A
Global Country Study Report
On
Russia

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PART – I

OVERVIEW OF BUSINESS & TRADE IN RUSSIA

DEMOGRAPHIC PROFILE OF RUSSIA

Population – 138,739,892 (July 2011 est.)

Age structure – 0-14 years: 15.2% (male 10,818,203/female 10,256,611) 15-64 years: 71.8% (male 47,480,851/female 52,113,279) 65 years and over: 13% (male 5,456,639/female 12,614,309) (2011 est.)

Median age – Total: 38.7 years

Male: 35.5 years

Female: 41.9 years (2011 est.)

Population growth rate – 0.47% (2011 est.)

Birth rate – 11.05 births/1,000 population (2011 est.)

Death rate – 16.04 deaths/1,000 population (July 2011 est.)

Urbanization –

Urban population: 73% of total population (2010)

Rate of urbanization: -0.2% annual rate of change (2010-15 est.)

Sex ratio –

At birth: 1.06 male(s)/female

Under 15 years: 1.06 male(s)/female 15-64 years: 0.92 male(s)/female 65 years and over: 0.44 male(s)/female

Total population ratio: 0.85 male(s)/female (2011 est.)

Infant mortality rate –

Total: 10.08 deaths/1,000 live births

Male: 11.58 deaths/1,000 live births

Female: 8.49 deaths/1,000 live births (2011 est.)

Life expectancy at birth –

Total population: 66.29 years

Male: 59.8 years

Female: 73.17 years (2011 est.)

Ethnic groups –

Russian 79.8%, Tatar 3.8%, Ukrainian 2%, Bashkir 1.2%, Chuvash 1.1%, other or unspecified 12.1% (2002 census)

Religions –

Russian Orthodox 15-20%, Muslim 10-15%, other Christian 2% (2006 est.)

Languages –

Russian (official), many minority languages

Literacy –

Definition: age 15 and over can read and write

Total population: 99.4%

Male: 99.7%

Female: 99.2% (2002 census)

Education expenditures –

3.9% of GDP (2006)

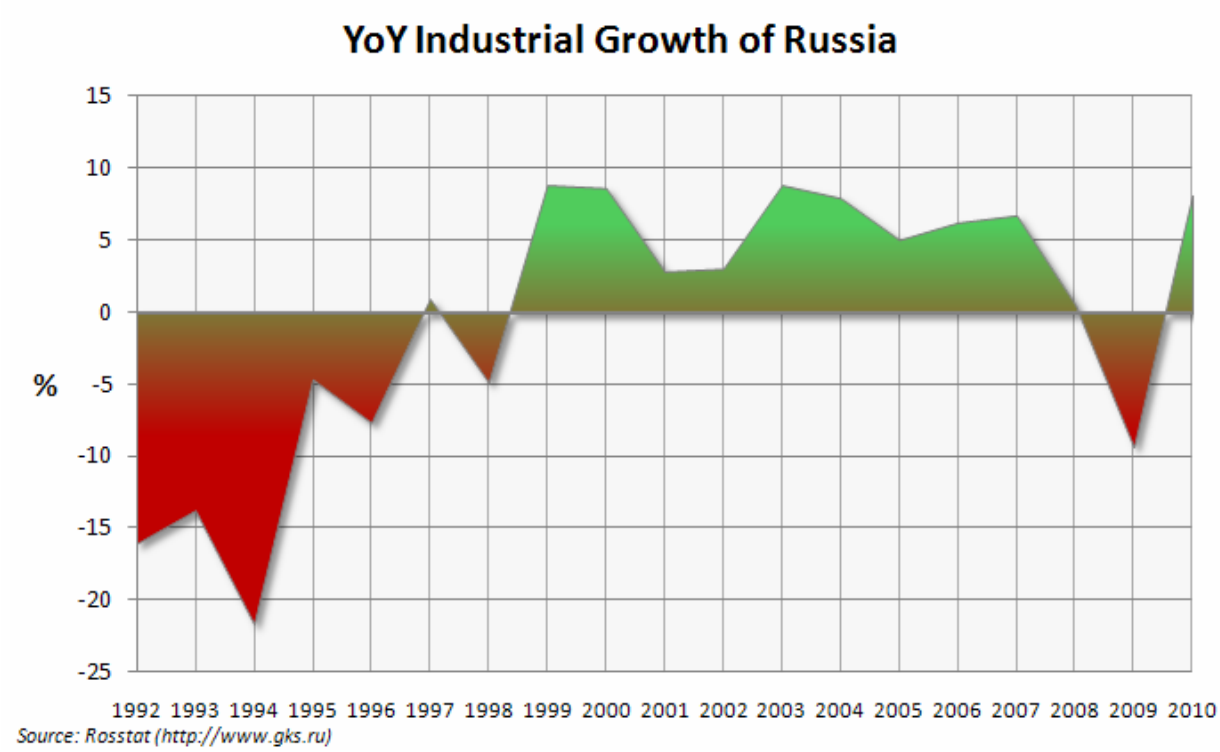
Health expenditures- 5.4% of GDP (2009)

OVERVIEW OF DIFFERENT INDUSTRIES OF RUSSIA

The various economic sectors functioning in the Russia economy are as follows:

Graph: 1

Russia's industrial growth p.a. (%), 1992–2010



Source:

http://en.wikipedia.org/wiki/File:Russia_industrial_growth_chart_YoY.PNG

Russia is one of the most industrialized of the former Soviet republics. In the 2000s, Russia's industry, due to growing demand and developed state finances, emerged from a deep crisis caused by the Soviet Union dissolution.

Electronics industry– Russia is experiencing a re-growth of Microelectronics, with the revival of JCS Mikron. An example of a successful Russian consumer electronics company is Telesystems, whose products are sold in over twenty countries.

Defense industry – The defense industry of Russia is a strategically key sector and a large employer. It is a major player in the global arms market. After the United States Russia is the 2nd largest conventional arms exporter, with $8 billions' worth of exports in

2008.Defense industry of Russia employs 2.5 to 3 million people and accounts for 20 percent of all manufacturing jobs. In 2009 the combined revenue of the industry's 20 largest companies was $12.25 billion.

Space industry – Russia's Space industry consists of over 100 companies and employs 250,000 individuals. RKK Energia the largest company of the industry, the chief manned space flight contractor. Top launch vehicle producers are TsSKB and KhrunichevProgress. NPO Lavochkin is the main developer of interplanetary probes, while largest satellite developer is Reshetnev Information Satellite Systems.

Aircraft industry – In Russia, Aircraft manufacturing is a chief industry sector, employing around 355,300 people. The Russian aircraft industry offers a portfolio of internationally competitive military aircraft such as Su-30 and MiG-29, while new projects such as the Sukhoi Superjet 100 are hoped to revive the fortunes of the civilian aircraft sector. Companies belonging to the United Aircraft Corporation delivered 95 new fixed-wing aircraft to its customers in 2009, including 15 civilian models. In addition, over 141 helicopters were produced in Russia.

Automotive industry – Automotive production is a one of the major industry in Russia, employing around0.7percent of the country's total work force or 600,000 people. The industry also supports around 2–3 million people in related industries. Russia was the world's 15th prime car producer in 2010, and accounts for about 7 per cent of the worldwide production. The industry produced 595,807 light vehicles in 2009, down from 1,469,898 in 2008 due to the global financial crisis. The largest companies are light vehicle producers GAZ and AvtoVAZ, while KAMAZ is the leading producer of heavy vehicle. 11 foreign carmakers are constructing plants or have production operations in Russia.

Railroad industry – Russian Railways accounts for 2.5 per cent of GDP of Russia. The percentage of passenger traffic and freight that goes by rail is unknown, since no statistics are available for private transportation such as private automobiles or company-owned trucks. In 2007, around 1.3 billion passengers and 1.3 billion tons of freight went via Russian Railways. In 2007 the company owned; 24,200 passenger cars (carriages) (2007); 19,700 goods and passenger locomotives & 526,900 freight cars (goods wagons)

(2007). In 2009 Russia had 128,000 kilometres of common-carrier railroad line, of which about half is electrified and carries most of the traffic, and over 40% was double track or better. A further 270,000 freight cars in Russia are privately owned (needs source).

Agriculture – Russia comprises roughly three-quarters of the territory of the former Soviet Union. Following the breakup of the Soviet Union in 1991 and after nearly ten years of decline, Russian agriculture begun to show signs of improvement due to organizational and technological modernization.

Northern areas concentrate mainly on livestock, and the southern parts and western Siberia produce grain. Restructuring of former state farms has been an extremely slow process. The new land code passed by the Duma in 2002 should speed restructuring and attract new domestic investment to Russian agriculture. Private farms and garden plots of individuals account for over one-half of all agricultural production.

Telecommunications – Telecommunications industry of Russia is growing in size and maturity. As of 31 Dec. 2007, there were an estimated 4,900,000 broadband lines in Russia.

There were more than 300 BWA operator networks, accounting for 5% of market share, with dial-up accounting for 30%, and Broadband Fixed Access accounting for the remaining 65%, in Russia.

The financial crisis, which had hit the country at the end of 2008, caused a sharp fall of the investments by the business segments and a notable decrease of IT budget made by government in 2008–09. As a consequence, the IT market in Russia in 2009 declined by one third in euro terms and by more than 20% in ruble terms.

Transportation – Two national transport strategies has been adopted by Russia in recent years. On 12 May 2005, The Transport Strategy of the Russian Federation to 2020was adopted by the Russian Ministry of Transport adopted. After three years, on 22 November 2008, the Russian government adopted a revised strategy, extending to 2030.

The export of transport services is a significant component of Russia's GDP. The government anticipates that between 2007 and 2030, the measures included in its 2008 transport strategy will raise the export of transport services to a total value of $80 billion, a sevenfold rise on its 2008 value. Foreign cargo weight transported is expected to rise to 100 million tonnes from 28 million tonnes over the same period.

GENERAL OVERVIEW OF BUSINESS, COMMERCE AND TRADE

Russia sells a broad range of commodities and manufactures including petroleum and petroleum products, metals chemicals, wood and wood products, natural gas and a wide variety of civilian and military manufactures. Russia's largest trading partners for exports are United States, Ukraine, Germany, the Netherlands, Belarus and China.

Russia imports machinery and equipment, medicines consumer goods, sugar, grain, meat and semi-finished metal products. Russia's largest trading partners for imports are Germany, the United States, Italy, Ukraine, Belarus and Kazakhstan.

