luxury", and at what rate should they be taxed? In its Key Directions document, the Ministry has provided some guidance. A tax rate of between 0.05% and 0.3% is suggested for expensive real estate. Properties valued at over RUB 300 million would be subject to the top rate, which would apply to companies and individuals alike.

Expensive vehicles would be treated as follows: from 2013 the minimum transportation tax rate would be RUB 300 per horsepower for motor cars with over 410 hp while the tax on powerful motorcycles, jet skis, powerboats and yachts would increase five times.

There are international precedents for this. A luxury tax has been in effect in a number of European countries since the 1980s. In others, while there is no general luxury tax, certain types of luxury goods, such as cars, yachts, private jets and jewelry, are subject to specific excise or sales taxes.

Overall, the Ministry's Key Directions has provided general guidance for Russia's tax reform efforts. Now comes the time to implement these proposals. By looking to international practice, Russian lawmakers can avoid unnecessary pitfalls and maintain Russia's competitive edge on the global stage. The attractiveness and predictability of tax rules are key components of any country's investment climate. Russia still has a long way to go. BQ

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STRATEGIES AND PROSPECTS OF AEB MEMBER COMPANIES IN RUSSIA



Prof. Alexander Demidov, Managing Director, GfK Rus

The results of the Association of European Businesses and GfK Rus joint survey

European businessmen see the prospects of their companies more positively than they did a year ago, even though the problems with corruption and bureaucracy are more acute than in 2011.

In April and May 2012 the Association of European Businesses in Russia, in cooperation with International Institute of Market and Social Research GfK Rus, conducted its annual survey of AEB

member companies in Russia. The main goal was to define their level of comfort in business activities and to evaluate their view of the investment climate.

The survey was conducted by online and paper interviews with the top managers of 86 companies which were felt to be representative of the AEB membership in terms of countries of origin and industries.

The first part of the questionnaire focused on the estimation of the current economic state of Russia, and prospects for their company and industry, as well as for the Russian economy as a whole. The second part concerned investments and entry into Russian market. Interviewees were also asked about some of the financial aspects of their activities in Russia, the business culture and environment here, and about obstacles for development.

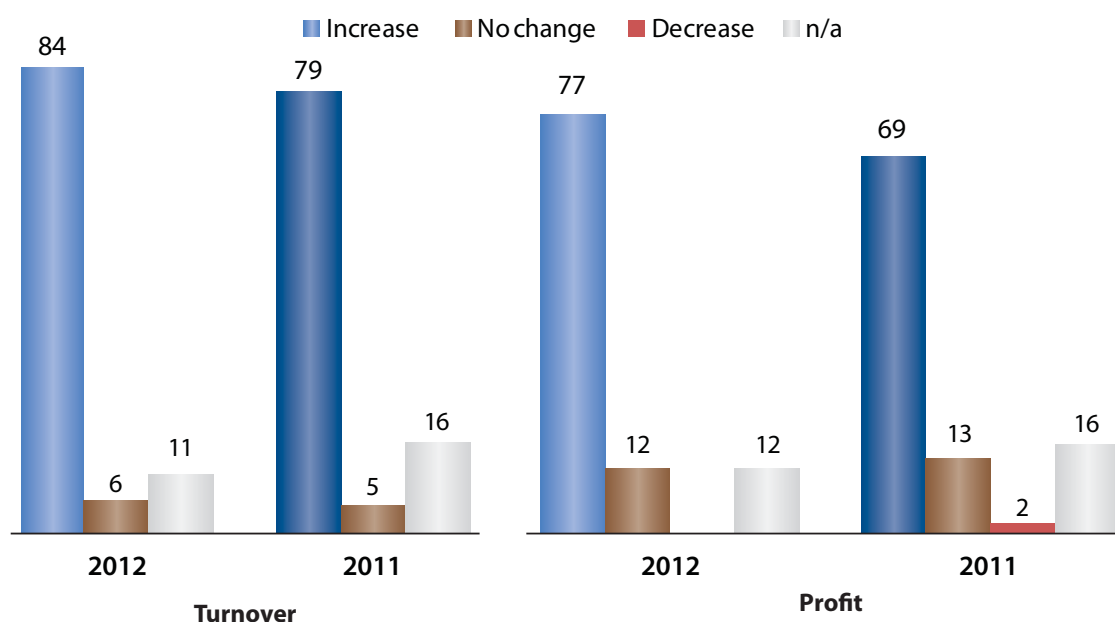
The results of the survey show that top managers of European companies in Russia consider the current state of business, industry and general

economic prospects for the Russian economy even more positive than they did a year ago. 87% of them reported turnover increases in 2012 (up from 69% in 2011). 58% of the interviewees felt that the overall business environment in Russia and the activities of their companies have been developing as they had expected during the first 3 months of 2012; a third of them saying that developments exceed their expectations. 74% intend to increase their investment this year (compared with 72% in 2011). According to their own forecasts, the turnover and profit of their companies should increase over the next 3 years respectively by 84% and 77% respectively (compared with 79% and 69% in 2011).

As last year, top managers also mostly predict improvement in the Russian economic outlook in the short, medium and long term.

Based on this survey the AEB and GfK Rus derive an index of the current state of business, an index of expecta-

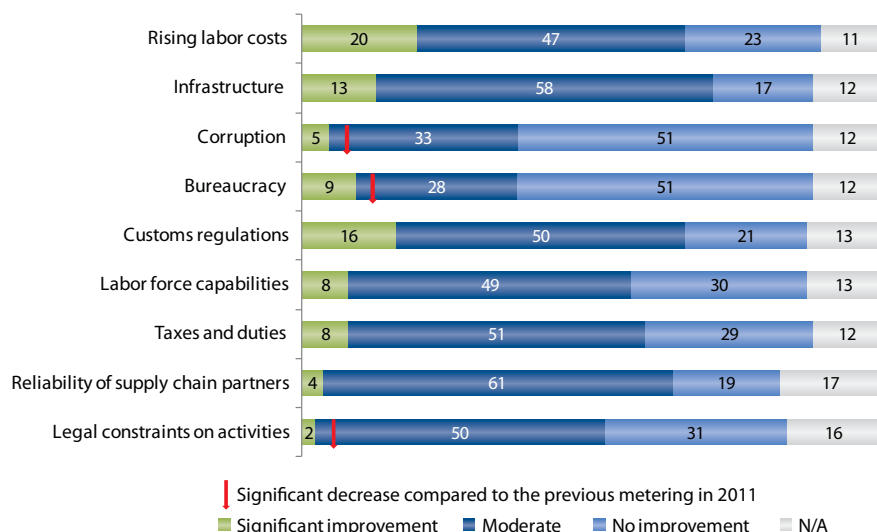
How will the following indicators of your subsidiary in Russia develop over the next 3 years?



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Base=86 AEB members (2012),
105 AEB members (2011)

What degree of improvement do you expect for each of the following operational challenges over the next two years?



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Base=86 AEB members (2012),
105 AEB members (2011)

tions, and an integrated private AEB-GfK "Barometer".

The index is the difference between positive and negative answers on a scale of 200 points. If all responses were negative, the index would be 0; if all responses were positive, the index would be 200. If positive and negative answers are balanced equally, the index would stand at 100.

The results of the survey show that top managers of European companies in Russia consider the current state of business, industry and general economic prospects for the Russian economy even more positive than they did a year ago.

In 2012 the integrated AEB-GfK Barometer stands at 159 points, which is 4 points higher than last year. Optimism is increasing.

Nevertheless, opinion about the business climate and culture in Russia remain less favourable. Our respondents were quite positive about consumers, partners in the supply chain and subcontractors, but negative about the interaction with state institutions – customs, taxation, legislation etc. In this area, the figures are worse than in 2011.

Regulatory restrictions remain the principle obstacle for business development. Respondents don't expect a decline in corruption, bureaucracy, taxation or customs tariffs in the next two years.

The survey respondents still consider the financial conditions for their activities in Russia acceptable. The weak points are high interest rates, restricted provision of credit and the limited number of financial instruments available from Russian banks.

