

Dear Reader!

This is the very first issue of the bi-monthly **SGS GOST Newsletter** intended for our Clients & Partners with interest in Russia and other CIS markets. We commit to do our best to keep you briefed on major regulatory and market news, SGS activities and business practices with regard to Russian / CIS certification, and to make our publication concise and relevant, your feed-back is more than welcome!

Sincerely Yours,
SGS Team for Russian/CIS Certification

1. In focus: laws & regulations

EC Veterinary Certificate accepted by Russia

At the end of April, Rosselkhoznadzor (Russian Agricultural Supervision Authority) and Federal Customs Office issued the list of imported goods (foodstuff of animal origin) subject to veterinary control at customs, meaning the need to obtain permitting documents at Rosselkhoznadzor. However, for EC countries being members of the EC before 2004, customs clearance can be effected on the basis of the Uniform Veterinary Certificate approved by both the EC and Russia in July 2004 and effective since January 1st 2005.

Voluntary product certification vs mandatory

On June 26th, the Russian entrepreneurial community presented voluntary certification system "Mark of the year". The first goods certified according to this system might appear in retail outlets before the end of 2005. "Based upon international quality standards, the new voluntary system will be gradually replacing mandatory certification as stated in the new Russian Law for Technical Regulation", said Mr Elkin, head of the Federal Agency for Technical Regulation & Metrology (ex-Gosstandart).

PSI in Russia – final decision still not taken

The Russian government is now weighing pro & contra of introducing mandatory pre-shipment inspection (PSI) for export to Russia. As declared by the Ministry for Economic Development on June 2nd, the list of goods subject to PSI is to be defined as soon as the decision for PSI is taken. Most probably, the list will include high-risk product categories such as home electrical appliances, electronics, furniture, textiles.

The Federal law "Regarding state regulation of international trade" (art. 28), approved end 2003, stipulates that in case of introducing PSI in Russia costs are handled by importers, but corresponding customs duty is to be lowered pro rata. The inspection company/ies are to be notified as a result of public tender, major criteria being availability of offices in most countries exporting to Russia.

Reform affects hygiene product certification

The Russian administrative reform basically consisted of 2 consequent phases:

- Centralisation under Rospotrebnadzor (Federal Agency for Supervision of Consumer Rights Protection and Human Health) of 3 functions: sanitary-epidemiological control (earlier handled by Gossanepidnadzor), supervision of consumer rights protection (earlier by Committee for Consumer Rights Protection) and retail trade inspection (earlier by Gostorginspektsiya), so as to avoid duplication. Rospotrebnadzor is represented in Russian regions by Territorial Offices.
- Outsourcing of functions like laboratory tests, document review and research from Rospotrebnadzor to the Federal State Agency for Health Protection (FGUZ) regionally represented by Centres of Hygiene and Epidemiology. From now on, FGUZ will deliver expert conclusions over product compliance to Russian hygienic standards, whereas Rospotrebnadzor will use those to issue certificates. As a result, execution and control, formerly in hands of single entity (Gossanepidnadzor), will be separated.

The new structure has been effective since April 1st, however it is still far from being stable.

Russia might join WTO next year?..

Head of the European Bank for Reconstruction & Development Jean Lemiere assumes that Russia might join WTO next year, depending on results of negotiations with all member countries and speed of internal reforms. So far, Russia finalized negotiations with 85% of its trade partners, including EU, China, Japan, Korea; agreements still not signed with US, Canada, Brazil, and some others.

Ukraine intends to re-view Soviet standards

In 2005, Ukrainian Gospotrestandart intends to develop a re-view program for the current 16000 standards of ex-USSR acting in the Ukraine. A working group will be created to speed up national standards' update and harmonization with WTO.

2. On market track: trade & investments

Export to Russia keeps growing

According to Russian Customs Statistics, export to Russia from non-CIS countries in January-May 2005 increased by 31.7% up to USD 26.8 bln.

Imported product category	May'05 vs May'04	Import value, May'05
All, from non-CIS	+34.8%	5.9 bln \$
Machinery	+38.3%	2.7 bln \$
Chemical products	+45.6%	1.1 bln \$
Foodstuff	+33.7%	1.1 bln \$
Textile & Shoes	-20.1%	131.2 mln \$

Obsolete energy & agri equipment

In May, the Concept for Russian Energy sector technical development till 2009 has been approved. Renovation and re-equipment is on the agenda since 38% of the current power plants date back to 1960-70s. Experts estimate that combined-cycle technology looks most promising.

Since 1990, agri-equipment base reduced by twice and is mostly out-dated. To enable purchase of agricultural equipment special leasing schemes are offered, namely by Farm Financial Company established by Rabobank, IFC and FMO.

3. What's new with SGS

Re-accreditation GOST R

The Federal Agency for Technical Regulation and Metrology (ex-Gosstandart) extended SGS accreditation as a GOST R certification body from July 1st, thus once again confirming SGS competence to provide Russian Certification Services within GOST R system.

Certification and marketing closely linked

On May 31st, SGS delivered a workshop in Paris about the certification of consumer products in Russia within "Avenir Export" trade fair. At the workshop, Olga Lambert (SGS France) explained the impact of certification over marketing strategy while exporting to Russia using the 4 P's concept (Product, Price, Place, Promotion).

4. Customer's point of view

Sound advice make clients loyal

In April-May, SGS GOST carried out customer survey involving 19 countries with the objective to better understand client's needs and attitudes. One of the survey's conclusions: it is, primarily, the customer care that makes Russian certification clients loyal to SGS, namely individual attention, sound advice, open and fast communication, willingness to solve arising problems.

Russia ranks 3rd automotive country in Europe

According to Ernst&Young, Russia ranks the 3rd country in Europe for direct foreign investments into the automotive industry. In fact, mid-June Toyota laid the foundation of its plant in St.Petersburg, following Ford, General Motors and Renault. DaimlerChrysler has been also negotiating with Russian government.

Packaging attracts investors & traders

Evaluated at USD 2 bln p.a. by Russian Ministry of Industry & Energy, the packaging market in Russia expands, mainly due to retail development. A number of investments are in the pipeline. Moscow "Rosupak" fair in June featured over 750 exhibitors from 40 countries.

Retail market booming

Kingfisher will open its first Russian Castorama store before end 2005 with assortment both locally produced and imported. Marks&Spenser and Body Shop intend to start up in Russia through franchising. H&M and Wal-Mart also consider entering the Russian market, although the final decision has not been taken yet.

ATEX makes life easier in Russia

On June 8th, SGS conducted a seminar in Hamburg regarding Russian certification of industrial goods. The workshop addressed such issues as acceptance in Russia of EU regulations, e.g. ATEX; test methods and sample requirements; steps of implementing projects in Russia from design review and approval by local authorities, certification of hazardous equipment up to commissioning. Real-life example showed ways to reduce costs and duration of certification.

Ludmila Wdowenko, SGS Germany: "*Judging by the many questions asked at the seminar, such a training is needed by our clients, and we are going to organise similar event by the end of 2005.*"

Case studies on the web

Two case studies have been placed on the Internet outlining Russian certification projects for **Saipem S.A.** equipping **CPC Marine Terminal**, Novorossiysk, and **Total Petrochemicals USA Inc.** supplying to **Polystyrene Plant**, Nizhnekamsk.

"In SGS we found a reliable partner able to provide competent support while exporting to Russia", - noted Alwin-Ernst Kunz, Procurement Division Manager with Saipem S.A.