TABLE: 1

Commodity structure of export of the Russian Federation (at actual prices)

	1995	2000	2005	2006	2007	2008	2009	2010
	Bln. USD							
Export – total	78.2	103	241	301	352	468	302	397
of which:								
Foodstuffs and Agricultural raw materials (excluding textile)	1.4	1.6	4.5	5.5	9.1	9.3	10.0	8.8
Mineral products	33.3	55.5	156	199	228	326	203	271
Chemical products, Rubber	7.8	7.4	14.4	16.7	20.8	30.2	18.7	24.5
Leather raw materials, Fur and articles thereof	0.3	0.3	0.3	0.4	0.3	0.4	0.2	0.3
Wood, Pulp-and-paper products	4.4	4.5	8.3	9.5	12.3	11.6	8.4	9.6
Textiles, Textile articles and Footwear	1.1	0.8	1.0	1.0	1.0	0.9	0.7	0.8
Metals, Precious stones and articles thereof	20.9	22.4	40.6	48.9	56.0	61.8	38.5	50.5

Machinery, Equipment and Transport means	8.0	9.1	13.5	17.4	19.7	22.8	17.9	21.5
Others	1.0	1.6	2.5	3.1	4.4	4.5	3.8	9.6

	As percentage of total							
Export – total	100	100	100	100	100	100	100	100
of which:								
Foodstuffs and Agricultural raw materials (excluding textile)	1.8	1.6	1.9	1.8	2.6	2.0	3.3	2.2
Mineral products	42.5	53.8	64.8	65.9	64.9	69.8	67.4	68.4
Chemical products, Rubber	10.0	7.2	6.0	5.6	5.9	6.4	6.2	6.2
Leather raw materials, Fur and articles thereof	0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.1
Wood, Pulp-and-paper products	5.6	4.3	3.4	3.2	3.5	2.5	2.8	2.4
Textiles, Textile articles and Footwear	1.5	0.8	0.4	0.3	0.3	0.2	0.2	0.2
Metals, Precious stones and articles thereof	26.7	21.7	16.8	16.3	15.9	13.2	12.8	12.8
Machinery, Equipment and Transport means	10.2	8.8	5.6	5.8	5.6	4.9	5.9	5.4
Others	1.3	1.5	1.0	1.0	1.2	0.9	1.3	2.3

TABLE: 2

Commodity structure of import of the Russian Federation (at actual prices)

	1995	2000	2005	2006	2007	2008	2009	2010
	Bln. USD							
Import – total	46.7	33.9	98.7	138	200	267	167	229
of which:								
Foodstuffs and Agricultural raw materials (excluding textile)	13.2	7.4	17.4	21.6	27.6	35.2	30.0	36.4
Mineral products	3.0	2.1	3.0	3.3	4.7	8.3	4.1	5.2
Chemical products, Rubber	5.1	6.1	16.3	21.8	27.5	35.2	27.9	36.9
Leather raw materials, Fur and articles thereof	0.2	0.1	0.3	0.4	0.7	1.0	0.8	1.2
Wood, Pulp-and-paper products	1.1	1.3	3.3	4.0	5.3	6.5	5.1	5.9
Textiles, Textile articles and Footwear	2.6	2.0	3.6	5.5	8.6	11.7	9.5	14.2
Metals, Precious stones and articles there of	3.9	2.8	7.7	10.6	16.4	19.3	11.3	16.9
Machinery, Equipment and Transport means	15.7	10.7	43.4	65.7	102	141	72.7	102
Others	1.9	1.4	3.7	4.8	7.2	9.1	6.0	10.5

	Russia	India
agriculture	10%	18%
Industry	32%	20%
Services	58%	62%

	As percentage of total							
Import – total	100	100	100	100	100	100	100	100
of which:								
Foodstuffs and Agricultural raw materials (excluding textile)	28.1	21.8	17.7	15.7	13.8	13.2	17.9	15.9
Mineral products	6.4	6.3	3.1	2.4	2.3	3.1	2.4	2.3
Chemical products, Rubber	10.9	18.0	16.5	15.8	13.8	13.2	16.7	16.1
Leather raw materials, Fur and articles thereof	0.3	0.4	0.3	0.3	0.4	0.4	0.5	0.5
Wood, Pulp-and-paper products	2.4	3.8	3.3	2.9	2.7	2.4	3.1	2.6
Textiles, Textile articles and Footwear	5.7	5.9	3.7	4.0	4.3	4.4	5.7	6.2
Metals, Precious stones and articles there of	8.5	8.3	7.7	7.7	8.2	7.2	6.8	7.4
Machinery, Equipment and Transport means	33.6	31.4	44.0	47.7	50.9	52.7	43.4	44.4
Others	4.1	4.1	3.7	3.5	3.6	3.4	3.5	4.6

PESTEL ANALYSIS OF RUSSIA

POLITICAL ENVIORNMENT

The Russian political system is one of the more recent to embrace social equality but remains deeply flawed in terms of its democratic credentials, over whiningly tainted by corruption, and extremely unwarranted by the ability and personality of one man, Vladimir Putin.

The Russian Federation was the largest nation to appear from the break up of the Council Union in December 1991. Following the makeupal calamity of 1993, Russia adopted a new makeup in a referendum of December 1993. Essentially the country is described as a federal presidential republic.

The Federation Treaty and the Regional Power

In the Soviet period, some of Russia's approximately 100 nationalities were granted their own racial enclaves, to which varying formal federal rights were close. Other smaller or more dispersed nationalities did not receive such acknowledgment. In most of these enclaves the ethnic Russians constituted a majority of the population of the titular nationalities typically enjoyed unequal representation in various local government bodies and Relations between the central government and the subordinate jurisdictions and in the middle of those jurisdiction, became a political issue in the years of 1990s.

Elections legislation

A set off of legislation governs elections in the Russian Federation. Foundation principles on which elections and citizens' electoral rights are enshrined in the Constitution and clarified in the Law on Basic Guarantees of Electoral Rights and the Rights of Citizens of the Russian Federation to Participate in a Referendum (Basic Guarantees). Initially this law was intended to underpin the standards and principles that would govern all elections. As it was enacted in 1994, the Basic Guarantees law also set forth relatively specific procedural principles on which subsequent election laws were to be based. Throughout the years, the law was modified.

Russian electoral legislation suffers from an unusual degree of instability. In the past, a new law was adopted for each Duma election in 1995 for the 1995 elections, in 1999 for the 1999 elections, 2002 for the 2003 elections and 2005 for the 2007 elections. The amendments to the legislation that were passed in the period from 2005 to 2007 were

more radical than those of the earlier 10 years. The Duma election law of year 2005 continues to apply, though it has been the subject of several amendments. From 1994 to 2005 all legislators made an effort to adopt the amendments in packages, so electoral legislation was amended once or twice between elections. Since 2006 amending electoral legislation has become a continuous process. In year 2006 and 2007 the authorities amend the law on basic guarantees eleven times and they amended the law on the Duma elections eight times. Between 2008 and 2011 the law on basic guarantees was subject to 28 amendments, while the law on Duma elections underwent 17 amendments.

President

The President of Russia is entitled to stay in office for 6 years. It used to be 4 years but the Constitution was amended in year 2008 to allow the extension to six. It is mainly regulated by thePresidential Election Law (PEL) and the Basic Guarantees of Electoral Rights (BGL).

The PEL specifies the procedures of putting forward candidates for the presidency, either by political parties or by individuals themselves. Political parties officially registered with the Ministry of Justice have legal rights to put forward presidential candidates. The seven political parties that participated in 2011 Duma elections were allowed to submit their candidates as political organizations. Furthermore, the parties which are represented in the current State Duma do not have to collect two million signatures of support for their candidate as all the others should do. There are no constitutional or legal requirements for the president and/or the prime minister to be member of a political party. Individuals can also run for presidency on their own initiative, but such a candidate must be supported by a group of voters that need to be registered with the Central Election Commission. Thus, almost anyone who meets legal requirements theoretically can become a presidential candidate.

The President is elected in a two-round system every 6 years, with a 2 consecutive term limitation. preceding to year 2012 the term of office was 4 years. If no candidate wins by an absolute majority in the 1st round, 2nd election round is held between two candidates with the most votes.

The only time in the presidential elections history of modern Russia when the presidency was decided at the run-off elections occurred in 1996 after incumbent President Boris

Yeltsin gathered most votes at a 1st round but not enough to win outright. At a s2d round he had to face his challenger Gennady Zyuganov representing the Communist Party as the candidate with the second highest number of votes. According to official results Boris Yeltsin won the run-off election with 53.82% of votes against Zyuganov's 40.31%. After the presidential elections of 2000 when Vladimir Putin came to power the number of presidential candidates shrank to 4-5 people, usually the leaders of officially registered political parties. The last presidential election was in year 2012 and the next is expected in year 2018.

Parliament

These elections were conducted under a number of comprehensive and highly detailed laws and minor acts primarily the Law on the Election of Deputies of the State Duma of the Federal Assembly of the Russian Federation ('the Duma Election Law') and the Law on Basic Guarantees of Electoral Rights and the Right to Participate in a Referendum ('the Basic Guarantees Law'). Till May 2012 to participate in the elections, parties not currently represented in State Duma must prove their trustworthiness by either gathering a minimum of 200,000 signatures from potential voters, or paying a bail of approximately $2.5 million. On May 2012 President Medvedev signed a new legislation exempting political parties from the need to collect signatures to run in parliamentary elections

Vote turnout

Voting is not obligatory in Russia. The voter turnout for both the executive and legislative elections has been relatively stable in the Russian Federation in the past 20 years. The lowest turnout was for the 1993 constitutional referendum, when only 54.8% of the registered decided to vote. According to theCouncil of Europe, in general, in rural areas the turnout rate is higher than in urban areas (in the 1995 election 70% and 61% respectively). The home authorities' have power over the population is much stronger in rural areas and in the republics. The Council of Europe also observed an unusual high turnout (average more than 90%) in five North Caucasus republics during the 2004 presidential elections. Since 2007 the minimum turnout of 50% for presidential and 25% for Duma of the registered electorate was abolished. In general the turnout for presidential elections is higher.

Media

The election legislation includes detailed provisions governing the conduct of electronic and print media during the movement, providing for free and paid broadcast time and print space to all political parties registered in the elections on equal conditions for campaign purposes and obligations of state-controlled and personal media. The law also requires same media access for all parties that news items on election events must be separate from viewpoint commentary.

Election technologies

GAS Vybori is an electronic network connecting computer complexes in the elections committee. It was established by presidential decree in 1995 in order to facilitate election-related activities and to provide internal information for the election administration. The vital tasks of the system are aggregation of the election results and assistance in maintaining voters lists and provision of various financial information for parties and candidates. The purpose of such an automated system is to provide speed and a high level of transparency in the electoral process and to facilitate all election actors, including the ordinary voter, in tracking the election results.

THE EXECUTIVE

The Prime Minister is appointed by the President with the approval of the Duma and is first-in-line to the presidency in the case of the President's death or resignation.

In the past the role of Prime Minister has been very much acquiescent to that of the President. However, this situation changed in March 2008 when Vladimir Putin stepped down as President - as he was makeupally required to do - and became Prime Minister while the First Deputy Prime Minister Dmitry Medvedev stepped up to the Presidency.
In May 2012, Putin returned to the Presidency and former President Medvedev became Prime Minister in an exchange of roles.

THE STATE DUMA

The lower house in the Russian Federal Assembly is the State Duma. It is the more abillityful house, so all bills, even those projected by the Federation Council, must first be considered by the Duma. However, the Duma's abillity to force the resignation of the Government is cruelly limited. It may express a vote of no self-assurance in the

Government by a majority vote of all members of the Duma, but the President is allowed to disregard this vote.

The Duma has 450 members who are known as deputies. before seats in the Duma were elective half by proportional illustration (with at least 5% of the vote to qualify for seats) and half by single member districts. However, President Putin passed a decree that from the November 2007 election all seats are to be elective by comparative representation with at least 7% of the vote to qualify for seats. This 7% threshold is one of the highest in Europe and, by introduce this, Putin eliminated independents and made it effectively impossible for small parties to be elective to the Duma. Also the register process for candidates in elections is problematical, so that only very few of the parties that want to field candidates are allowed to do so. All these points have been painted by critics of the Russian system of politics.

Under the original 1993 creation, elections were held every four years but, in November 2008, the makeup was amend to make the Duma's term five years. The last Duma election was held in December 2011, so the next one is to be held in December 2016. Turnout in that election was only 60%.

The Duma is chiefquartered in central Moscow, a few steps from Manege Square.

Square.

THE FEDERATION COUNCIL

The upper house in the Russian Federal Assembly is the Federation Council. The Council has 168 members who are known as senators. Each of the 84 federal subjects of Russia sends two members to the Council.

The federal subjects are the 21 republics, the 47 oblasts, the eight krais, the two federal cities, the five autonomous okrugs and one independent oblast (each grouping of which has different abilities). One senator is elective by the regional legislature and the other is nominated by the out-of-date governor and confirmed by the legislature.

As a result of the region nature of the upper house, terms to the Council are not nationally fixed, but instead are determined according to the regional bodies the senators represent.

The Council holds its sessions within the Main Building on Bolshaya Dmitrovka Street in Moscow, the former home of the Council State Building Agency (Gosstroi).

POLITICAL PARTIES

The main political party is called United Russia. It was founded in April 2001 as a result of a merger between several political parties. It describes itself as centrist, but it is basically a creation of Vladimir Putin and supports him in the Duma and the Federation Council. In the last Duma el ections of December 2011, even with the suspected voting irregularity, United Russia's share of the vote cut down by 15% to just over 49% and the number of its deputies fell by 77 to 238.