The situation revealed in the AEB-GfK survey this year is more varied. Business confidence is higher at a purely commercial level than last time, but feelings about the operating environment, especially as regards bureaucracy and corruption, are more negative. **BQ**

AEB-GfK Barometer: Positive Expectation for Business in Russia

Integrated index



Single Index

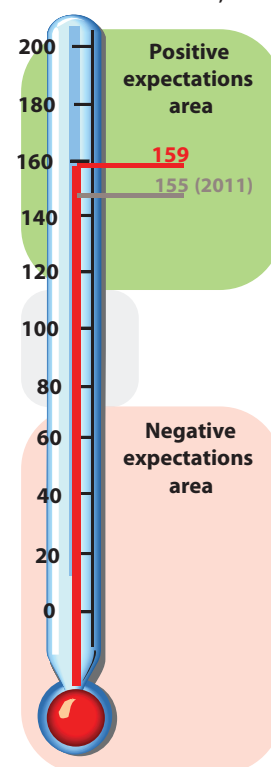
- Current business situation (I=183)
- Current macroeconomic situation (I=117)
- Business development index (I=123)



Single Index

- Business expectations (I=174)
- Short term expectation index (I=159)
- Mid term expectation index (I=162)
- Long term expectation index (I=152)
- Turnover expectation index (I=184)
- Profit expectation index (I=177)

AEB-GfK Index, 2012



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NETWORKING

AEB Cocktail: Launch of the Business Season

On September 3rd, 2012 the breathtaking Column Hall of the Radisson Royal Hotel Moscow opened its doors to businessmen, top management of the leading foreign and Russian companies, the RF authorities and European Union representatives. The reason: to welcome the new business season the traditional AEB way, in the form of an annual cocktail with a touch of Switzerland and "red & white" theme.



L-R: Frank Schauf, AEB, Antonio Linares, ROCA Russia and CIS, Jesper Henriksen, Radisson Royal Hotel Moscow



L-R: Judith Mesa, Anna Smirnova, Mikhail Novoselov, Roca



Dancers at the Cocktail



L-R: Olga Gosteeva, Elena Ivanova, VSK and Maria Bezhanova, Metro Group

The cocktail reception was supported by the premium brand LAUFEN as platinum sponsor as well as the brand ROCA as a gold sponsor. Both brands are part of the ROCA group and offer the full range of bathroom equipment.

More than 200 people attended this marvelous event that gave everyone the opportunity to interact, while listening to beautiful music and enjoying the famous Radisson Royal Hotel chic and hospitality. One of the highlights of the evening was the lottery, where several of those in attendance won prizes, which included Radisson Royal Hotel vouchers, designer

bathroom sets by ROCA, VEFALIA cosmetics kits, certificates from Dance Olymp Studio.

The theme of touch of "red & white" was also expressed by dancing. The guests enjoyed the professional dance performance by Dance Olymp Studio.

The AEB would like to express its most sincere gratitude to its partner at this event, the Radisson Royal Hotel Moscow, the sponsor companies and sponsors of the lottery, without whom this event would never have been as wonderful and successful as it was.



L-R: Philippe Pegorier, Alstom, Jon and Helenika Hellevig, Awara Group



Event's participants



L-R: Yury Dombrovsky, Association of Regional Telecom Operators, Grigory Murashov, Air Charter Service

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L-R: Elena Simonova, Swagelok Danmark, Andreas Knaut, Roedl & Partner

Briefing with Boris Titov, President's Commissioner for Entrepreneurs' Rights

On September 12, 2012, the AEB Finance & Investments Committee organised a briefing with the recently appointed President's Commissioner for Entrepreneurs' Rights Boris Titov. Mr. Titov was assigned to this position, a type of ombudsman, by President Vladimir Putin in June 2012 at the St. Petersburg Economic Forum.

The ombudsman's office is supposed to be set up by December 1, 2012, supported by the adoption of a special



L-R: Stuart Lawson, AEB FIC Chairman, Roger Munnings, AEB Board Member, Boris Titov, President's Commissioner for Entrepreneurs' Rights, Alina Lavrentieva, AEB Taxation Committee Chairwoman, Frank Schauf, AEB CEO, Jon Hellevig, AEB Board Member.

Federal law defining duties and competencies of the ombudsman and establishing a framework for the activities the ombudsman's aides in the regions.

Key missions of the ombudsman are to represent foreign and Russian business owners in courts, file claims on their behalf and suspend rulings of public bodies pending a court decision and improve legislation regulating entrepreneurial activity.

The briefing was attended by more than one hundred AEB members and media representatives. Mr. Titov provided the audience with a detailed explanation of how the work of the Commissioner's office will be organised and what is the procedure and time-frames for submission of claims to the ombudsman. Special attention was given to priority issues which require his immediate attention.



Event participants



L-R: Stuart Lawson, AEB FIC Chairman, Boris Titov, President's Commissioner for Entrepreneurs' Rights, Frank Schauf, AEB CEO

Launching a Green Corridor for transporters on Kunichina Gora

On 25 September, 2012, CEO of the Association of European Businesses, Dr. Frank Schauf, participated in the opening of a Green Corridor for transporters on the Russian-Estonian border in the Pskov Region. New infrastructure facilities will help to increase trade turnover between the EU and Russia.

The ceremony was led by the Head of the Federal Customs Service of Russia Andrei Belyaninov, the Head of Rosgranitsa, Dmitry Bezdelov, Deputy Governor



Inspection of the customs terminal Kunichina Gora



L-R: Frank Schauf, AEB CEO, Andrei Belyaninov, Head of the Federal Customs Service of Russia and Marek Helm, Director General of the Tax and Customs Board of Estonia



Inspection of the customs terminal



Customs terminal "Kunichina Gora"

of the Pskov Region, Gennady Bezlobenko, Director General of the Tax and Customs Board of Estonia, Marek Helm, and other officials. This pilot project should substantially reduce the queues of trucks waiting to cross the border.

The aim is to reduce the time of customs clearance of commercial vehicles by up to 40 minutes (until recently, it took of 2-3 hours in average), and to optimize traffic flow through the border of the Customs Union.

RF Minister of Foreign Affairs Sergey Lavrov briefed AEB Members

On 8 October, 2012, at the Hotel Ararat Park Hyatt Moscow, a briefing with Sergey Lavrov was organized by the AEB. In line with long-standing tradition, every two years, AEB members are briefed by Mr Lavrov on the current international situation, Russian foreign policy, the future of EU-Russian cooperation, both on the economic and political levels. This time, Minister Lavrov addressed the AEB members on the EU-Russia relations in the context of Russian WTO membership and the Eurasian integration processes.

The briefing was chaired by Reiner Hartmann, Chairman of the AEB Board. More than 200 guests and 30 representatives of major newspapers and broadcasters attended the briefing.

The AEB would like to take this opportunity to once again express its most sincere gratitude to Minister Lavrov for maintaining this highly valued and fruitful cooperation.



Foreign Minister of the RF Sergey Lavrov

The full text of Minister Lavrov's speech at the AEB briefing as well as video footage can be found on the website of the Russian Foreign Ministry at www.mid.ru.



Briefing's participants



Briefing's participants

AEB COMMITTEE UPDATES

AUTOMOBILE MANUFACTURERS COMMITTEE

The Moscow International Automobile Salon 2012

The Moscow International Automobile Salon 2012 took place at Crocus Expo Exhibition Center from August 29th to September 9th, 2012. As before, it was a biannual event on a national level, included in the calendar of international motor shows, at which all members of the AEB Automobile Manufacturers Committee took part. In addition to showing car models that are currently present on the Russian market, MIAS 2012 brought, just from the AEB AMC members alone, 17 world, 16 European and 73 Russian premieres as well as 33 concept cars to the attention of the public and media.

The motor show was a big success with huge attendance: more than 1,000,000 visitors had a chance to get detailed information on the models they liked, sit in the displayed cars, ask their questions, participate in test drives, compare different models from various manufacturers, sign up for test drives at the dealerships and in many cases, make up their minds on their next purchase. MIAS 2012 was well covered by the media and was attended by many international visitors from the companies' headquarters, on the press and business days. The next MIAS will take place in Moscow in 2014 and AMC members will be getting ready to impress



L-R: Frank Schauf, AEB CEO, Joerg Schreiber, Chairman of the AEB AMC, General Director and President, Mazda Motor Rus



Opening ceremony of the Moscow International Automobile Salon 2012

the public with even more premieres, models designed especially for the Russian market and more. The interest of the visitors is very high and is growing – Russian people like cars and know a lot about them. So the Russian market has a lot of potential. It keeps growing and remains the biggest and most important national level automotive event for car makers selling into Russia. There is always room for improvement, so the AEB, like other players in the MIAS, will strive to ensure that each new motor show in Russia is better than the previous one.

CONSTRUCTION INDUSTRY AND BUILDING MATERIAL SUPPLIERS COMMITTEE

First open event "Latest trends in interior design, public and private spaces"

On October 10th, 2012 the AEB Construction Industry and Building Material Suppliers Committee held its first open event, entitled "Latest trends in interior design, public and private spaces." The event was sponsored by Roca and Legrand. The event gave the audience a practical overview of products offered by global market leaders and provided a platform for sharing best practice in design technologies with participation of well-known Moscow architects and designers.



