

Dear Reader,

Unlike other seasonal businesses, Russian certification activities do not stop in summer time: in July and August new laws and regulations have been discussed or introduced. Meanwhile, our team was intensively working on a number of projects. Beside those updates, in the present issue of SGS GOST Newsletter we offer you a selection of market observations that might help you make your business decisions.

Sincerely Yours,  
SGS Team for Russian / CIS Certification

## 1. In focus: laws & regulations

### Slow pace of the technical regulation reform

By the end of August, just one technical regulation (regarding environmental safety of automotive vehicles) has been introduced to the Russian government for final approval. One of the regulations with the highest degree of readiness concerns low-voltage electrical equipment, and it might be the next in line.

According to the Federal Law on Technical Regulation that took effect on 1.07.2003, technical regulations must replace the currently acting GOST standards and normative documents by mid-2010. Implementation of this Law aiming at harmonization of Russian safety requirements with international standards is one of the conditions for Russia to access WTO. Following the initial plan, 40 regulations, including 7 general and 33 branch ones, should be approved as early as by the end of 2005, but the reform appeared to be more complex than expected.

Only 74 regulations will be drafted by state authorities, the rest being prepared by R&D and business community. The drafted documents are firstly debated publicly, possibly involving all stakeholders, then have to be approved by Russian Parliament / Government.

### New regulations for import-export licensing

August 31<sup>st</sup> has been the last day of the old licensing legislation concerning foreign trade in Russia. The governmental decree signed on 9.06.2005 describes in details existing types of licenses (i.e. single shipment, general and exceptional licenses), simplifies the procedure and reduces licensing fees.

Import of 15 and export of 18 product categories are currently subject to licensing in Russia. "Licenses issued before September 1<sup>st</sup> will be valid until their expiry date", said Vladimir Smirnov from the Russian Ministry for Economic Development and Trade.

### Fewer activities will be subject to licensing

On July 2<sup>nd</sup>, the Russian president Vladimir Putin signed the Federal Law № 80 "On amendments to the Federal Law № 128 On licensing of specific types of activities". As a result, by 2007, the list of licensed activities will be gradually reduced down to approx. 80 items. The exemption from mandatory licensing is scheduled as follows:

- since 16.07.2005 - 22 types of activities (e.g. veterinary or manufacture of disinfection and fumigation products);
- since 1.01.2006 - 9 other activities (e.g. auditing and business evaluation);
- since 1.01.2007 - 5 more activities (e.g. design, engineering and construction except for seasonal and auxiliary sites);
- at the moment of new technical regulations coming into effect – 10 other activities.

"Still, control over construction market players should not disappear", said Leonid Chernyshov from the Ministry for Regional Development. He noted that after January 2007 new technical regulations and voluntary certification will ensure quality of design, engineering and construction works on the Russian territory.

### Customs authorities focus on counterfeit

The Russian Customs Federal Service intends to further enhance anti-counterfeit activity by automation of goods control, legal framework corrections and training of customs officers.

From 96 to 98% of counterfeited goods are imported to Russia from China, Thailand and Malaysia. The Register of Intellectual Property Rights managed by Customs authorities aims to reduce import of counterfeit by 30%. This Register lists the dealers entitled to import branded products into Russia, so that other importers are considered as illegal. Today, it protects 488 brands, mostly perfumery, household chemicals and alcoholic drinks.

## 2. On market track: trade & investments

### Export to Russia grew by 35.5%

According to Russian Customs Statistics, export to Russia from non-CIS countries in January-August 2005 grew by 35.3% up to USD 47.9 bln.

Imported product category	Aug'05 vs Aug'04	Import value, Aug'05
All, from non-CIS	+35.8%	6.9 bln \$
Machinery	+37.4%	3.3 bln \$
Chemical products	+53.3%	1.3 bln \$
Foodstuff	+60%	1.1 bln \$
Textile & Shoes	+55.1%	311.0 mln \$

Import from the EU countries was stimulated by the fact that Rouble strengthened vs Euro (+15% in 6 months) rather than vs other currencies (totally +9% during the same period).

### Industrial growth and inflation

In January-July 2005, the Russian GDP increased by 5.7%, and industrial output by 4.1% vs the same period in 2004. Main contribution to the industrial growth came from machinery and equipment, electrical products (both industrial and household) and foodstuff.

Inflation in Russia reached 8.5%, as reported by Federal State Statistics Service. Tariffs or paid services rose by 16.5%, food prices by 8.9%, and the prices of non-foods by 2.8%.

### FDI in Russia doubled

According to the Russian Central Bank, in the first 6 months of 2005, foreign direct investment (FDI) doubled to a record figure of \$9.3 billion. Analysts are happy that this success came not from one large deal but from many medium-sized ones. However, partly this figure includes repatriation of the Russian capital.

### St. Petersburg grows attractive

Investment in capital assets of St. Petersburg enterprises in January-July 2005 reached USD 2.3 bln., a 16.2% increase on the same period in 2004. Throughout the year 2005, this indicator demonstrates a sustainable 12.5% monthly growth. A few local laws have been adopted of late to stimulate industrial investments, in particular, with regard to real estate acquisition procedure, cost of the land and taxation.

### Ukraine is flooded by import goods

Drop of prices for metals and strengthening of the Ukrainian currency Hryvnia changed the whole structure of foreign trade in Ukraine. Instead of increasing exports, this year it suffers from import flood. The trade balance decreased by 6 times down to \$381.3 mln.

## 3. What's new with SGS

### Two industrial sites to be certified

SGS has won the contract to carry out certification of the 120,000 t/y High Density Polyethylene Plant in Salavat, Bashkortostan. The plant will adopt the "Hostalen" technology licensed by Basell Polyolefine GmbH, leader in Polyolefins.

SGS has been selected to certify the whole cryogenic plant in Rostov-on-the-Don according to the Russian standards. The plant will be producing oxygen, nitrogen and argon for metallurgical industry.

### Assisting Sakhalin-1

SGS continues executing several certification orders within Sakhalin-1 Project assisting international suppliers of equipment to obtain such mandatory documents as RTN (ex GGTN) Permits to Use, GOST R Certificates of Conformity, Ex-Proof and Pattern Approval Certificates, as well as to draft Technical Passports.

Sakhalin-1 is the Russian oil&gas development operated by ExxonMobil since 2001. The project's value is abt. USD 12 bln., ranked among the largest foreign direct investments in Russia.

## 4. Customer's point of view

### Stockmann case study

Another case study has been developed describing certification realities of the Finnish retailer **Stockmann** with a number of department stores throughout Russia. Full text of the case study is [available on the SGS web-site](#).

*"The service provided by SGS is very prompt, reliable and professional. We warmly recommend contacting SGS to our business partners", - said Marianne Mikkonen, International Operation Department Manager with Stockmann.*