The main opponent party is the sociaatmost Party of the Russian Federation led by Gennady Zyuganov. In the last election, it won 19% of the vote and took 92 seats.

The only other parties retaining seats in the Duma are the fake conflict party A Just Russia with 64 seats and the ultra-nationaatmost Liberal independent Party of Russia with 56 seats.

The Western-orientated reform party Yabloko - the next highest in ranking of votes won - secured a mere 3.43% in the last vote

THE JUDICIARY

The legitimate Court of the Russian Federation consists of 19 judges, one being the Chairman and another one being Deputy Chairman. Judges are appointed by the President with the consent of the Federation Council.

The Makeupal Court is a court of limited subject matter jurisdiction. The 1993 makeup emabillitys the Makeupal Court to arbitrate disputes between the executive and parliamentary branches and between Moscow and the district and local governments. The court also is authorised to rule on violations of legitimate power, to examine appeals from various bodies, and to participate in instrument proceedings against the President.

even though in theory the judiciary is independent, most observers believe that major elements of the judiciary - together with the police and action authorities - are under the political control of the Kremlin and more specifically Vladimir Putin.

The political scenario cross for Russia A.D. 2020 is based on two uncertainties. One axis concerns whether Russia moves towards more centralized form of Government or towards a more decentralized form of Govt. The other axis concerns whether Russia moves towards an autocracy or towards a democracy. Below is a brief presentation of the trends that pull political developments in Russia in different directions.

Based on Russia's major development al trends and on the selected uncertainties we have worked out 4 different political scenarios. They are presented first in a point by point summary followed by a closer look at each.

Two political uncertainties axes

1. Centralised political power or decentralized political power? Much Russian view the dissolution of the Russian federation as a nightmare. This is one of the reasons why many forces support centralized power structure. Since putting came to power, political power in Russia has become more concentrated. The Russian constitution grants great power to the office of the president, and putting has taken advantage of that. Russia has experienced a greater political consensus, but also a growing sense of apathy towards the political life. Putin has clipped the wings of the federation council, and the seven super-governors, are appointed directly by the kremlin. Up until the parliamentary election in 2007 and the presidential election in 2008 we can expect Russian policy to be centrally decided, and there are prospects of constitutional amendment that will consolidate the current Russian power structures. Whether or not the next election terms will bring a decentralized of power and more democracy will depend on a nod of factors that can be used as indicator of what scenario that is most likely for Russia towards 2020. Looking 5-15 years ahead, there are several factors that point towards the development of a more decentralized political structure. Growing prosperity and political stability leads to a growing civil society. Combined with growing individualization this leads to a more matured political atmosphere. In the long run, Russia could well develop a decentralized democratic political tradition. A lot depends on how the civilian sector develops and how it comes to view such moral codes as business moral and political principle. The growing Russia middle class will have a great deal of influence on the political development. If the middle class is politically inactive, it will not serve to create the foundation for decentralized political design in Russia. Another force that will pull in the direction of greater decentralization of political power is pressure from the federal components. We may experience a growth of identities on a level below that of nation, egg. Solidarity based on growing regional, religious or ethnic fellowship.

2. Autocracy or democracy? The Russian constitution rents great power to the president. During Putin's term of office there have been a nod of autocratic tendencies, and influence of the security service has increased. There have been accusations of growing no of human rights violation and freedom of speech has been threatened. Putin's administration has full support of the Burma, which is dominated by the party united Russia. Currently Russia effectively as one party system and it's difficult to imagine any powerful opposition in the near future. The civilian sector is relatively weak and is not potent opponent to the existing power structure. The economic political power elite as consolidator its power for the time being. The parliamentary elections of 2003 created a parliament that is very loyal to the kremlin. In March 2004, Putin appointed Mikhail fad koi to the post of prime minister. He is known as skilled bureaucrat and cannot be expected to take any independent initiatives or oppose Putin in any way. He will proceed over a cabinet with limited authority.

1st POLITICAL SCENARIO: return to dictatorship

In 2020, Russia is run by a strong presidential cabinet supported by security apparatus. Economic, foreign, and security policy is run by the kremlin. The duma dominated by a one party system and the federation council has no real powers. Nationalism is a watch world, and that results in hardball diplomacy towards the SNG countries

The constitution speaks of a democratic country, but reality is different. The president interferes at will with the business of the duma while it becomes more and more difficult for the duma to influence presidential decision. Personal contacts and 'Kremlinology' dominate the political landscape. There is frequent replacement at the top of the political hierarchy. Autocratic and centralistic regime has evolved into an inefficient government characterized by nepotism, corruption, etc.

2nd POLITICAL SECNARIO: Democratic super power

It has now been 30years since Russia remerged as sovereign nation following 3 quarters of a century under the dictatorship of the Soviet Union. Russia has evolved into a democratic superpower closely integrated in the global network. Effective legislative, executive, and judicial institution runs the country. The constitution grants the president great powers, but federation council and the duma have great influence. Economic,

foreign, and security policy is shaped by the president via the kremlin. Russia has thus developed into a matured, member of the international community. At the same time the cultural identity of the Russian people and society remains distinctive despite its leavening of the secular, global way of life.

The Russian nation is firmly based on the constitution that emphasizes the democratic interaction between government and people. Compared to the constitution of most European democracy that of Russia grants relatively wide powers to the president while the parliament wields a more low key but still considerable political authority. The constitution is democratic and there is separation between the legislative, executive, and judicial branches of government.

3rd POLITICAL SCENARIO: The Regions

The year is 2020 and Russia is dominated by the regions. Times are hard for democracy, and government is more restrictive today than it was 15 years ago. But it is a bureaucratic and inefficient government constructed of a plethora of hierarchal system. In this scenario, the regional differences have led to a situation where the central government is losing power and breaking down in some areas.

4th POLITICAL SCENARIO: The Federation

Russia old structure are weathering way as the border disappears and the Russian region as well as the Russian people increasingly assumes areas of responsibility from the state and integrate across the formal borders . The Russian federation has a president with reduced power. The federal subjects have assumed great political and economic authority from the state but exercise this authority within a common set of guidelines and responsibilities.

ECOLOGICAL ENVIRONMENT

Among Russia's most important environmental problems:

- *Water pollution is the most serious concern.* Less than half of Russia's population has access to safe drinking water. While water pollution from industrial sources has diminished because of the decline in manufacturing, municipal wastes increasingly threaten key water supply sources, and nuclear contamination could leach into key water sources as well. The head of Russia's environmental protection committee estimates that the cost of raising the quality of Russia's entire drinking water supply to official standards could be as high as $200 billion.

- *Air quality is almost as poor as water quality, with over 200 cities often exceeding Russian pollution limits, and is likely to worsen.* The number of vehicles on the road has increased rapidly, and their emissions will offset reductions in industrial air pollution owing to reduced economic activity and greater reliance on natural gas.
- *Solid waste generation has increased substantially due to adoption of Western-style consumption patterns.* Russian municipalities, however, lack management expertise and landfill capacity to cope with disposal problems.
- *Hazardous waste disposal problems are extensive and growing.* Russian officials estimate that about 200 metric tons of the most highly toxic and hazardous wastes are dumped illegally each year in locations that lack effective environmental or public health protections or oversight.
- *Nuclear waste and chemical munitions contamination* is so extensive and costly to reverse that remediation efforts are likely to continue to be limited largely to merely fencing off affected areas.

Environmental problems are harming both the health of Russia's citizens and the economy: US, Russian, and World Bank studies link an increase in respiratory and gastrointestinal illnesses and developmental problems among children in several

Russian cities in part to environmental factors. A 1996 joint US-Russian government study found that one-quarter of kindergarten pupils in one city had lead concentrations above the threshold at which intelligence is impaired, while a US government study noted a rise in the incidence of waterborne diseases and environmentally related birth defects. A Russian government report cited air pollution as a contributing factor to 17 percent of childhood and 10 percent of adult illnesses.

- Pollution is adding to budgetary strains, reducing labor productivity through illness and absenteeism, and damaging natural resources. It also is deterring some domestic and foreign investors concerned about cleanup and liability issues. A team of Russian experts has pegged overall economic losses from environmental degradation at 10 to 12 percent of GDP--roughly similar to estimated losses in East European countries and substantially higher than estimates of 1 to 2 percent in developed countries. Some of the problems are primarily a legacy of Russia's

Soviet past. Among the factors most responsible for environmental destruction:

- Soviet planners strongly emphasized the development of heavy industries over other sectors of the economy, and Russia is now burdened with a large stock of aged, inefficient, and highly polluting plant and equipment, the bulk of which requires repair or replacement.
- Soviet production criteria led to inefficient use of Russia's abundant natural resources and energy, which were treated as free or heavily subsidized goods. This encouraged waste.
- The priority of defense and the security surrounding defense industries and military installations allowed authorities to be extraordinarily reckless in their treatment of the environment--including simply dumping radioactive and other hazardous wastes onto nearby land and in waterways.
- The collectivization of agriculture destroyed individual responsibility for the land. Feverish campaigns to "solve the food problem" led to the overuse of chemical fertilizers and pesticides, the depletion of arable land, and the cultivation of vast areas of marginal and semiarid lands easily damaged by intensive agriculture.
- Environmental standards, although often set high, were seldom enforced. Departments charged with protecting natural resources were often subordinate to ministries whose main goal was increasing production.

Other Russian environmental problems are more closely associated with the country's political and economic transition during the 1990s, particularly its halting move from a command to a free market economy:

- Industrial output has plummeted during the 1990s, but pollution from air and wastewater emissions has not declined as fast. Firms routinely underreport their emissions and cut capital investment, maintenance, and the quality of fuel they use to trim costs (see figures 2, 3, and 4). Such cuts have caused the environmental performance of facilities to deteriorate, and the frequency of industrial accidents that cause environmental damage to increase. Oilspills and leaking oil pipelines, for example, are commonplace.
- The competitive sectors of the new Russian economy tend to be oriented toward production of commodities that are energy, resource, and thus pollution intensive. During the 1990s, oil, gas, timber, and metals have accounted for about 70

percent of Russia's reported export revenue, and they will continue to comprise the bulk of Russian exports.

- Russia also must confront many of the environmental problems associated with the consumerism and unchecked development associated with free market systems, such as burgeoning solid waste streams from packaged goods, traffic congestion, urban sprawl, and a rush by private firms to exploit natural resources.

Water

Russia's leading environmental concern is water pollution. Municipalities are the main source of pollution, followed by industry and agriculture. Russian and foreign experts estimate that less than one-half of Russia's population has access to safe drinking water. Sixty-nine percent of the nation's wastewater treatment systems lack sufficient capacity.

Only 13 percent of reported wastewater flows were treated to meet Russia's relatively high-quality water standards in 1996, the latest period for which we have reporting. According to the Russian Government, "practically all" of the water courses in the Volga watershed--an area that covers two-thirds of European Russia--do not meet Russian standards.

Russia's three military plutonium production sites--Chelyabinsk-65 (often referred to as

Air

Poor air quality is almost as serious a problem as water pollution. In 1996 over 200 cities in Russia often exceeded the levels prescribed by Russian health standards for annual concentrations of at least one pollutant, according to a Russian government report. Eight cities exceeded health standards for three or more pollutants, and they did so by at least a factor of 10. In comparison, according to the US Environmental Protection Agency, air pollution levels in the Los Angeles area, which has the worst overall air quality in the United States, rarely exceed US standards--which are similar to Russia's--by a factor of more than 1.5.

Land

Solid and hazardous wastes present acute threats to the land and are likely to continue to do so:

- Russia's urban and new suburban communities do not have the management

expertise or landfill capacity to cope with solid waste disposal, and the popularity of Western-style consumer goods and packaging has worsened waste disposal problems.

- Russians illegally dump about 200 metric tons of the most highly toxic and hazardous wastes each year in locations that lack any health protections or oversight, according to Russia's environment agency. Hazardous waste disposal problems are likely to increase with the continued illegal dumping of domestic and foreign-origin wastes.