L-R: Alexey Archakov, Saint-Gobain, Vladimir Kuzmin, Pole design, Alexey Konyshov, Lindner



Evgeny Polyantsev, MERALstudio



Vladimir Kuzmin, Pole design



L-R: Evgeny Polyantsev, MERALstudio, Elena Mironova, Legrand and Antonio Linares, Roca

CROP PROTECTION COMMITTEE (CPC)

The AEB CPC continues to develop two priority orientations: establishing Container Management Scheme (CMS) in Russia and the Anti-Counterfeiting Communications Campaign

CPC works on implementation of a pilot project to set up CMS in Russia, supported by the European Crop Protection Association (ECPA) and the Government of the Voronezh Region. A joint business trip to Germany was organized in September 2012 with participation of the AEB Crop Protection Committee and the Russian Union of Crop Protection Products (CPP) manufacturers. The approach of the pilot project implementation were fully agreed by all the parties.

In the framework of the ECPA-AEB Anti-Counterfeiting Communications Campaign two main open events took place:

- Round table discussion "Combating Counterfeit Products on the Russian CPP Market" within XIX International exhibition "FLOWERS-2012" on August 29th, officially supported by the Committee for Public Associations and Religious Organizations of the State Duma of the Federal Assembly of the RF and with the AEB information support.



Joint delegation of the AEB, the European Crop Protection Association, Russian Union of Crop Protection Products Manufacturers and representatives of RIGK Company and BASF in the BASF head office in Limburgerhof

- Press Conference "Counterfeit Pesticides - Danger to Everyone" organized by the Ministry of Agriculture of the RF, the AEB, the Russian Union of CPP manufacturers on October 11th, during the 14th Russian Agricultural Exhibition.

HOTELS WORKING GROUP

On September 26, 2012 AEB Hotels Working Group organized an Open Event - Hotels WG Road Show

Within an innovative "straight to the point" 10-minute format, our member companies had a unique opportunity to introduce their hotels.

The companies participating in the Road Show were: Baltschug Kempinski Moscow, Holidays Inn (Lesnaya and Syshevsky), Ibis, LikeHome, Novotel Moscow Center, Marriotts Grand, Royal, Aurora and Tverskaya, Mercure Arbat Moscow Hotel, The Radisson Royal Hotel, and Swissotel Krasnye Holmi.

Gerhard Mitrovits, the Chairman of the AEB Hotels Working Group, moderated the Hotel Road Show. 21 companies visited the event.

Silver Sponsor of the event - LikeHome.

Product Sponsor of the event - Baltschug Kempinski Moscow Hotel.



L-R: Gerhard E. Mitrovits, General Manager of Hotel Baltschug Kempinski Moscow and Natalia Trembovetskaya, AEB



Event's participants

LEGAL COMMITTEE

The Legal Committee held a discussion on the draft law on Public Private Partnership (PPP) with participation of Mr. Kardashev, Deputy Chairman of investment policy and public private partnership, RF Ministry of Economic Development

Mr. Kardashev briefed about the main provisions of the draft law and noted that it had been changed since the previous version was presented on the Ministry's web-site. Now it is under discussion between the relevant RF Ministries.

The participants shared their opinions in a lively discussion with Mr. Kardashev and pointed out some of the prob-

lems in the in the draft law as it stands.

The Legal Committee has set up a working group (WG) which is preparing recommendations and a set of amendments to the draft law and at the request of the Ministry of Economic Development onr early submission. The first meeting of the WG on PPP took place in September 19, 2012.

MEMBER NEWS

AdStars

AdStars gathers automobile business on a football field

October, 6th, 2012 was a day of auto brands competitions. AdStars gathered world-leading automobile brands on a football field in Moscow for the first Corporate Football Cup, called AutoCup 2012.

It hosted 16 teams from Russian branches of automobile brands that compete for the trophy and various other prizes. Automobile web & print media covered the event along with the main Information partner – TV Channel “Auto-Plus”. A Victory Ceremony was held during the after-party in Zagato-Bar which kindly welcomed all competitors and representatives of automobile business.

Alinga

Alinga's Accounting Association Re-branded to PrimeGlobal

Alinga Consulting Group is pleased to announce that its accounting association of choice, formerly known as IGAF Polaris, has launched a new name and image. PrimeGlobal is the third largest association of independent accounting firms in the world, comprised of over 350 highly successful independent public accounting firms with a combined annual revenue of more than US\$ 2 billion.

“The new PrimeGlobal name, logo and website set us apart in the same way that the expertise, relationships, and global connectivity of firms like Alinga set us apart from many other associations in our market space,” says Kevin Mead, CEO of PrimeGlobal. “Underlying the new look and feel are all the core values our association stands for: international reach, strong personal connections, technical depth and experience, and elite quality and service.”

Antal Russia

Antal Russia has published its annual “Job market overview and salary survey 2012-2013”

The survey was presented in June 2012 simultaneously in Moscow and Almaty to Antal Russia and Antal Kazakhstan key customers. In Moscow it was presented in the format of a talk show hosted by Michael Germershausen, the Managing Director of Antal Russia. Experts from companies such as Schneider Electric, Amway and Enter were invited to discuss the latest labour market trends.

The study presents the main trends in the labor market (highlighting job search, career motivation, head-count changes, benefits and bonuses), as well as a comprehensive salary survey of key professional disciplines and industry sectors in both Russia and Kazakhstan.

Most employers in Russia do not expect rapid growth in the market over the coming year. Some are counting on a slow but steady growth, some are playing the waiting game and others are aiming to reduce costs. However, almost all refer to a lack of high profile professionals, a candidate's market and rising salary expectations.

For each completed questionnaire, Antal transferred 10 rubles to support a programme from the Regional Public

Organisation of Disabled People, Perspektiva that is targeted at helping with the employment of people with disabilities, with whom we cooperate.

To receive a free copy of the “Job market overview and salary survey 2012-2013” please visit Antal Russia web site and fill in the request form online.

BDO Russia

BDO Russia published a survey, dedicated to transparency within business

BDO Russia and the Association of Russian Managers released a survey of more than 30 large and medium-sized Russian companies, whose executives explained what inspires them to conduct business in a less-than-transparent way (sometimes called “shadow business”), as opposed to the “white” way (ensuring transparency within business).

According the survey, the main reason for conducting business in a transparent manner is to attract skilled employees. This was considered Important, Very Important, and Most Important reason by 91.3% of respondents. Second came plans to make their company public (88.5% of respondents), and third (73.1%) the need to raise loans abroad. 4th and 5th places respectively were plans to cooperate with foreigners and to obtain loans in Russia.

The “shadow business” model is used to avoid unwanted attention from officials (42.3% of respondents). The following reasons were also identified: a desire to avoid full taxation payments (under-declaring income is Very Important for 23.08% of respondents), protection from hostile takeovers, avoiding undesirable attention from officials who may seek unofficial payments and to avoid disclosing payments to freelance employees (19.23%).

Crediting settled well: BDO's research of banking sector

BDO Russia published the results of its annual banking sector survey. This year's study involved 39 commercial banks and investment firms.

The banks from the Top 30 changed their preferences in lending to corporate borrowers: #1 rank this year went to construction companies, ahead of power engineering, oil and gas industry. The most attractive in terms of lending for the Top 30 banks were construction and development companies. #2 place went to the energy sector, #3 to telecommunications. These segments have surpassed the production of consumer goods, oil and gas, manufacturing and trade, which occupied the fourth to seventh places respectively.

BDO Russia representatives took part in the sixth birthday celebration of the “Skolkovo” Moscow School of Management

BDO Russia took part in the sixth birthday celebration of “Skolkovo” Moscow School of Management, which was held on September 15 in the school campus.

During the event, BDO's experts, the official auditor of the school, presented their analytical surveys and materials that aroused great interest among the participants. During the celebration there was a number of public lectures, panel discussions, workshops and presentations as well as a student projects fair. The event was attended by partner

schools, students, alumni and school guests, as well as business representatives.

CBRE

CBRE, Russian Council of Shopping Centers and Magazin Magazinov organized a road-show for the representatives of Italian National Council of Shopping Centers

Russian Council of Shopping Centers in collaboration with CBRE and Magazin Magazinov organized a two-day road-show for representatives of Italian National Council of Shopping Centers.

The group consisted of landlords of shopping centers, retailers and property managers.