- Russia's military facilities remain significant sources of hazardous wastes. Petroleum-based products have contaminated the ground at many military bases, particularly around areas used for fuel storage and vehicle maintenance. Radioactive material from Russia's nuclear weapons complexes at Chelyabinsk, Tomsk, and Krasnoyarsk-26 have contaminated the nearby region for decades. Other sites of concern are the home ports of the Northern and Pacific Fleets, where thousands of tons of spent nuclear fuel assemblies, solid and liquid radioactive wastes, and reactor compartments have accumulated, both as a result of regular naval fleet operations and programs to dismantle and scrap some submarines.
- Although the Russians established a military ecological service in 1997 to monitor and clean up contamination caused by military activities, funding shortfalls are likely to limit government efforts largely to documenting stocks and flows, posting warnings, and fencing off hazardous areas.
- Russian forest losses in the 1990s have been double those of the 1980s because of limited efforts to prevent fires, pest infestations, and diseases. Depletion of forests is likely to increase if the government's ambitious plan to boost logging output by subsidizing production and attracting foreign investment is implemented.
- The Soviet regime for many years pushed farming into fragile and arid pasturelands and also supplied farmers with agrochemicals at virtually no cost, resulting in excessive levels of nitrates in up to 10 percent of food samples in Russia. Although subsidies for such agrochemicals are being reduced, the widespread soil degradation and groundwater contamination will be difficult and costly to remedy.

Costs of Environmental Degradation

Russia's pervasive water, air, and land pollution is harming both the health of Russia's citizens and the economy. Although total costs are difficult to calculate because of inadequate economic data, the contributing impact of lifestyle factors such as poor diet and smoking, and poor health delivery systems, a variety of official and private studies indicate environmental degradation is taking a heavy toll.

Health Impact

Environmentally related health problems in Russia are extensive and growing, adding to adult and infant mortality rates that have risen substantially over the past decade:

- The link between environmental degradation and poor health is amply reflected in a 1994 World Bank report noting documented cases in several Russian cities of developmental problems among children ingesting lead, of air pollution causing acute and chronic respiratory problems such as bronchitis and asthma, and of nitrates in drinking water causing methemoglobinemia among newborns--which prevents blood cells from absorbing oxygen and leads to slow suffocation.
- A 1996 joint study by the Russian Ministry of Health and the US Centers for Disease Control and Prevention found that one-quarter of kindergarten pupils in the city of Saratov had lead concentrations above the threshold at which intelligence is impaired. A Russian study of children in St. Petersburg found their mercury levels to be 1.5 to 2 times higher than is typical of children in London and New York, while another study of children in Klin, cited by Laurie Garrett in a 1997 article for *Newsday*, found high rates of asthma, chronic digestive diseases, and endocrine system problems.
- Although we are not aware of the methodology employed, the Russian Ministry of Health estimates that children exposed to higher levels of air pollution generally suffer 70 percent more illnesses than those living in unpolluted areas, and the Russian State Report on the Environment for 1994 cites air pollution as a contributing factor to 17 percent of childhood and 10 percent of adult illnesses.

Environment-related health problems also appear to be growing. The Defense Intelligence Agency's Armed Forces Medical Intelligence Center (AFMIC) reports that cases of waterborne diseases--such as dysentery, typhoid, cholera, and viral hepatitis A

and E--have risen substantially during the past decade. The annual incidence of some, such as dysentery, has increased as much as 25 percent in some years, and there have been a series of dysentery and cholera epidemics in cities such as St. Petersburg in recent years. AFMIC also cites a report by Russian scientists that the number of cases of environmentally related birth defects also is on the increase.

The Russian public has taken note of the adverse impact of environmental degradation on its health. In one public opinion survey, cited in a 1994 study by B. I. Kochurov sponsored by the National Council for Soviet and East European Research, 80 percent of respondents associated a decline in their health with pollution, and 68 percent believed pollution affected their children's health.

Economic Impact

Environmental pollution has had a substantially negative impact on Russia's economy. It contributes to health-related budgetary strains, reduces labor productivity, curbs tourism and investment, and lowers the yield of natural resources. Environmentally linked illnesses also limit the military manpower pool:

- Premature mortality related directly to environmental factors resulted in an estimated loss of labor potential of some 82,000 person years in 1991, according to a report to Russia's Security Council. The loss of labor potential because of environment-related illness is far higher. A Russian newspaper reported in October 1997 that one in three draftees is rejected for health reasons--up from one in 20 in 1985 and, in some cases, probably environmentally induced.
- Pollution in the Black Sea has cut the fish catch from 1.5 million tons in 1985 to 100,000 tons in 1994, according to a 1995 Twentieth Century Fund Report by Murray Feshbach, and also has hurt tourism.
- Some foreign firms limit or avoid investing in former Communist states such as Russia, in part because they are concerned they will be responsible for cleaning up past contamination and because of ambiguities about environmental standards, liability rules, and levels of enforcement.

Although we have insufficient information to determine with confidence the economic impact of environmental problems, a team of senior Russian environmental economists and geographers have pegged total losses from environmental degradation at 10 to 12

percent of GDP. This is similar to estimated losses in East European states, but substantially more than the 1 to 2 percent of GDP lost because of environmental degradation in developed states.

Regional and Global Impact

Russia's environmental problems will continue to pose substantial threats to neighboring regions and to the world during the next decade:

- Russia is a major polluter of the Black and Caspian Seas and other waterways in the region. The cities of St. Petersburg and Kaliningrad are substantial contributors to pollution problems in the Baltic Sea and have been slow to engage in regional cooperative programs to reduce water pollution.
- Nuclear waste storage and disposal will continue to be a formidable challenge. The Russian Navy until the mid-1990s released liquid and solid radioactive wastes into the Arctic Sea, the Sea of Japan, and the Northern Pacific Ocean, causing many countries considerable concern. Although no widespread radioactive contamination of the Arctic marine environment has occurred, runoff from onshore associated naval facilities has contaminated sediment along the shoreline.
- Russia has dumped chemical munitions in the Baltic, White, Barents, and Kara Seas. According to a study by the MEDEA group, however, contamination from any leaking munitions probably would be limited to the area of a dumpsite and to heights of a few meters above the seafloor with little possibility that toxic concentrations could be transported to nearby shores. Nonetheless, direct contact with leaking munitions, particularly in the Baltic Sea, has harmed and even killed some commercial fishermen.
- Russia continues to produce about half the world's chlorofluorocarbons (CFCs)--linked to depletion of the ozone layer--and ranks third behind the United States and China in carbon dioxide emissions. Russia is likely to remain a significant producer--and exporter--of illicit ozone-depleting substances for at least the next several years, despite an international effort under way to convert Russia's CFC production capacity to environmentally safer products. Most illicit CFCs seized by US Customs in recent years have been produced in Russia. Even if conversion occurs, illicit production, use, and export of CFCs and other ozone-depleting

substances is likely to continue, given Russia's thriving black market and weak law enforcement.

- A potentially serious danger emanating from Russia would be radioactive fallout from an accident in one of Russia's 29 poorly constructed, aging, and often poorly maintained nuclear power plants, especially those located close to international borders--such as the plants in St. Petersburg and on the Kola Peninsula. According to one former senior member of Russia's State Atomic and Radioactive Oversight Committee, safety norms for Russian nuclear reactors are greatly outdated.

Government Focusing on Economy

Russian political leaders and bureaucrats lack the commitment, resources, and organizational capabilities to address environmental issues effectively, according to a 1997 study by Demosthenes James Peterson written under the auspices of the National Council for Eurasian and East European Research. Some features of the government's latest economic plan, such as its support for ailing and highly polluting state enterprises, will further complicate environmental cleanup if they are implemented:

- The Ministry of Natural Resources and the State Committee for Environmental Protection, which are responsible for natural resources management and environmental protection, respectively, lack the incentive and capability to craft and enforce environmental legislation. Businesses or individuals that violate environmental codes typically avoid or minimize penalties, often by paying bribes.
- The Ministries of Economics and Finance--the two institutions that have the greatest de facto influence on environmental conditions in Russia--are focusing on stopping Russia's economic deterioration and stabilizing the country's financial markets, not on the environmental impact of their actions.
- Government spending on the environment is extremely low--even by comparison with limited spending of the Soviet regime during the late 1980s--and is likely to remain so. Less than 0.5 percent of total federal budget spending, or about $480 million, was allocated in 1997. Spending on water quality dropped 90 percent

from levels of the 1980s. The actual amount the Ministry of Finance disbursed, moreover, was about one-third less because of government budgetary adjustments intended to limit the federal deficit.

- Russia's parliament has passed a range of environmental legislation since 1991, but the provisions are poorly drafted and unrealistic given limited fiscal resources, institutional capacity, and technology.
- Russian environmental assessments often are arbitrary and subject to political manipulation. They also are too imprecise to provide sound guidance for the protection of natural resources.

How Much Would Cleanup Cost?

The costs of substantially reducing Russia's environmental pollution will be prohibitively high, given Moscow's chronic fiscal problems. For example:

- The cost of cleaning the coast of Russia's maritime territory in the Russian Far East would be about $5 billion and take 20 years, according to a group of Russian, US, and Norwegian experts.
- Bringing the quality of Russia's entire drinking water supply up to official standards would require expenditures of about $200 billion, according to a statement attributed to Viktor Danilov-Danilyan, Chairman of Russia's State Committee for Environmental Protection, by Murray Feshbach in a 1998 study on environmental and health problems in the former Soviet Union.

The cost of raising the nuclear safety levels to official standards for the entire former Soviet Union, most of which would have to be borne by Russia, would be about $26 billion, according to Russian estimates.

Source for ecological environment:

This summary of ecological environment was produced by the National Intelligence Council, Chairman, and the DCI Environmental Center, Director. It was prepared under the auspices of the National Intelligence Officer for Economics and Global Issues, and

the National Intelligence Officer for Science and Technology, and the National Intelligence Officer for Russia and Eurasia.

SOCIO CULTURE ENVIRONMENT:

RUSSIAN FOOD:

- Russian cuisine is diverse, as Russia is the largest country in the world.
- Combination of plentiful fish, poultry, game, mushrooms, berries, and honey.
- Crops of rye, wheat, barley, and millet provided the ingredients for a plethora of breads,
- pancakes, cereals, kvass, beer, and vodka.
- Soups and stews full of flavor are centered on seasonal or storable produce, fish, and
- meats.

According to us, the socio-cultural environment causes problems especially for the firms that are just beginning their operations there. The operations mode and management culture is very different as compared to India , and if not aware with this difference problems will surely come. Most of their assistants and managers speak English now but as we go higher Russian is a must, coz the fact is that 81% people speak Russian. Russians generally say what the listener wants to hear but act totally in a different way. Russians are clever negotiators, which often surprise Indians. The know-how is also generally on a good level. The culture brings along the differences in behavior and ways of negotiating; Russians often present their ideas with polite words avoiding frankness. The seller are supposed to be able to get the message from nicely put sentences. This is where the Russian language barriers comes up.: the negotiation language is Russian, which naturally leads Russian ahead of us in the initial position in the meetings.

The people are commonly well educated, especially in the biggest cities. The engineering education , especially, is well appreciated in Russia, at least on theoretical level. The problem seems to lie in practical level; the processes of producing high quality

products are not managed. Thus although there is know-how in Russia, they still seem to lack skills in practical production and in technology, creating further opportunities for the Indian exporters.

The working moral, especially among the young people has increased in Russia: they are working harder and longer days. Thus the old opinion of the Russians and especially the Soviet Union citizens being lazy people is beginning to be but a vague memory.

In today's business life the flow of information no longer plays an important role. the most common channels of communication in business with Russians are internet and telephone, also fax was still often used. The Russian also value and expect face-to-face meetings, thus they were considered necessary in the trade with Russians. A quick delivery time is one of the biggest competitive edges in Russia. The problem with information flow at the moment seemed to lie in the complexity of the supply chains: the many intermediaries between the end customer and the exporter that may delay, change or even hide the original message.

According to us, the socio-cultural environment causes problems especially for the firms that are just beginning their operations there. The operations mode and management culture is very different as compared to India if not aware with this differentiation problems will surely come.