During the road-show the group visited the most renowned Moscow shopping centers, such as Atrium, AFI-MALL City, Okhotniy Ryad, Vremena Goda and historical GUM. The participants of the property tour had a chance to get acquainted with the specifics of property management in Russia, to find out about unusual shopping format of GUM and get the answers to the questions directly from the owners of these shopping centers.

CBRE GROUP, INC. TO PROVIDE PROPERTY MANAGEMENT CONSULTANCY SERVICES FOR SHANGHAI TOWER

CBRE Group, Inc. was selected by Shanghai Tower Construction & Development Co., Ltd. to provide property management consultancy services for the iconic Shanghai Tower, a 2,073ft. (632m.) super-tall skyscraper currently under construction in the Lujiazui district of Shanghai, China. When completed in 2015, the 6.18 million-sq.-ft. (574,000-sq.-m.) mixed-use tower will be one of the most renowned commercial properties in China and around the world.

"Shanghai Tower will be one of the most prestigious properties we have ever managed, and a symbol of China's distinguished position in the global economy," said Brett White, Chief Executive Officer of CBRE. "We look forward to working with Chairman Kong Qing Wei and his team to establish the highest-caliber services for this world-class asset. Together, we will make Shanghai Tower one of the most desirable corporate and retail destinations in the world."



CBRE will provide project management services for the construction of Izmaylovskiy shopping-center in Moscow

CBRE's project management team will oversee construction works of Izmaylovskiy shopping centre in Moscow.

The total area of the shopping center is 16,899 sq m, including a parking area of 4,675 sq m with capacity for 136 cars. The shopping centre is located in the largest district of Moscow, to the east of the city centre, at Pervomayiskaya St., 42. "Izmaylovskiy" is the first modern shopping centre in the Izmaylovo district, which has a population of approximately 1.4 million. The demand for quality retail real estate is very high in this location.

CBRE represents the owner ZAO "Don-Stroy Invest."

CBRE is fully licensed to provide construction control under Russian legislation and is also ISO 9001:2008 certified.

DLA Piper

SCOTT ANTEL CHOSEN 2012 LEADERSHIP AWARD RECIPIENT BY ADVISORY BOARD OF RUSSIA & CIS HOTEL INVESTMENT CONFERENCE

Scott Antel, a Partner in DLA Piper's Moscow office, has been selected as the 2012 Leadership Award recipient by the Advisory Board of the Russia & CIS Hotel Investment Conference in recognition of his substantial contribution to the hotel industry in the region. The Award was given to Mr. Antel during a special presentation and interview at the conference on Wednesday 17 October. Scott is the first lawyer/consultant to receive the award, which usually goes to key hotel industry executives or developers.

"The Leadership Award was designed to celebrate an individual who has made a significant contribution to the development of the hospitality industry, leisure and tourism sectors within Russia and the CIS," said Jonathan Worsley, Bench Events Chairman, and Co-organiser of the Russia & CIS Hotel Investment Conference.

EGO Translating

Russian business Intelligence from EGO Translating Company

The translation company, EGO Translating, has launched a unique service on the Russian market: searching for information in foreign sources. International practice shows that there is demand for this type of service. Most Fortune 500 companies currently use so-called "Market Intelligence" services, to have access to the latest and most relevant information, and to be better informed than their competitors. In its 22 years of work, EGO Translating has put together an impressive team of highly-professional specialists, and has developed technological processes and accumulated the necessary knowledge base. The company currently provides linguistic support for over 50 sectors in 88 languages. So, this new product is part of the natural development of the company's technological solutions, adaptively introduced into the clients' business process as part of the globalization of innovative processes.

EGO Translating's resources, technology and experience mean that the company is equipped to successfully offer data search services. The company is currently involved in several concurrent long-term projects. Over an extended period, clients regularly receive up-to-date detailed informa-

tion on foreign markets and scientific developments in several industries. The timely receipt of information helps our clients introduce new technology in a rapid and appropriate manner. Companies measure their success of innovative developments with increased sales and differentiation, specifically: upgrading, expanded services and growth in profits.

Esmerk

Esmerk becomes part of M-Brain Group

In June 2012 the leading Finnish provider of business information services, M-Brain, has acquired full ownership of Esmerk, which has become part of the M-Brain Group.

The bringing together of Esmerk and M-Brain creates a stronger player in the information market, the leading provider in the Nordic region and one with an established but growing global footprint.

As well as being a provider of market and competitor information services, M-Brain has considerable experience and expertise in the area of media monitoring, particularly in the increasingly important area of social media. M-Brain has also developed its own cutting-edge technology to support these areas. Esmerk looks forward to being able to tap into this expertise to offer clients a wider portfolio of services in the near future.

These changes will not in any way impact on Esmerk services, which will continue to operate as an independent unit within the M-Brain Group.

Esmerk is a provider of information and media monitoring services and it has operations in Finland, France, Germany, Malaysia, Russia, Sweden, the UK and the US.

ibis

Hotel ibis Moscow Paveletskaya - 3 years

Accor Hotels opened its first hotel in Moscow three years ago, and on September 2012 celebrated its birthday.

During three years Hotel ibis Moscow Paveletskaya has been very successful in business and incoming tourism. Perfectly located in one of the major business district of Moscow, five minutes by metro to the historic city centre (Kremlin, Red Square, Bolshoy Theatre), the new ibis Moscow Paveletskaya expands a worldwide reputation offering all the major services of a modern hotel for the best local market value.



Ten minutes walking distance to international airport Domodedovo Express Train makes ibis Moscow Paveletskaya the ideal place both for business and leisure tourists.

In2Matrix

In2Matrix: Part of a Global Success Story

In 2011 In2Matrix became a partner firm and shareholder of Assurex Global. Together, this gives us a global presence in over 90 countries with in excess of \$28 billion in premi-

um. In2Matrix continues to be independent, management-owned and not a PLC.

And, thanks to our partnership with Assurex Global, we are now in the Premier League of Insurance Brokers. Each year, Business Insurance magazine ranks the "World's 10 Largest Insurance Brokers" by brokerage revenues. Based on the 2011 brokerage revenues, Assurex Global is third on the list.

In2Matrix congratulates Assurex Global and all its partners that contribute to its on-going success and this rise in worldwide rankings.

World's 10 Largest Insurance Brokers*:

Rank	Company	2011 Brokerage Revenues (US\$)
1	Marsh & McLennan Cos. Inc.	\$ 11,519,000,000
2	Aon P.L.C.	\$ 11,228,000,000
3	Assurex Global	\$ 3,456,653,518
4	Willis Group Holdings P.L.C.	\$ 3,414,000,000
5	Arthur J. Gallagher & Co.	\$ 2,091,700,00

*Source: Business Insurance magazine, "World's 10 Largest Insurance Brokers, 2011"

INCOR ALLIANCE

INCOR ALLIANCE LAW OFFICE OPENS ASSOCIATED OFFICE IN GERMANY

International law firm, Incor Alliance Law Office, has signed a cooperation agreement with one of the leading law firms in Germany, Trepte Legal and Finance Advisors GmbH. For several years both companies successfully and fruitfully carried out cooperation in the field of commercial, corporate and international trade law. Signing this agreement means the cooperation of two companies has moved on to a new level. Trepte Legal and Finance Advisors GmbH became an associate office Incor Alliance Law Office in Germany (Munich).

Thanks to the fact that Trepte Legal and Financial Advisors has an extensive experience in the financial tracking, both companies now offer to their clients in Germany not only legal services, but also financial counseling and help with attracting investment and debt financing.

Igor Basargin, Managing Partner and Head of International Practice of Incor Alliance Law Office, commented on the event: "Economic and trade cooperation between Russia and Germany has a long history, and it has been always mutually beneficial and fruitful. So the opening of associated offices in Germany provides new perspectives and opportunities for our clients."

Jones Lang LaSalle

Jones Lang LaSalle moved to the Vivaldi Plaza business centre

A new office of Jones Lang LaSalle opens the doors in the Vivaldi Plaza A-Premium class business centre.

The Jones Lang LaSalle' headquarter in Russia is situated in the building D ("Summer") at the address: 2 Letnikovskaya St., Bldg.1. According to the lease agreement the company occupies almost 3,000 sq. m on the 10th and 11th floors. O1Properties is the owner of Vivaldi Plaza.

The project of space management and design in the new office was implemented by the Jones Lang LaSalle' subsidiary, Tetris Solutions. The main focus in the office concept is on the light: the panoramic glazing of premises allowed the designer team to make the most of the opportunities for natural lighting, as well as to increase the efficiency of artificial lighting due to the smart management system.



The new Jones Lang LaSalle headquarters has a sustainable concept: lamps are equipped with occupancy and day-light sensors, the innovative system of power consumption monitoring allows recording of energy use from different consumers. The use of energy-saving technologies will allow economies of up to 60% of electricity costs annually. Water will be saved due to water saving equipment. The latest technologies and materials were used for interior finishing.

Marriott Moscow Royal Aurora

Marriott Moscow Royal Aurora hotel kicks off a new season after the next stage of renovation

The hotel has finished renovation of all its public areas.

As part of the ongoing commitment to keep up the highest standards of one of the best hotels in Moscow, the next stage of the project to renovate and upgrade the public areas of the 5-Star Marriott Moscow Royal Aurora hotel has been completed.



Last year the lobby bar space on the first floor was considerably revitalized and a new automatic revolving door was installed. This year the Executive Lounge, the all-day dining Aurora restaurant and the fitness center were renovated. Now with this makeover completed, all the public spaces, comprising 30 percent of the hotel total area, have been refreshed and revitalized.

The Marriott Moscow Royal Aurora was built in 1999 by Mospromstroï construction company.

Michael Page

Michael Page Healthcare & Life Sciences now operates in Russia

International recruitment company, Michael Page International, recently launched its Russian Healthcare & Life Sciences Division. Providing a unique integrated service, including the recruiting of experts in all core areas of their activities and improving the performance of whole business.

"The main task of the new department is to provide a 360 degree service to our customers," says Ekaterina Shiryayeva, Managing Consultant of Healthcare & Life Sciences. "If the manufacturers of pharmaceuticals and medical equipment contact Michael Page International to find suitable candidates, they will get service with no buts. We are focused on the long term development of the client, not merely a transactional relationship, preventing expertise development."

The Healthcare & Life Sciences Division will be able to achieve this aim because of close working relationships with the other divisions of Michael Page International: Finance & Accounting, Sales & Marketing, Procurement & Supply Chain, Human Resources, Property & Construction.

Michael Page Healthcare & Life Sciences consultants offer both candidates and clients a professional, tailored recruitment solution thanks their medical or pharmaceutical education and work experience in the pharmaceutical industry and recruitment. The division covers a wide array of positions within the following areas (examples):

- Sales;
- Marketing;
- Regulatory Affairs;
- Research & Development;
- Quality Assurance;
- Medical Equipment/Devices

RH PARTNERS

Cooperation with Yves Rocher Vostok

We gladly announce that Yves Rocher Vostok has recently expanded the list of the clients of RH PARTNERS Career Management Department to cooperate on its personnel Career Management and Development issues. The series of coaching programs was launched in May, 2012 and we hope that this partnership will be lasting, fruitful and mutually satisfying.

APPOINTMENTS

AdStars

AdStars announces Alena Pasko as HR Director



Marketing & Communications Agency AdStars is pleased to announce the assignment of Alena Pasko to the position of HR Director. Her area of responsibility in AdStars will be forming and implementation of the company's personnel policy, training and management of the HR Department that will provide top-staff recruitment services of various levels as well as training for third-party companies. Previously Alena was working for the largest HR agency as HR Director. In the last 10 years Alena was part of such companies as OAO AVTOVAZ – Head of Personnel Section, NUCON plant – HR Director, Loyalty Impressions Prime - HR Director, Contact Agency – HR Director.

Alexander Kabeev, CEO, says, "We are glad that Alena has joined our company. She is an extremely positive, committed and bright person with huge experience in HR management. Training, development and personal involvement are combined in the key component of our business philosophy as it has significant impact on consistency and perfecting of our service standards. I am confident that Alena's professional skills and that of her colleagues will keep motivating the whole team to achieve our goals, develop the image of the Company and find unique people for unique solutions."

CBRE

CBRE announces the appointment of Polina Zhilkina as Director of Strategic Consulting Group in the Strategic Consulting and Valuation Department

CBRE announces the appointment of Polina Zhilkina as Director of Strategic Consulting Group in the Strategic Consulting and Valuation Department. Polina will be responsible for further development of strategic consulting sector, growing of professional team to support multiple requests for proposals from clients. Polina Zhilkina will also be responsible for strengthening relationships with local and international clients in order to source growing new business in Russia and CIS. Polina will report to Sergey Belov, Director of the Strategic Consulting and Valuation Department.

Polina Zhilkina started her real estate career at Jones Lang LaSalle in 2000 where she rose from the position of Retail Analyst to the Associate Director in Strategic Consulting department. From 2007 till 2012, Polina worked in development, as the Head of Research in ADG Group, a regional shopping centers development company as well as being Marketing Director in PPF Real Estate Russia. Polina has vast professional experience working with such Russian and international clients as: Citibank, ST Group, Metro group, Stockmann, Дон Строй and many others.

Polina graduated from Moscow State Pedagogical University with MA degree in Sociology. Polina Zhilkina also passed a course of CCIM at RGR, Moscow.

Yelena Kolesnikova joins CBRE as Associate Director in the Global Corporate Services Department

CBRE announces the appointment of Yelena Kolesnikova as Associate Director in the Global Corporate services team. Yelena will be responsible for the further development and strengthening of relationships with local and international clients in order to source new sales opportunities for the business in Russia and CIS.

Yelena Kolesnikova has 11 years of experience working in the real estate market. Prior to joining CBRE, Yelena spent 7 years as the Head of Global Corporate Services of DTZ. In 2001-2005 she was part of the Tenant Representation group of Cushman & Wakefield Stiles & Riabokobylko. Yelena has extensive professional experience working with such international occupiers as Apple, Arup, Autodesk, Barclays Bank, Boehringer Ingelheim Pharma, Chevron, Dow Jones, Equant (Global One), 20th Century Fox, Harley Davidson, HSBC, ING, Intel, Microsoft, Motorola, Nokia, Nokia Siemens Networks, Pepsico/Frito Lay, TNK/BP among others.

Yelena Kolesnikova graduated from University of Steubenville (Ohio, USA) with a BA degree in Communications. Upon her return to Russia, Yelena studied at the American Institute of Business and Economics and completed her CCIM studies. She has been a member of RICS since 2009.

GOLTSBLAT

Goltsblat BLP Appoint Kyle Davis as Corporate/M&A Partner

Goltsblat BLP, the Russian practice of the international law firm, Berwin Leighton Paisner (BLP), is pleased to announce the appointment of Kyle Davis as a partner in its Corporate/M&A Practice.

This appointment has been prompted by significant growth in Goltsblat BLP's Corporate/M&A Practice in recent years, especially in supporting major cross-border transactions, by both foreign companies investing in Russia and the CIS, and Russian companies investing abroad.

Before joining Goltsblat BLP, Kyle Davis was counsel at Akin Gump Strauss Hauer & Feld LLP and, prior to that, worked with Allen & Overy and other international firms in Moscow and New York. Kyle is qualified in US law and advises on joint ventures, mergers and acquisitions, capital market transactions, as well as restructuring and general corporate matters.

Kyle has extensive experience in the energy, natural resources and infrastructure spheres, and projects in recent years include advising AF Telecom in relation to a shareholder restructuring of Russian mobile phone operator OJSC MegaFon with an aggregate deal value of approx. US\$ 8.5 billion, Rosneft on its US\$ 1.6 billion acquisition of PDVSA's share in a German oil refining joint venture with BP; the Government of the Kyrgyz Republic on new terms for the Kumtor gold mining project; a joint venture between Sasol, PETRONAS and Uzbekneftegaz connected to a gas-to-liquids project in Uzbekistan; Gazprom Neft on production sharing and joint operation arrangements relating to offshore blocks in Equatorial Guinea; Mechel regarding mining sector acquisitions and general corporate/securities matters, and many more.

Kyle graduated from the Davis Law School of the University of California in 2004, speaks fluent Russian and is a member of the New York Bar.

He will work in the Corporate/M&A practice of Goltsblat BLP in Moscow, headed by Partner Anton Sitnikov. In addition, he will collaborate closely, in Moscow and London, on a number of major infrastructure, oil and gas, and energy projects, with Andrei Baev, who recently joined the firm from Allen & Overy, as part of the firm's energy and natural resources practice in Russia and the CIS.

Hilton Moscow Leningradskaya

Hilton Moscow Leningradskaya Appoints Mariam Khavadzha as Director of Sales and Marketing



The Hilton Moscow Leningradskaya has announced the appointment of Mariam Khavadzha as director of sales and marketing. In her new role, Mariam will be responsible for the sales and marketing functions of the hotel, including rooms, catering and revenue management.