Nowadays the behavior is constantly changing towards the western style, further easing the business operations there. At the same time they predicted that Russia will hardly ever be entirely a western country.

The language skills of Russians have improved among the young companies that hire younger generation. Most of their managers speak English now but further higher Russian is a must coz the fact is that 81% people speak Russian. Hiding of the profits and avoiding of taxes all together with the fact that Russians often say what the listener wants to hear but act entirely different.

Russians are generally clever negotiators, which often surprised the Indians. The know-how is also generally on a good level. The culture brings along the differences in behavior and ways of negotiating:

Russians often present their ideas with polite words avoiding frankness. The sellers are then supposed to be able to get the message from nicely put sentence. This is where the

Russian language barriers comes up.: the negotiation language is Russian which leads Russian ahead of us in the initial position in the meetings.

The engineering education , especially, is well appreciated in Russia, at least on theoretical level. The problem seems to lie in practical level; the processes of producing high quality products are not managed. Thus although there is know-how in Russia, they still seem to lack skills in practical production and in technology, which is partlyexplained by the lack of money creating further opportunities for the Indian exporters. The obsolete technology in many branches in Russia demands a lot of investment and renovation in the near future , creating futher opportunities for the finnish exporters. The working moral, especially among the young people has increased in Russia: they are working harder and longer days. Thus the old opinion of the Russians and especially the Soviet Union citizens being lazy people is beginning to be but a vague memory.

The solvency and reluctance to pay among the Russians is beginning to be better than the reputation. Every now and then Finnish firms come into contact with dishonest and non-paying customers. The Finnish Russian chamber of commerce always recommends that before moving to crediting the Russian customers the firm should check the background and determine the solvency of that customer.

They considered that the late payments have mainly been due to the Russian enterprises keeping the money circulating. They lack methods of planning the cash flow and finance in general. The late payment from their customer causes them to retard their payment to the exporter and vice versa, when their customer pays on time, they are able to pay on time. The people who have done business had credited the most liable Russian customers but used advance payments or letter of credit the with the new customers and customers whose reliability and background they had not been able to acquire or that information had not assured the company. The competition in the Russian market has, however, lead to competition in terms of payment as well. The exporters found it difficult to offer advance payments, especially when competing of a bigger customers. They were thus forced to give longer terms of payment and as all of the payments never came in time, the occurred problems were obvious.

The most common channels of communication in business with Russians are internet and telephone, also fax was still often used. The Russian also value and expect face to face meetings, thus they were considered necessary in the trade with Russians. The problem with information flow at the moment seemed to lie in the complexity of the supply chains: the many intermediaries between the end customer and the exporter that may delay, change or even hide the original message. It is difficult to predict Russia as the problem with forecast in Russia is that although some figures are available no one seems to be able predict the development of the Russian markets. There are too much of variables, which from the western point of view seem incomprehensible. The situation has, however, improved from what it still three to four years ago when any numbers for forecasting were impossible to get

Meeting Etiquette

- The greeting starts with a firm handshake direct eye contact and giving the appropriate greeting for the time of day.
- When men shake hands with ladies the handshake is fewer firms.
- When female friends meet they kiss on the cheek three times, starting with the left and then interchanging.
- When close males meet they may pat each other on the back and hug.

Gift Giving Etiquette

Gift giving using takes place between family and close friends on birthdates or New Year, and Christmas.

- If invited to a Russian home for a mealtime bring a small gift.
- Male guests are probable to bring flowers.
- Do not bring yellow flowers.
- Do not give a baby gift until after the child is born. It is bad luck to give it so sooner.
- Russians often dissent when they are offered a gift. Reply that it is a little something and offer the gift again and it will be recognized

Relationships & Communication

- Russians are transactional and does not need to establish prolong personal relationships before they do business with people.
- It is still a good idea to cultivate a network of people who you know and trust. The Russian word "svyasi" means connections and addres friends in high places which is often required to cut through red tape.
- Patience is needed.
- It is best to slip up on the side of formality when you first make contact.
- Sincerity is crucial as it is required to build trust which is needed to build a relationship.
- they do not trust people who are 'all business'.
- A hint that you have successfully developed a personal relationship is being asked for a favour by that person.

Business Meeting Etiquette

- Appointments are necessary and should be made in advance .
- Check the meeting when you arrive in the country and even again a day or two in advance.
- The first week of May has public holidays so it should be avoided.
- arrive on time for meetings.
- Typical Russian schedules are regularly changed and everything gets delayed so be prepared to be kept waiting.
- Meetings can be negated on short notice.
- The first meeting often determines weather you and the company you represent are credible and worthy of consideration for future business dealings.
- Use the time effectively to show what differentiates your company from the competition.
- Expect a long period of socializing and getting-to-know-you conversation before business is conversed.
- Have all printed material presented in both English and Russian.
- Russians expect long and detailed presentations that include a history of the subject and a review of existing examples.
- Meetings are often interrupted. It is common for several side conversations that have nothing to do with the topic of the meeting are done during the meeting.

- At the end of the meeting anticipate to sign a 'protokol', which is a summary of what was conversed.

Business Negotiating

- Meetings and negotiations are slow they do not like being rushed.
- It is a good to include technical experts in your negotiating team.
- Hierarchy is important to them,they respect age, rank and position. The most senior person reaches judgments.
- Their managers prefer to meet with people of similar rank and position.
- they see negotiations as win-lose. They do not believe in win-win states.
- Have all documents in both English and Russian.
- They take compromise as weakness. They will carry on negotiating until you offer concessions.
- Russians may lose their temper and walk out of the meeting or threaten to terminate the relationship in a try to compel you to change your position.
- They often use time as a tactic specially if they know that you have a deadline. Be cautious about letting your business colleagues know that you are under time pressure.
- Nothing is final until the contract is signed. They will modify a contract to suit their purposes.

Dress Etiquette

- Business dress is formal and traditional.
- Mens wear business suits.
- Women should wear quiet coloured business suits with skirts that cover the knees.
- Shoes must be highly polished.

Business Cards

Business cards are exchanged after the initial introductions without formal ritualOne side the language used should be Russian. Mention the degrees of qualification. When u offer the card make sure that Russian side is readable.

Source: http://www.kwintessential.co.uk/resources/global-etiquette/russia-country-profile.html

LEGAL ENVIRONMENT

Communism is often responsible for the problems that occur today in Russia, especially for the lack in the legislation system. However, the very old history of Russia deeply rooted the way current business practises are done in Russia: religion and Tsarist are the foundation of the lack in legislation. The conventional Church did not attempt to make its own laws that completed with those of the state. Russia, therefore, did not see the growth of law as an educational chase that was seen in the West. The Tsars had total control over justice. The Russian citizens were not involved in the legislative process and therefore, did not give much credit to the laws, as they were not codified until 1833. The legislative process was subjective as it tended to protect the nobles and not normal citizens. Such practices ended at the time of the revolution in 1917, when Russia became a republic. The 70 years of communism contribute to reinforce the absence of law in Russia.

The government improved the law regarding the protection of intellectual property and proprietary information over the past few years. Some laws have been determined to protect patents, brands or labels of starting point, copyrights, software, etc. However, the law system for property rights is not enough developed and has to be improved to ensure acceptable protection and reach the level of the European legislation. Therefore, companies are still facing high risks. The risks are both external and internal (i.e. thefts of trade secrets or competitive intelligence). Moreover, corruption can occur when registering the company's rights to the establishment. As well, there is a great risk for fake products even though the establishment are aiming to stop them.

There is a basic constitutional right to privacy (section 24.1) which reads "The collection, keeping, use and sharing of information about the private life of a person shall not be allowed without his or her consent." This right is further supplemented by the Law "On Information, Information and Protection of Information." Russian's attitudes towards privacy are most likely unjust by their long-term Soviet rule. They are probably more likely to share information because it was so ingrained in Soviet culture for everyone to know what everyone else was doing.There are possible restriction issues with Putin as he makes another play for the presidential position.

The electronic digital signature and electronic file laws will totally increase the e-

Commerce market in Russia. Case law shows the courts will look positively on contracts entered into electronically and this will bring new confidence for international companies looking to do e-Commerce in Russia's growing market.

Currently there is no special tax command for electronic transactions in Russia. If a company has "permanent establishment", it is subject to Russian profit tax, and electronic transactions related to a)sales of goods (work, services) in Russia and b) import of goods into the customs region of Russia will be subject to VAT at the rate of 20%.

The Russian Federation consists of 88 subjects including regions, ethnically based autonomous republics, territory and the federal cities of Moscow and St Petersburg. The Constitution granted these subjects certain autonomy over their own internal economic and political affairs. Heads of the executive branches of subjects are appointed by the legislative body of such subject at the recommendation of the President of the Russian Federation.

The Constitution sets out a general list of powers reserved to the federal authorities. Other powers are expressed as jointly exercisable by the federal and local authorities. The regional authorities are allocated to all other powers not specifically reserved by the federal Government or exercise jointly.

The legislative branch of the Russian Federation is the Federal Assembly, which consists of the Federation Council (176 seats, filled by representatives of the executive and legislative branches of each of the 88 federal administrative units) and the State Duma (450 seats elected by proportional representation from candidates' lists. Members are elected by direct popular vote to serve four-year terms). The two chambers of the Federal Assembly possess different powers and responsibilities, although the State Duma is the most significant.

The judicial system in the Russian Federation is tear into three branches: the courts of general jurisdiction, the 'arbitrazhniy' or commercial court system with the High Arbitrazhniy Court as the supreme body, and the Constitutional Court. The judicial system is also divided into a federal system and a system of local courts of the various subjects of the Russian Federation.

The Constitutional Court has jurisdiction to decide whether federal and local legislation and regulations comply with the Constitution. This court will also resolve jurisdictional dispute between the federal or local authorities, and may understand and clarify provisions of the Constitution.

Major amendment realted to the Tax.

- Federal taxes
- Tax on mineral resource extraction (MRET)
- Unified social tax (UST)
- Corporate profit tax (CPT)
- Excise tax
- Personal income tax (PIT)

All regional and local taxes in Russia are asset-related: property tax, vehicle tax, land tax and tax on gambling businesses. These taxes are assessed and paid. Exact rates are set by regional (property, vehicles, gambling) or municipal (land) legislators within the Code's framework.

Corporate property tax, or tax on fixed assets, is assessed on year-averaged book value of fixed assets *excluding* land (which is subject to land tax). Radioactive waste storage facilities, space satellites, church property and other itemized assets are specifically exempt from taxation.[1] The maximum rate is 2.2 percent; regional authorities can vary rates depending on types of taxpayers and assets. This provides a method to establish disguised individual preferences, which are outlawed by the Code.

Other tax:

1. Land tax
2. Vehicle tax

Special taxation frameworks

The set of specific federal and regional corporate taxes outlined above (i.e. regular CPT, VAT, UST and property tax), which by default is mandatory for all corporate taxpayers and registered individual entrepreneurs, is known as *General taxation system*. Three alternative tax systems replace the above taxes with a simplified method:

Lobbying

One of the main transformations of the last 15 years has been the redefinition of the relationship between business and the State. Given how slowly the legal culture has developed in Russia, businesses tend not to expend their lobbying efforts on attempting to influence the drafting of new laws or the actions of those drafting them. Instead, businesses tend to seek *de facto* special treatment, such as tax deferments, customs benefits, operation licenses and the right to engage in certain kinds of activity. In doing so, however it may be that these companies rendering themselves overly to "political risk" upon any change of administration, and companies entering the market need to consider how useful and well-versed concessions might be for their business in the long term. There are not many legally recognized lobbying associations with a large membership base.

Privacy/Consumer Protection

In Russia, any company selling goods over the Internet needs to be aware that the ultimate consumer will have enforceable rights under the Law on Protection of Consumers' Rights. This is applicable to both companies internal and external to the country.

There is a basic lawful right to privacy (section 24.1) which reads "The collection, keeping, use and distribution of information about the private life of a person shall not be allowed without his or her consent." This right is further supplemented by the Law "On Information, Informatisation and Protection of Information." This law provides expressly that the collection, storage, use and distribution of personal data is allowed only with the consent of the person who the data belongs, or by court conclusion.