Commenting on her latest appointment, Mariam Khavadzha said, "I am excited to join the family of Hilton Moscow Leningradskaya which operates under one of the most recognized names in the hospitality industry. I am confident that the effective mix of unique property, brand values and experienced team members will help us to keep our leading position in the Moscow market and explore new business opportunities."

Having had a notable 17 years of work experience in the hospitality sector, Mariam has previously held leading sales and marketing roles with various hotel chains. Before joining Hilton Moscow Leningradskaya, Mariam Khavadzha was the director of sales and marketing in two Holiday Inn hotels in Moscow where she achieved outstanding financial results. Prior to IGH, Mariam has also held senior management positions with Radisson Slavyanskaya Hotel & Business Centre and regional sales office of three Marriott hotels in Moscow.

PEPELIAEV GROUP

Pepeliaev Group Strengthens its Real Estate and Construction



Alexey Konevsky, the Head of Pepeliaev Group's Real Estate and Construction Practice, has been elected a Partner of the firm.

Alexey joined Pepeliaev Group in 2009, from the Hannes Snellman Moscow office, where he headed the Real Estate, Construction and the Investment Project Implementation practice. Under his charge, the number of services offered by Pepeliaev Group's Real Estate and Construction Practice has increased more than threefold, as has the size of the Practice. Pepeliaev Group Real Estate and Construction lawyers now advise on projects across a range of sectors, including real estate, construction, metals and mining, pipeline and railway transport, electricity and infrastructure; they also handle the implementation of investment projects. The practice's clients include, among others, Shtokman Development AG, Hals Development, Hines International, Dresdner Bank, MICEX, and Omya Russia.

The Pepeliaev Real Estate and Construction Practice won the 2011 Real Estate Market Records Award, earning recognition as the best among law companies that specialise in legal support for real estate. "We can provide top quality services when implementing the projects our clients entrust

to us, thanks to the team of highly qualified, like-minded professionals that our practice employs," says Alexey Konevsky.

Salans

Roman Zaitsev appointed Of Counsel at international law firm Salans



Roman Zaitsev has been promoted to Of Counsel at Salans' Russian Litigation/Arbitration Practice.

Roman specializes in Russian procedural, civil, corporate law, enforcement proceedings, and has significant experience representing client interests in the state commercial courts, where he successfully represented major multinational corporations, individuals and various organizations, including commercial banks, energy companies, car manufactures, state and municipal authorities and large defense enterprises.

Roman has successfully acted in major commercial disputes, bankruptcy proceedings and disputes with state authorities and in cases involving the recognition and enforcement of foreign judgments in the Russian Federation.

He has also participated in general enforcement proceedings, due diligence investigations, alternative dispute resolution and various other commercial, civil, procedural, general corporate and administrative matters.

Roman is the author of many legal publications, including a monograph on the enforcement of foreign judgments in Russia, the Russian chapter of the book, *Enforcement of Money Judgments* (published in the USA), and a recent commentary to several chapters of the Civil Procedural Code of the Russian Federation. He has also participated in drafting legislation.

Roman graduated from Urals State Law Academy, Yekaterinburg (Law Degree, 2002; Post-Graduate Degree, Candidate of Legal Sciences, 2005). He conducted international research at Christian-Albrechts University, Institute of East European Law in Kiel, Germany (2004) and at the University of Lapland, Rovaniemi, Finland (2007), where he also delivered a course of lectures devoted to the resolution of commercial disputes in Russia.



AEB Membership Benefits

Effective Lobbying

Advocating members' interests to public officials, legislators and business decision-makers in Russia and the EU. Cooperating with the Russian authorities to solve business issues and effective interaction with lawmakers.

Quality Business Information

Publications: AEB Business Quarterly, Membership Directory, Position Paper, Real Estate Monitor, How to Invest in Russia, monthly AEB News. Regional presentations and business development missions to the regions. More than 20 sector and issue-based committees and working groups in Moscow, St. Petersburg, Krasnodar and Yekaterinburg.

Valuable Networking

Organising open meetings, conferences, political briefings and other high-profile events with prominent government and business leaders. Regular social events, including embassy EuroReceptions Government and business contact information in Moscow and the regions. Online access to Member Database.

Marketing Opportunities and Visibility

Internet links and banners. Advertising opportunities in AEB publications. Sponsorship opportunities during AEB events.

NEW MEMBERS

1C-papyc® 1C-Rarus

1C-Rarus – 18 years on the market!

1C-Rarus — a joint venture of two companies, 1C and Rarus, started in 1994 — serves over 100,000 enterprises in Russia and the CIS, in addition to many of the world's largest companies. Local offices are situated in: Moscow, St Petersburg, Kazan, Nizhny Novgorod, Novosibirsk, Ryazan, Kiev, Sevastopol and Düsseldorf.

More than 2000 employees work for the company; most are certified by 1C. The management system is certified under International Quality Standard ISO 9001:2008.

ADSTARS

Producing company.

AdStars

AdStars is a Marketing & Communications Agency providing a wide range of services and products. Successfully operating both in Russia and in Europe the company has acquired versatile many-sided experience which enables an effective and professional approach.

The company specializes in such areas as event marketing, branding, media management and production, printing services and souvenirs production, complete cycle publishing services, and HR consultancy.

The Automobile Event Marketing Department arranges test-drives, new models presentations, plants and dealer's centers openings, press-tours, road-shows, dealers' conferences.

Moscow, Russian Federation

Center of Modern Design and Innovation

Maliy Konushkovsky Lane 2, 123242

Tel./fax +7 (499) 500 60 90

E-mail: info@adstars.ru

www.adstars.ru



ALP Group

The System Integrator, ALP Group, has been engaged in IT services since 1996. We aim at helping our Customers increase their business efficiency through implementation of advanced IT technologies.

ALP Group employs over 200 people, providing services in all regions of Russia and the CIS.

ALP Group Core Businesses:

- IT Outsourcing and IT projects
- Projects to implement and support ERP Systems
- Design and installation of Structured Cabling Systems
- Website design, development and support
- Web advertising & publishing
- Software and database development

ALP Group Contacts:

3, Stoliarniy Lane, Moscow, Russia, 123022

Phone: +7 495 785 51 51

Web: <http://eng.alp.ru/>



CorpusGroup

The CorpusGroup Company was established in 1991. Today it is Russia's largest company in the area of industrial and economic services. The Company's main areas of activity are catering and cleaning services, facilities management, and remote site maintenance.

Over 350 enterprises are among the Company's clients, including such companies as Alcoa, Nestle, AVTOVAZ, Vorkutagol, Gazprom Neft, GAZ Group, ChTPZ Group, Evraz Holding, Lukoil, Mechel, MMK, RUSAL, Rosneft, Sibur Holding, SUEK.

CorpusGroup has 46 regional divisions in Russia, as well as subsidiaries in Ukraine, Kazakhstan and Tatarstan. The Company employs 12 000 workers.



FERRONORDIC Ferronordic Machines

Ferronordic Machines is the official authorized dealer of Volvo Construction Equipment throughout Russia.

The company has expanded rapidly over the last few years opening more than 60 sales and service facilities in all federal districts and today employs over 600 professionals. The company's vision is to be the leading service and sales company within its business areas in the CIS markets.



Gefco

GEFCO Group is an international logistics provider focusing on complete solutions for manufacturing companies since 1949.

GEFCO is present with its own subsidiaries in 32 countries, employs more than 10,000 people internationally and had a turnover of € 3.8 bln in 2011.

Operating in Russia: since 2003.

Offices in Russia: Moscow, St Petersburg, Kaluga, Nizhny Novgorod, Togliatti.

Main activities:

- engineering, implementation and management of inbound manufacturing components flows;
- logistics of finished vehicles including international transportation, storage, and value-added operations;
- licensed customs representative in Russia;
- rail and multimodal transportation;
- 4PL (complete management of client's logistics).



INTEGRITES Integrates International Law Firm

The international law firm, Integrates, is a team of professionals, who are always focused on clients' needs and problems. Today the international presence of Integrates is provided through offices in leading business centers in the CIS: Moscow, Kiev, Almaty, and also in London. Integrates was the first law firm with headquarters in Ukraine, which was registered with the Law Society of England and Wales, thereby the firm has received the right to provide legal support for cross-border transactions of any complexity governed by English law, and also to develop universal mechanisms of complex transactions and operations in different jurisdictions for the clients. The quality of services provided

by Integrites team is controlled by the Solicitors Regulation Authority, the independent regulatory body of the Law Society of England and Wales, which, on behalf of the public, establishes, supports and protects norms and standards of conduct and professional activity at the proper level in order to guarantee the high quality of provided services and adherence to legal standards.

INTOUCH

PART OF THE RSA GROUP

INTOUCH started operating as the first company selling direct insurance in Russia in 2008. Its stakeholders are RSA Group and European Bank for Reconstruction and Development (EBRD). RSA Group (Great Britain) is one of the oldest insurance companies of the world with around 17 million clients. Since 2011 INTOUCH started developing Partner Channel which is growing rapidly. Though direct sales remain very important for INTOUCH, partnership will be substantial for the company in the foreseeable future. INTOUCH became one of the TOP-30 best Russian Internet companies, according to Russian Forbes, and was the only financial services company in this list.



Home Credit and Finance Bank

Home Credit and Finance Bank (Moody's Ba3, Fitch BB-) has operated on the Russian market since 2002 and it is one of the leading retail banks.

HCFB is aimed to become "The Best Russian Retail Bank" by providing easy, simple and fast banking services. HCFB's client base exceeds 23.7 million people, which is nearly a third of all Russian households. The bank has one of the most developed distribution infrastructures on the market, encompassing more than 5,000 banking offices of different formats. HCFB is in the list of top 30 banks in terms of asset volume and occupies fifth position among largest banks in the retail lending sector. Affiliate HCFB network has over 20,000 corporate clients, working with the bank on credit, payroll, deposits, and the financial markets, including public and private banks as well as small and medium-sized companies throughout Russia.



Mercure Arbat Moscow Hotel

The new Mercure Arbat Moscow Hotel offers a unique, personalized environment with an emphasis on comfort and service in the heart of Moscow. This boutique hotel welcomes guests who want to enjoy a combination of French elegance and chic with the best traditions of Russian heritage.

The hotel has an ideal location in the historic centre of Moscow, on the most beautiful pedestrian street of Arbat, which is famous for its artists, souvenir shops, numerous restaurants, cafés and bars, making it perfect for international business and leisure travellers.

The Mercure Arbat Moscow hotel with its 109 stylish rooms, including 18 Privilege Rooms and 4 Suites, proudly invites you to enjoy high standards and a wide range of services catering to each guest's needs: from free Wi-Fi to tea-

coffee making facilities in each room. The hotel welcomes everyone to the delights of its facilities:

- Restaurant La Promenade (French-Russian cuisine);
- Lobby bar;
- Library with cosy fire place presents collection of unique books and pieces of art;
- Internet corner.



O'KEY group

O'KEY is a rapidly developing retailer in Russia. As at 31 July 2012 O'KEY operated 76 stores in the North-Western, Southern, Central, Urals and Siberian regions: 46 hypermarkets (O'KEY) and 30 supermarkets (O'KEY-Express). O'KEY's stores are based on a classic European hypermarket concept, with a wide range of products and services at affordable prices, including the company's own bakeries, well-lit, ample selling space, large car parks, children's play areas and a variety of additional services, such as phone retailers, pharmacy, banking services, dry-cleaning. O'KEY-Express supermarkets offer a convenient neighborhood shopping experience at affordable prices. O'KEY's assortment consists of up to 64,000 stock keeping units (SKUs), including food products, which include the company's own fresh produce and baked goods, as well as non-food products, such as clothes, shoes, household goods and appliances, toys and other children's goods. O'KEY hypermarkets and O'KEY-Express supermarkets offer more than 35,000 and 9,000 constant SKUs, respectively. O'KEY offers customers dairy, meat and other food products and goods under its own private labels, which are of a reliable quality and do not require a mark-up for advertising. The company employs over 20,000 people throughout Russia.



STADA CIS

STADA CIS is a Russian branch of the international concern, STADA Arzneimittel AG, one of the world leading manufacturers of generic drugs.

As of today, the production portfolio includes more than 150 names of drugs of different ATC-classes and dosage forms which are produced by leading Russian and international pharmaceutical companies: NIZHPHARM, MAKIZ-Pharma, STADA AG, Hemofarm A.D. and Grunenthal.



Trodat

CREATING ORIGINALS

OOO Trotec Laser (TRODAT Russia) is a fully functional subsidiary in Russia of Trodat, the biggest manufacturer of stamps in the world. Trodat has a 100-year history of creating original stamps product. The company has a worldwide reputation as the best manufacturer self-inking stamps.

Trodat stamps is a well known company in 170 countries. The high quality of the product is confirmed by ISO 9001 certificate. During the years the company defined standards for the worldwide stamps industry, realized in the product high quality, innovative technology, and a focus on the end consumer. The main advantage of the Trodat product is a reliability, ergonomic design and recognition of the product.

**ASSOCIATION
OF EUROPEAN BUSINESSES**

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AEB MEMBERSHIP APPLICATION FORM / ЗАЯВЛЕНИЕ НА ЧЛЕНСТВО АЕБ

Please fill out the Application Form in CAPITAL letters, sign it and fax it: 234 28 07/

Заполните заявление печатными буквами и пришлите по факсу 234 28 07

Calendar year / Календарный год: 2013 ☐ (Please check the appropriate box/boxes / Укажите соответствующий год/года)

Name of your AEB Contact / Ваше контактное лицо в АЕБ: _____

1. COMPANY / СВЕДЕНИЯ О КОМПАНИИ

Company Name in full, according to company charter. (Individual applicants: please indicate the company for which you work /
Название компании в соответствии с уставом. (Для индивидуальных членов – название компании, в которой работает заявитель):

Legal Address (and Postal Address,
if different from Legal Address) /
Юридический и фактический адрес,
если он отличается от юридического:

INN / KPP / ИНН/КПП:

Phone Number / Номер телефона:

Fax Number / Номер факса:

Website Address / Страница в интернете:

2. CATEGORY / КАТЕГОРИЯ:

THE CATEGORY IS DETERMINED ACCORDING TO THE COMPANY'S WORLD TURNOVER

Please indicate your AEB Category / Отметьте категорию	Company's world-wide turnover (euro per annum) / Мировой оборот компании (евро в год)	AEB Membership Fee / Членский взнос в АЕБ
<input type="checkbox"/> SPONSORSHIP / Спонсорство	–	10,000 euro/евро
<input type="checkbox"/> CATEGORY A / Категория А	>500 million/миллионов	6,300 euro/евро
<input type="checkbox"/> CATEGORY B / Категория Б	50–499 million/миллионов	3,800 euro/евро
<input type="checkbox"/> CATEGORY C / Категория С	1–49 million/миллионов	2,200 euro/евро
<input type="checkbox"/> CATEGORY D / Категория Д	<1 million/миллионов	800 euro/евро
<input type="checkbox"/> INDIVIDUAL (EU/EFTA citizens only) / Индивидуальное (только для граждан Евросоюза/ЕАСТ)	–	800 euro/евро

**Any non-EU / non-EFTA Legal Entities applying to become Associate Members must be endorsed by two Ordinary Members
(AEB members that are Legal Entities registered in an EU / EFTA member state or Individual Members –
EU/EFTA citizens) in writing/**

Заявление любого юридического лица из страны, не входящей в Евросоюз/ЕАСТ, и желающего стать членом АЕБ,
должно быть письменно подтверждено двумя членами АЕБ (юридическими лицами, зарегистрированными
в Евросоюзе/ЕАСТ, или индивидуальными членами – гражданами Евросоюза/ЕАСТ)

**Individual AEB Membership is restricted to EU / EFTA member state citizens, who are not employed
by a company registered in an EU / EFTA member state /**

К рассмотрению принимаются заявления на индивидуальное членство от граждан Евросоюза/ЕАСТ,
работающих в компаниях, страна происхождения которых не входит в Евросоюз/ЕАСТ

Please bear in mind that all applications are subject to the AEB Executive Board approval /
Все заявления утверждаются Правлением АЕБ

3. CONTACT PERSON / INDIVIDUAL MEMBER / КОНТАКТНОЕ ЛИЦО / ИНДИВИДУАЛЬНЫЙ ЧЛЕН

Title, First Name, Surname / Ф.И.О:	
Position in Company / Должность:	
E-mail Address / Адрес эл. почты:	

4. COUNTRY OF ORIGIN / СТРАНА ПРОИСХОЖДЕНИЯ	
A. For a company / Компаниям: Please specify COMPANY'S country of origin / Указать страну происхождения компании ¹	
or B. For an individual applicant / Индивидуальным заявителям: Please specify the country, of which you hold CITIZENSHIP / Указать гражданство	
<p>Please note that only EU / EFTA members can serve on the Executive Board and the Council of National Representatives/ Внимание! В Совет национальных представителей и Правление могут быть избраны члены, представляющие страны Евросоюза или ЕАСТ.</p> <p>Please fill in either A or B below/ Заполните только графу А или В</p>	