Federal environmental legislation – an overview

The Constitution of the Russian Federation provides the legal foundation for Russian environmental regulation, as follows:

Moreover, Article 58 of the Constitution provides that 'every citizen is obliged to protect nature and environment'. This obligation also applies to companies. It is important to note that international agreements (e.g., polygonal treaties) constitute an important factor in further shaping national environmental policy and legislation. According to Russian legislation, provisions of international agreements have supremacy over the existing provisions of Federal legislation.45In the past decade; around 30 federal laws addressing various environmental issues have been adopted. These laws can be divided into three general categories and are as set out below:

a) Incorporated federal legislation:

b) Federal legislation relating to environmental safety:

the global economic recession: that it is deeply consistent with the rest of the world and that its policies and attitudes with respect to business and its application of the rule of law will directly impact investment in the country.

TECHNOLOGICAL ENVIRONMENT

SPACE TECHNOLOGY

Russian-Indian Aerospace Cooperation Indian space research programmes are closely linked to the history of Russian and world space exploration. India became the seventh member of the international space club – after the USSR, US, France, Japan, China and UK – by putting its first operational satellite into orbit with its own SLV-3 launch vehicle in the summer of 1980. It was preceded by successful work to implement the 10-year space exploration and development programme supported by the Indian government.
India has extensive and long term cooperation with Russia in the Space sector. During President Putin's visit to India in December 2004, two important bilateral agreements

were signed: (i) Inter-Governmental Umbrella Agreement on Cooperation in Outer Space for Peaceful Purposes, and (ii) the Inter-Agency (ROSCOSMOS-ISRO) Agreement on cooperation in the Russian Global Satellite Navigation System "GLONASS". An Agreement on Technology Safeguards for Cooperation in the GLONASS project was signed on 06th December 2005 during PM's visit to Moscow. Two more follow-up Agreements on GLONASS – (i) on the launch by Indian GSLV of GLONASS-M, (ii) joint development of GLONASS-K satellites were signed during the visit of Prime Minister Mr. Mikhail Frodo to India from 16-17 March 2006. Two agreements on cooperation in GLONASS were signed during President Putin's visit to India in January 2007.

A conspicuous element in India's approach to joint space endeavours is its openness and willingness to forge partnership with any nation who is prepared for such a dialogue. India has been equally effectively engaged in cooperation with the major space-faring nations – the USSR (later Russia) and the US. The USSR offered consultancy to India on launch vehicles and supplied it with a number of up-to date devices based on the cryogenic technology, afforded a possibility to participate in manned flights for Indian cosmonauts aboard Russian orbital platforms. The US made a contribution to the development of Indian satellite systems. Thus, back in the mid-1970s, NASA granted a one-year lease of its ATS-6 communications satellite to the Indian Space Research rganisation (ISRO) to conduct experimental research to beam TV programmes directly to the country's agricultural areas. Also, the first regular operational communications and meteorology satellite working for India was manufactured in the US. Americans also provided assistance to India in developing its own earth surface remote sensing equipment, which was a matter of paramount importance to the state carrying out extensive farming and live-stock breeding in areas difficult to access. As a result, a constellation of six Indian remote sensing satellites (IRS) is currently in operation. Russian-Indian space partnership mainly focuses on such important lines of activity as space navigation, lunar exploration and man-controlled space flight programmes. During a visit to India made by Vladimir Putin in January 2008, an unparalleled Agreement on

Long-Term Cooperation in Joint Development and Use of the Russian Global Navigation Satellite System (GLONASS) was entered into.

Over the initial period, India will make its contribution by way of employing its own launch vehicles to provide a replacement for navigation satellites that have become obsolescent or unusable for some other reasons. In addition, India will participate in the development of the ground segment of the system. Our Indian counterparts have got access to high technologies and have ais quite efficient in satellite manufacturing and launching, but cannot ensure an efficient market application for them. As for the Indian side, it can benefit from the development of the Russian satellite navigation system, particularly in the sense that it will cease to be dependent on a similar American system, controls of which rest with Washington. Earlier, the Indian side contemplated a possibility of participating in Europe's GALILEO satellite navigation system, but the European system can incur a much higher cost and is not going to be superior to the Russian one, judging by its technical performance. Besides, GLONASS is scheduled to become operational on a global scale before GALILEO.

In executing its manned space missions, India has drawn a lot on the Russian expertise. The first Indian astronaut was Indian Air Force pilot Rakesh Sharma in 1984. He went to space as a member of an international team with his Soviet crewmembers on board the Soyuz spacecrafts and visited the Soviet Salyut-7 orbital station.

Having completed a number of orbital experiments, Wing Commander (retired) Sharma is now a chief consultant to ISRO. India started its space exploration programme in 1975, when its first Aryabhata satellite was launched with the help of a Soviet carrier rocket from Kapustin Yar space vehicle launching site.

India-Russia cooperation in science and technology has, so far, remained centred around high-tech armaments and the Russian contribution to India's space program.

For instance, since 1991, Russia was supplying the cryogenic engines to power India's Geosynchronous Satellite Launch Vehicles (GSLVs) that have placed satellites in geostationary transfer orbit. Although Russia could not transfer critical cryogenic technologies to India due to international opposition, the Russia-supplied engines helped the Indian Space Research Organization (ISRO) to put a number of satellites in orbit. Now, however, India has developed the technology. Last December, ISRO had

successfully conducted the flight acceptance hot test of the indigenous cryogenic engine at its Liquid Propulsion Systems Centre at Mahendragiri. The first indigenous cryogenic engine will be used in the GSLV rocket that is slated to put the experimental communication satellite GSAT-4 in the orbit.

India and Russia have also been collaborating in several high-technologyspace projects. Under the 2004 Inter-Governmental Agreement on "Cooperation in the area of exploration and use of outer space for peaceful purposes", Russia and India are cooperating on projects such as the Moon mission *Chandrayan 2*, and the Human Space Flight Project. On 20th April 2011, they jointly developed Indian-Russian Student Satellite "Youthsat" which was successfully launched by India on a PSLV rocket.

In March 2008, India approached Roskosmos with a request to arrange a space flight on board the Soyuz spacecraft for its astronaut as part of India's preparation for launching its own manned space vessel. The Russian side displayed a positive attitude to that proposal and provided additional confirmation to its position during the December summit last year. An Indian astronaut is planned to go on a space mission first on board a Russian space vessel. This mission is tentatively scheduled for 2013. It will be followed by an Indian manned spaceflight in 2015. The ongoing India's lunar exploration programme is directly linked with Russia. In 2007, the two countries signed an intergovernmental agreement on a joint lunar expedition in 2011-2012.

This time, a space ship consisting of two modules is planned to fly to the moon. The first module will stay in lunar orbit, while the second one will make a soft landing. A lunar rover will roll out of it to collect data on the moon's mineral resources. In the autumn of 2008, the Indian spacecraft Chandrayaan-1 began its journey to the moon. From a low lunar orbit, it will map details of the moon's surface. The launch, according to the Indian Space Research Organisation (ISRO), is the first part of an extensive national programme to explore the moon.

Once this comprehensive lunar surface research is completed, it will provide India with invaluable scientific data enabling it to play a key role in an international programme to establish habitable lunar research stations.

The Indian government has approved the allocation of Rs 950 million (around $20 million) to launch India's own manned spacecraft. A capsule (spacecraft) with service

module carrying a 2- astronaut crew is planned to be placed into a lower earth orbit. After a seven-day manned mission to space, the capsule accommodating astronauts will splashdown in the defined Indian Ocean water area.

The ISRO is developing a training centre for future cosmonauts in Bangalore. Nearly 200 cadets are expected to be enrolled there for training and four of them will be selected as candidates to accomplish a space mission as prime and back-up crew members. An Indian astronaut's lunar landing is scheduled for 2020, and participation in international expeditions to Mars is tentatively planned for 2030.

During a visit to India by Russian President Dmitry Medvedev in December, 2008, Roskosmos negotiated a deal with its Indian counterparts in New Delhi on sending an Indian astronaut on an orbital space mission and also on collaboration in the creation of an Indian-built spacecraft. The Indian astronaut is due to go to space in 2013 whereas the nation's first crew-carrying spaceship is expected 164 India-Russia Strategic Partnership to be unveiled two years later. Therefore, astronautics development across the huge territory of Eurasia, the bulk of whose programmes are generated by Russia, China and Kazakhstan as members of the Shanghai Cooperation Organisation (SCO), will receive a considerable boost from India, which is currently enjoying an observer status in the SCO. The domain of space has been a fruitful one for Indo-Russian cooperation.The Soviet Union was the traditional source of high technology for India's space program. Building on this historic cooperation, the Russian Federal Space Agency (RFSA, or Roskosmos) and the Indian Space Research Organization (ISRO) cooperated on Chandrayaan-1, India's first unmanned lunar probe launched in 2008. They have since been working jointly on the follow-up Chandrayaan-2 project that will place an orbiter and surface rover-craft on the Moon, although several failures of Indian Geosynchronous Satellite Launch Vehicle (GSLV) rockets in the past year have forced the ISRO to scale it down. In addition, since 2008, Russia has been participating in India's Human Space Flight Project (HSP), considered to be key among India's strategic priorities; it is to carry a crew to Low Earth Orbit by 2016.

Furthermore, since 2007, the two countries have been cooperating on the development of "Youthsat," a participatory scientific mission to involve the youth of both countries in space-related activities that has already launched satellites into orbit. And, in the domain

of pure science, India is a partner in the Roskosmos solar-terrestrial science mission for the study of the Sun's electromagnetic radiation and, specifically, the kinetics of solar flares. Russian expertise and willingness to share technology has been invaluable in stimulating the development of India's indigenous space program

Defence Relations

Defence cooperation between Russia and India remains strong because of shared security concerns, geopolitical imperatives, and economic benefits. Both countries fear radical Islamic terrorism, share concerns about regional instability in Central Asia, and are uneasy with US military hegemony and the rise of China. Powerful interest groups in both countries also have a common interest in sustaining Russian arms sales to India. Russia's defence industry needs foreign sales to achieve economies of scale and sustain a manufacturing base that remains excessive for simply meeting Russian domestic demand. India has an enormous legacy of Soviet-based weapons that it needs to modernize, upgrade, and replace. In addition, Russian arms supplies continue to offer a good price-performance trade-off. But recurring problems with some Indian purchases along with along with India's changing geopolitical orientation could eventually displace Russia's currently pre-eminent status in India's foreign military purchases.

Despite the end of the Cold War, Russian-Indian defence cooperation remains strong because of geopolitical imperatives, shared security concerns, and mutual economic benefits. Both countries fear radical Islamic terrorism, share concerns about regional instability in Central Asia, and are uneasy with US military hegemony and the rise of China. Powerful interest groups in both countries also have a common interest in sustaining Russian arms sales to India. Russia's defence industry needs foreign sales to achieve economies of scale in some production runs as well as to sustain a manufacturing base that remains excessive for simply meeting Russian domestic demand. India has an enormous legacy of Soviet made weapons that it needs to modernize, upgrade, and replace. In addition, Russian arms supplies continue to offer a good price-performance trade-off. But recurring problems with some Indian purchases along with India's

changing geopolitical orientation closer to the West, especially the United States, could eventually lead to Russia's currently pre-eminent status in India's foreign military purchases falling to that of first among equals. Against this general framework, this article seeks to analyse the changing Russian-Indian arms sales relationship in some detail.