5. COMPANY DETAILS / ИНФОРМАЦИЯ О КОМПАНИИ			
Company present in Russia since: _____ / Компания присутствует на российском рынке с: _____ г.			
Company activities/ Деятельность компании	Primary / Основная:	Secondary / Второстепенная:	
Company turnover (euro)/ Оборот компании (в Евро)	In Russia / в России:	Worldwide / в мире:	<input type="checkbox"/> Please do not include this in the AEB Member Database/ Не включайте это в справочник АЕБ
Number of employees/ Количество сотрудников	In Russia / в России:	Worldwide / в мире:	<input type="checkbox"/> Please do not include this in the AEB Member Database/ Не включайте это в справочник АЕБ
<p>Please briefly describe your company's activities (for inclusion in the AEB Database and in the AEB Newsletter) / Краткое описание деятельности Вашей компании (для включения в базу данных АЕБ и публикаций АЕБ)</p>			

6. HOW DID YOU LEARN ABOUT THE AEB / КАК ВЫ УЗНАЛИ ОБ АЕБ?	
<input type="checkbox"/> Personal Contact / Личный контакт	<input type="checkbox"/> Internet / Интернет
<input type="checkbox"/> Media / СМИ	<input type="checkbox"/> Event / Мероприятие
<input type="checkbox"/> Advertising Source / Реклама: _____	<input type="checkbox"/> Other / Другой: _____

Signature of Authorised Representative of Applicant
Company / Подпись уполномоченного лица заявителя:

Date/Дата:

Signature of Authorised Representative of the AEB /
Подпись Руководителя АЕБ:

Date/Дата:

¹ Location of a parent company or of the main shareholder / Местонахождение головной конторы или основного учредителя.

EVENTS CALENDAR

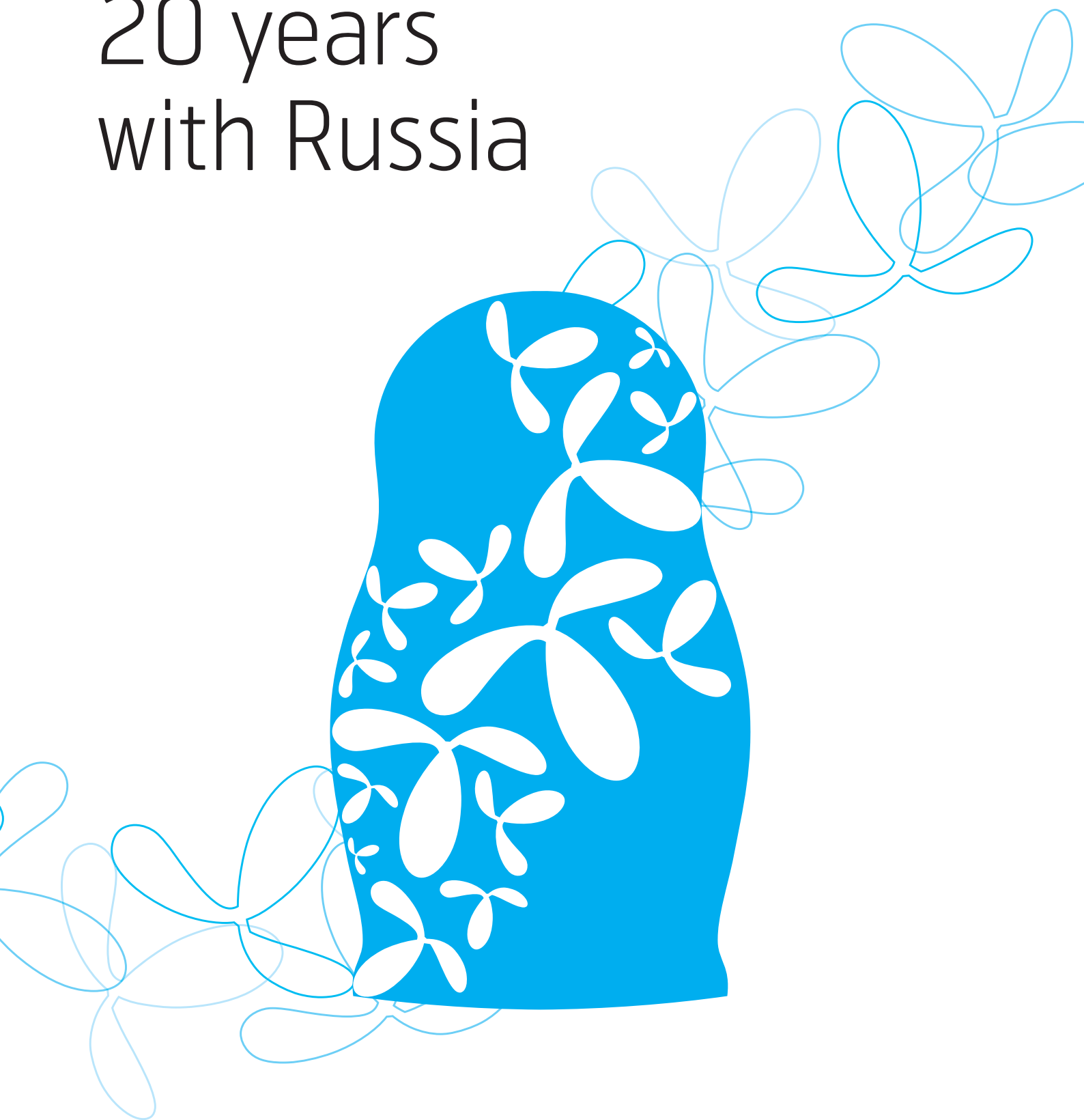
Moscow		
Date	Event	Location
1 November 2012	AEB Sponsor event with Allianz IC on voluntary medical insurance	AEB Conference Room
2 November 2012	Training "Media & Social Media workshop"	AEB Conference Room
7 November 2012	International Forum "Building Automation and Energy Efficiency"	Expocenter
8 November 2012	Conference on Salary Survey	tbc
8-9 November 2012	Training "Key account management"	AEB Conference Room
13 November 2012	AEB Sponsor Event with Zurich Insurance Company	Marriott Tverskaya
14-15 November 2012	Training "Procurement and Inventory Management in the Supply Chain"	AEB Conference Room
15 November 2012	Briefing by EU Commissioner Michel Barnier, Internal Market & Services	tbc
21 November 2012	Open Event of Machine Building & Engineering Committee on Investment Project Management	AEB Conference Room
21 November 2012	AEB Relocation Conference	Marriott Tverskaya
21 November 2012	Training "Presentation Skills with working in Power Point"	AEB Conference Room
27-28 November 2012	Training "Strategic management of the company in a highly competitive market"	AEB Conference Room
28 November 2012	AEB Swiss Euroreception (for top management of AEB member companies only)	Swiss Embassy
30 November 2012	Training "How to build an effective management team: Secrets of Recruitment for Top and Middle Managers"	AEB Conference Room
3 December, 2012	Briefing by Thane Gustafson, IHS CERA, "The Coming Challenges and Opportunities for Russian Oil"	AEB Conference Room
6 December 2012	Migration Conference	tbc
6-7 December 2012	Training "Branding Strategies"	AEB Conference Room
13 December 2012	AEB Tax Forum	tbc
St. Petersburg		
Date	Event	Location
November, tbc	Open committee meeting	tbc
December, tbc	Winter reception	tbc
Krasnodar		
Date	Event	Location
6 November 2012	Workshop "Utilities connections, permitting and industrial construction in Krasnodar region"	Rimar Hotel
15 November 2012	Career Day in the Kuban State University	Kuban State University
15 November 2012	Career day in the Kuban State University of Technology	Kuban State University of Technology
November 2012, tbc	Career day in the Kuban State Agrarian University	Kuban State Agrarian University
December 2012, tbc	Third Annual Conference "Corporate Social Responsibility - the Strategy of the Present"	tbc

Please note that indicated above dates and venues are subject to change.

For updated information please visit the AEB website: www.aebrus.ru.

Contact: Ekaterina Ostrikova, AEB Events Coordinator, Tel: + 7 495 234 27 64 (ext. 127)

20 years with Russia



In 2012, Telenor celebrates its 20th anniversary of working in Russia. In 1992, we were among the first companies to believe in the Russian telecommunications. We also were one of the first international investors into the Russian economy. Looking back, we are glad to see the remarkable change that happened to Russia and its telecommunications market. And we are proud that our core strategic asset, Russian company VimpelCom, has grown to a global giant operating in 18 markets worldwide.



Follow us on
www.telenor.ru/en/20-years-with-russia/