MISSILE

In addition, New Delhi and Moscow have jointly developed the BrahMos cruise missile. The supersonic missile—which derives its name from India's Brahmaputra and Russia's Moscow rivers—has a range of almost 300 km, and is designed for use with land, sea, and aerial platforms. BrahMos is based on the earlier Russian design for the SS-N-26 (3M55 Oniks) cruise missile. The Indian Air Force is reportedly considering the possibility of fitting the BrahMos on its Su-30 combat jets. The BrahMos missile is a two-stage vehicle that has a solid propellant booster and a liquid propellant ram-jet system. The missile can fly at 2.8 times the speed of sound, and is capable of being launched from multiple platforms based on land, sea, sub-sea, and air. In September 2009, a memorandum of understanding (MoU) was signed by India and Russia to develop and induct a new hypersonic version of their joint venture 290-km-range BrahMos cruise missile by 2015. The new missile, they said, will be known as "BrahMos-2," and will have a speed of over 6 Mach (around 6,000 km per hour) with a striking-range of 290 km. While this scientific and technological cooperation is of immense benefit, particularly for India, which has been under international sanctions (for its refusal to sign the Non-Proliferation Treaty, and for testing nuclear devices) from obtaining a large number of high-tech materials, the key to the India- Russia scientific and technological collaboration lies in the development of the next generation of nuclear reactors fired by thorium fuel.

TANKS

In December 2007, the_Indian Government ordered an additional 347 Russian-manufactured T-90S Main Battle Tanks, which are intended to match the US Abrams M2.34 At the MAKS 2011 International Aviation and Space Salon, heldat Zhukovsky airfield outside Moscow from August 16–21, 2011, India_signed a contract to buy 80 Russian Mi-17 multi-role tactical transport helicopters, giving India around 200 of these helicopters in total.

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FIGHTER JETS

In 2005, Russia signed a $250 million deal to upgrade the engines on the MiG-29 fighters in service with the Indian Air Force. The contract allowed HAL to manufacture, under license production, 120 RD-33 series 3 jet engines at its Koraput plant. This series 3 upgrade provides superior maneuverability and improved performance in close air dogfights.41 In March 2008, the MiG Corporation signed a $1 billion contract with the Indian Defence Ministry to modernize the 60–70 MiG-29 fighters India purchased in the 1980s to extend their service lives by several decades. Russia will give the planes more advanced avionics, new multifunctional Zhuk-ME radars, a new weapon control system, and improved engines. The agreement stipulates that MiG will establish depots, service centres, and training centres (including simulators) in India, whose value amounts to approximately one-third of the contract, because almost all the MiGs are to be modernized in India, with the contract completed by 2013.43 In March 2010, India agreed to purchase an additional 29 MiG- 29s for $1.5 billion.

Starting in the late 1990s, the Indian Government subsidized research and development of a unique 'Indian' version of the Sukhoi Su- 30 (known as the Su-30MKI, where 'MKI' stands for 'Modernizirovannyi (modern), Kommercheskiy (commercial), Indiski (Indian-produced)', specially designed for the Indian Air Force and one of the worlds best air superiority fighters. Between 2002 and 2004, India received 32 twinseated Su-30MKIs. The Indian defence community was sufficiently pleased with the purchase that it subsequently ordered an additional 40 Su-30MKIs and accepted a Russian proposal to upgrade 18 Su-30Ks Russia supplied earlier to the MKI standard. The Indian Government also bought a licence from Sukhoi to manufacture 140 additional Su-30MKI aircraft. A more recent deal will allow Hindustan Aeronautics Limited (HAL) to modernize 42 of India's existing Su-30MKI fighters with new Russian-made radars, avionics, and BrahMos supersonic missiles. This $2.3 billion project will begin in 2012. By the end of this decade, the Indian Air Force will possess around 280 Su-30MKI fighters. All told, the Su-30 deals are the largest aggregate Russian warplane sale since the Soviet Union's dissolution.

Aviation

The two governments have also reached other important arms deals in recent years. In 2004, the Indian Air Force ordered three Russian Israeli A 50EI Airborne Warning and Control System (AWACS) aircraft for $1.1 billion that combined the Russian Il-76MD military transport plane with the Israeli-made Phalcon radar system. Delays in developing a domestically developed AWACS system has led the Air Force to prepare to order two additional A-50EI AWACS, which can detect targets as far as 400 km, in a new $800 million contract.

Russia and India have also established a joint venture, Multirole Transport Aircraft Ltd., to research and develop a Multi-Role Transport Aircraft (MTA) for both their air forces. HAL and Russia's United Aircraft Cooperation (UAC), a state-holding company of Russia's military and civilian aviation producers that includes the Sukhoi and MiG corporations, will both invest $300 million to create a plane that can carry as much as 20

tonnes of cargo up to 2,500 km with speeds of up to 800 km. It will be equipped with a digital cockpit, digital electronic engine control, and a fly-by-wire control system.HAL and UAC signed a contract at the end of May 2012 to manufacture 205 planes for both their air forces as well as for export. They aim to produce their first all-weather medium transport prototype by 2017, with serial production to begin in 2019. The Russian Air Force intends to buy as many as 100 of the new planes to replace its Il-214. The Indian Air Force expects to purchase at least 35 of the new aircraft. They will replace India's aging fleet of AN-32 planes, which Russia is upgrading under a separate contract worth almost $400 million.39 The joint venture also aims to sell some planes for export, though no potential buyers have been identified. More worrisome, some Russian analysts doubt the project is sufficiently feasible to ever produce large number of planes due to its high price and leisurely development pace, and the progress made by its major competitor, Brazilian Embraer KC-390. The problems that emerged during his joint effort include the parties' diverging military requirements, inadequate funding, and sorting out industrial participation.

Science and technology in Russia developed rapidly since the Age of Enlightenment, when Peter the Great founded the Russian Academy of Sciences and Saint Petersburg State University and polymath Mikhail Lomonosov founded the Moscow State University, establishing a strong native tradition in learning and innovation.

In the 19th and 20th centuries the country produced a large number of notable scientists, making important contributions into physics, astronomy, mathematics, computing, chemistry, biology, geology and geography. Russian inventors and engineers excelled in such areas as electrical engineering, shipbuilding, aerospace, weaponry, communications, IT, nuclear technology and space technology.

Recently, the crisis of 1990-s led to the drastic reduction of the state support for science and technology. Many Russian scientists and university graduates went to Europe or

United States in the so-called brain drain migration. In 2000-s, on the wave of a new economic boom, the situation has improved, and the government launched a campaign aimed into modernisation and innovation. Current priorities for the country's technological development include energy efficiency, IT (including both common products and the products combined with space technology), nuclear energy and pharmaceuticals.
Mikhail Lomonosov, Russian polymath scientist, inventor, poet and artist, the founder of Moscow State University.

At the start of the 18th century the reforms of Peter the Great (the founder of Russian Academy of Sciences and Saint Petersburg State University) and the work of such champions as polymath Mikhail Lomonosov (the founder of Moscow State University) gave a great boost for development of science and innovation in Russia.

Many famous Russian scientists and inventors were émigrés, like Igor Sikorsky, credited with invention of first helicopters, and Vladimir Zworykin, often called the father of TV, chemist Ilya Prigogine, noted for his work on dissipative structures and complex systems (1977 Nobel Prize for Chemistry), economists Simon Kuznets (1971 Nobel Prize) and Wassily Leontief (1973 Nobel Prize), physicist Georgiy Gamov (an author of the Big Bang theory), engineer Alexander M. Poniatoff, who created the world's first rotary head recorder and social scientist Pitirim Sorokin who played an important role in development of sociology in the USA. Many foreigners worked in Russia for a long time, like Leonard Euler and Alfred Nobel.

With many technological achievements in the 19th and 20th centuries, however, since the time of Brezhnev stagnation Russia was lagging significantly behind the West in a number of technologies, especially those concerning energy conservation and consumer goods production. The crisis of 1990-s led to the drastic reduction of the state support for science. Many Russian scientists and university graduates left Russia for Europe or United States; this migration is known as a brain drain.

In 2000-s, on the wave of a new economic boom, the situation in the Russian science and technology has improved, and the government launched a campaign aimed at modernisation and innovation. Russian President Dmitry Medvedev formulated top 5 priorities for the country's technological development: energy efficiency, IT (including both common products and the products combined with space technology), nuclear energy and pharmaceuticals.[1] Some progress already has been achieved, with Russia's having nearly completed GLONASS, the only global satellite navigation system apart from American GPS, and Russia's being the only country constructing mobile nuclear plants.

Physics

The Russian physics school began to develop after Lomonosov who proposed the law of conservation of matter preceding the energy conservation law. During the period of origin of electrodynamics Vasily Petrov discovered the electric arc effect in 1802 and Heinrich Lenz discovered an important law named in his honor. Nikolay Umov discovered a fundamental concept of Umov-Poynting vector and was the first scientist to indicate interrelation between mass and energy proposing the formula $E = kmc^2$ as early as in 1873. Alexander Popov was among the inventors of radio.

Russian/Soviet physics in the 20th century was one of leading ones in the world. Alexander Friedmann was the first scientist to propose an expanding universe model (1922), which greatly influenced cosmology in the 20th century. Dmitri Ivanenko was the first to propose the proton-neutron model of atomic nuclei (1932) and nuclear shell model (1932). Georgiy Gamov proposed the theory of the alpha decay of a nucleus via tunnelling (1928) and was an author of Big Bang theory. Nikolay Bogolyubov suggested a triplet quark model, introduced a new quantum degree of freedom (later called as color charge) for quarks and formulated a microscopic theory of superconductivity.[4] Lev Landau made fundamental contributions to many areas of theoretical physics. Nikolai Basov and Alexander Prokhorov were co-inventors of lasers and masers (Nobel Prize in Physics, 1964). Igor Tamm, Andrei Sakharov and Lev Artsimovich developed the idea of tokamak for controlled nuclear fusion and created its first prototype, which finally led to

the modern ITER project. Yevgeny Zavoisky discovered electron paramagnetic resonance playing important role in studying chemical species. Zhores Alferov greatly contributed to the creation of modern heterostructure physics and electronics which find many applications in modern life: from CD & DVD players to fiber optic transceivers (Noble Prize in Physics, 2000). In 2010 two Russian-born and -educated physics Konstantin Novoselov and Andre Geim were awarded with Noble Prize in Physics for their works in graphene, a material which may have important applications in electronics, aviation and medicine.

Kunstkamera building, the first headquarters of the Russian Academy of Sciences in Saint Petersburg.

A number of achievements of Russian/Soviet scientists remained unknown to general public due to security considerations or bureaucratic obstacles. E.g. the first design of magnetic resonance imaging was proposed by Vladislav Ivanov in 1960 but was not realized at that time.

Mathematics

In mathematics Nikolai Lobachevsky, a Copernicus of Geometry, founded the non-Euclidean geometry playing important role in modern physics. In 19th century the international recognition was also gained by such mathematicians as Mikhail Ostrogradsky and Sofia Kovalevskaya who was the first major Russian female mathematician, responsible for important original contributions to analysis, differential equations and mechanics, and the first woman appointed to a full professorship in Northern Europe. Yevgraf Fyodorov was a founder of the modern structural crystallography (Fedorov group). At least after such prominent scientist as Chebyshev the Russian mathematical school became one of the most influential ones in the world and was represented by numerous figures greatly contributing to different fields of mathematics, physics and computing sciences.[5] Chebyshev's students included Aleksandr Lyapunov who founded the modern stability theory (lately deeply developed by such scientists as Aleksandr Andronov and Vladimir Arnold), and Andrey Markov

who developed the theory of Markov chains, playing a central role in information sciences and modern applied mathematics. In the beginning of 20th century Nikolai Zhukovsky and Sergei Chaplygin were among founding fathers of the modern aero- and hydrodynamics and Vladimir Kotelnikov was a pioneer in information theory by independently proposing the fundamental sampling theorem. Andrei Kolmogorov, a leading mathematician of the 20th century, developed the foundation of the modern theory of probability and made other key contributions to broadest range of mathematical branches, such as turbulence, mathematical logic, topology, differential equations, set theory, automata theory, information theory, theory of algorithms, dynamical systems, stochastic processes, theory of integration, classical mechanics, mathematical linguistics, mathematical biology and applied sciences. Israel Gelfand is credited with many important discoveries in algebra, topology, mathematical physics and applied sciences. Sergei Sobolev developed the theory of Sobolev space, which played an extremely important role in formation of modern mathematical views and introduced the notion of distributions generalizing ideas of Newton and Leibniz.

Such mathematicians as Lev Pontryagin, who made major contributions to topology and functional analysis and a founder of the modern optimal control theory, Andrey Tychonoff, who was the author of the "central theorem" of the general topology, Pavel Alexandrov, a very important figure in topology of the 20th century, and many others made fundamental contributions to different fields of mathematics. Nine Soviet/Russian mathematicians were awarded with Fields Medal, a most prestigious award in mathematics. Recently Grigori Perelman was offered the first ever Clay Millennium Prize Problems award for his final proof of the Poincaré conjecture in 2002.

Chemistry

Main article: List of Russian chemists

Lomonosov was the first Russian chemist; among others he was the founder of the cience of glass.

A sculpture in honor of Dmitry Mendeleev and his Periodic table in Slovakia.

Dmitry Mendeleev invented the Periodic table, that is the main framework of the modern chemistry, while Aleksandr Butlerov was one of the creators of the theory of chemical structure, playing a central role in organic chemistry. Sergei Lebedev invented the first commercially viable and mass-produced type of synthetic rubber (polybutadiene synthetic rubber). Nikolay Semyonov made major contributions to explanation of the mechanism of chemical transformation (1956 Nobel Prize in Chemistry).

Biology

Main article: List of Russian biologists

In biology Dmitry Ivanovsky was the first scientist to discover viruses (1892). Ivan Pavlov is widely known for first describing the phenomenon of classical conditioning and using it for studying brain functions. Ilya Mechnikov was a pioneer in investigations of the immune system (1908, Nobel Prize in Medicine). Alexander A. Maximow introduced the notion of stem cells. Alexander Oparin was a founder of the modern theory of origin of life. Nikolai Koltsov, a founder of molecular biology, proposed the idea of the molecular mechanism of heredity as early as in 1927 stating that inherited traits would be inherited via a "giant hereditary molecule" which would be made up of "two mirror strands that would replicate in a semi-conservative fashion using each strand as a template". Alexey Olovnikov suggested telomere hypothesis of aging which greatly contributed to the theory of aging and later was awarded with Nobel Prize (not shared by Olovnikov).

Electrical engineering

Nikolay Benardos introduced the arc welding, further developed by Nikolay Slavyanov, Konstantin Khrenov and other Russian engineers. Alexander Lodygin and Pavel Yablochkov were pioneers of electric lighting, and Mikhail Dolivo-Dobrovolsky invented and introduced the first three-phase electric power systems, widely used today. Oleg Losev is often considered as the inventor of the light-emitting diode (LED)

Medicine

Economic theory and social sciences

Earth sciences

Vasily Dokuchaev (1845–1902) is credited with laying the foundations of soil science.

Vladimir Vernadsky (1863–1945) is considered one of the founders of geochemistry, biogeochemistry, and have radiogeology and deeply developed the concepts of biosphere and noosphere.

Aviation

The Sukhoi Superjet 100 is the latest civilian product of the Russian aircraft industry.
Main articles: Aircraft industry of Russia, United Aircraft Corporation, and List of Russian aerospace engineers

The history of the Russian aircraft engineering originated from a pioneer of aviation Alexander Mozhaysky who made his first attempt to fly by his own design aircraft (monoplane) as early as in 1881. In the 20th century a number of prominent Soviet aerospace engineers, inspired by the fundamental works of Nikolai Zhukovsky, Sergei Chaplygin etc. supervised the creation of many dozens of models of military and civilian aircraft and founded a number of KBs (Construction Bureaus) that now constitute the bulk of Russian United Aircraft Corporation. A number of individual inventors also made important contributions to aircraft technology, such as Gleb Kotelnikov who invented the knapsack parachute, or Evgeniy Chertovsky who introduced the pressure suit. Theoretical works by Petr Ufimtsev played a critical role in development of stealth technology.

Famous Russian airplanes include the first supersonic passenger jet Tupolev Tu-144 by Alexei Tupolev, MiG fighter aircraft series by Artem Mikoyan and Mikhail Gurevich, and Su series by Pavel Sukhoi and his followers. The MiG-15 is the jet aircraft with the world's highest production in history, while MiG-21 is the most produced supersonic aircraft. Since World War II era Ilyushin IL-2 bomber remains the most produced

military aircraft in history. Polikarpov Po-2 Kukuruznik is the world's most produced biplane, and Mil Mi-8 is the most produced helicopter.

Aircraft manufacturing is one of the most science-intensive hi-tech sectors of modern Russian economy and employs the largest number of skilled personnel. The production and value of the military aircraft branch far outstrips other defense industry sectors, and aircraft products make up more than half of the country's arms exports.[9] The Russian aircraft industry offers a portfolio of internationally competitive military aircraft, while new projects such as the Sukhoi Superjet 100 are hoped to revive the fortunes of the civilian aircraft segment. In 2009, companies belonging to the United Aircraft Corporation delivered 95 new fixed-wing aircraft to its customers, including 15 civilian models. In addition, the industry produced over 141 helicopters.

Computing

Sergei Lebedev developed one of the first universally programmable computers in continental Europe in 1950, MESM. The first ternary computer Setun was developed by Nikolay Brusentsov, together with Sergei Sobolev in 1958.

Automotive industry

Niva was one of the first off-road vehicles gaining international success and is still exported to Canada, South America and Europe. KAMAZ trucks are exported to many areas of the world including Eastern Europe, Latin America, China, the Middle East, and North Africa and are persistent winners (ten times) of the famous Dakar Rally.

Railroads

Ivan Polzunov is credited with creation of the first steam engine in Russia and the first two-cylinder engine in the world.

Naval

Main articles: Shipbuilding in Russia and List of Russian naval engineers

Nuclear

The creation of the first nuclear power plant along with the first nuclear reactors for submarines

and surface ships was directed by Igor Kurchatov. NS Lenin was the world's first nuclear powered surface ship as well as the first nuclear powered civilian vessel, and NS Arktika became the first surface ship to reach the North Pole.

Socio-culture analysis

- Russian culture is one that is rich. Russian art is considered by some to be very attractive and exclusive. Russians are also known for their sense of humour. Russian literature was really prominent to world literature. Russians also gave the classical music world some very famous composers**.**

Russian Society & Culture

The Russian Family structure

- The Russian family is needy upon all members
- Most families live in one apartment, often with 2 or 3 generations sharing space
- Most families are tiny, often with only one child because most women must also work outside of the house in addition to bearing sole accountability for household and childrearing chores.
- Russians often marry at a young age 18-22 years. Being single in Russia is not positive. Unmarried woman has low status.

Russian Pride

- Russians are proud of their country.
- Nationalistic songs and poems praise the virtues of their homeland.
- They accept that their lives are difficult and pride themselves on being able to grow in conditions that others could not.
- They take great pride in their cultural tradition and expect the rest of the world to admire it.

Communal mentality

- For 1930's, Russian life centred on the agricultural village communicates, where the land was held in common and decision-making was the area of an meeting of the heads of family.
- This similarity for the group and the collective will remain today. It is seen in everyday life, for example most Russians will join a table with unknown person rather than eat alone in a restaurant.
- Everybody's business is also everyone else's, so unknown will stop and tell someone that they are infringing the rules

Russia Appearance

- Businessmen in Russia usually wear suits that are dark and well tailored along with formal

shoes. A businessman's wardrobe describes the individual's image as a professional.

- Men often do not detonation their jackets in conference.
- Do not stand with your hands in your pockets. This is considered not good
- Women dress rather often, avoiding overly gaudy outfits.
- Women should always cover up their heads when entering into Russian Churches.
- Skirts should be clothed rather than pants.
- When attending dinner in a Russian's house, informal dress of slacks and a nice shirt without a tie are suitable.

Russia Behaviour

- As a foreigner, you are expected to be on time to all business engagements. However, your Russian partner may be late, as this may be a test of your patience. Do not expect an regret from a late Russian, and do not display any kind of mind-set if your business appointments begin more than 1 hours late. This may also be a test of your tolerance.
- Social dealings are more relaxed. It is good enough for foreigners to be 15 to 40 minutes late.
- Patience is an very important good quality among Russians; punctuality is not.
- Russians are known as great "sitters" during conference, this demonstrates their great persistence.
- Some 'hard-line' Russians still views compromise as a sign of weak point, and often refuses to back down. To these individuals, settlement is bad business.
- As a foreign person, you should understand that "Final Offers" are not actually the end of the negotiations and that often times the outcome will be more valuable and striking if you can hold out.
- It is really hard to do business in Russia without facilitate from a local. To facilitate with this, gifts, money or other items are often a good idea when doing business in Russia.
- If attending dinner at a family house, it is suitable to bring a gift, such as a bottle of wine, dessert, or flowers.
- When attending any formal actions such as the theatre, it is appropriate to check your coat and other property at the front door of the firm

- Do not show the soles of your shoes, as this is measured boorish. They are considered dirty, and should never come in get in touch with with any type of seat.
- Be sure to have ample of business cards with two sides of information. One side must in English and the other side in Russian.
- Be attentive and open to taking a drink or having a toast, as refusing to do so is a serious break of manners.
- Table etiquette is traditional and the fork is held in the left hand and the knife in the right while eating.
- The elder and honourable guest is served first.
- Do not start eating until the host invites you to start.
- Do not rest your elbows on the table, although your hands should be visible all times.
- It is well-mannered to use bread to saturate gravy.
- Men transfer drinks for women seated next to them.
- Leaving a little food on your plate indicates that your hosts have provided ample hospitality.
- Do not get up until you are invited to leave the table.
- At official dinners, the guest of honour is the first to get up from the table.

Relationships & Communication

- Russians are transactional and do not need to establish long-standing personal relationships before they do business with people.
- It is still a good idea to develop a network of people who you know and trust. The Russian word "svyasi" states connections and refers to having friends in high places, which is often necessary to cut through red tape.
- Patience is essential.
- It is best to err on the side of formality when you first make contact.
- Sincerity is crucial as required to build trust, and trust is needed to build a relationship.
- Most Russians do not trust people who are 'all business'.
- An indication that you have successfully developed a personal relationship is being asked for a favour by that person.

- Typical Russian schedules are frequently changing and everything takes longer than usual, so be ready to be kept waiting.
- Meetings can be cancelled on short notice.
- The first meeting is often a vehicle to determine if you and the company you represent are credible and worthy of consideration for future business dealings.
- Use the time effectively to demonstrate what differentiates your company from the competition.
- Expect a long period of socializing and getting-to-know-you conversation before business is discussed.
- Have all printed material available in English and Russian.
- Russians hope extensive and thorough presentations that include a history of the subject and a review of existing precedent.
- Meetings are regularly intermittent. It is common for several side discussions that have nothing to do with the topic of the meeting to be carried on during the meeting.
- At the end of the gathering, expect to sign a 'protocol', which is a summary of what was discussed.

Russian Customs and Culture

The Russian people are known for their ability to tolerate. This kind of stoic patience influences their approach to problem solving. Problems tend to be “toughed out” or ignored russians also may be negative. Friendship is very significant to Russians, and relationships with friends are branded by trust and honesty. Russians consider in helping friends, and they know that they can rely on their friends to help them.

Russians greet by shaking hands firmly and offering a word of greeting. Full names are used when introducing one another. Even those as simple as Mr. or Mrs., were replaced by “comrade” during the days of Russian Communism, and the term may still be heard. Close friends greet each other by first name.

In Russia, it is impolite to point using your index touch, or to talk with your hands in your pockets, or talk with your arms folded across your chest. It is considered bad luck to shake hands across an entrance.

Russians like to dress well in community. Western clothing is worn in city areas. In warmer weather, American jeans and shorts are popular.

Russian is the official language of the nation. Even though there are roughly 120 ethnic groups in the

country, all converse Russian. The other languages do not go away entirely. In rural areas and close relationships, people often speak the language their particular ethnic group.

The dominant religion in Russia is Russian Orthodoxy. During the Soviet era, the Russian Orthodox Church and all other forms of religion were frowned upon. Today, with the collapse of Communism, religions that for decades had struggled just to survive under Communism have the government's official consent to go on. Jewish and Islamic congregations are allowed to worship freely and openly.

Structure and hierarchy in Russian firms

- The hierarchical structure in Russian business practices means that the decision makers higher up have authority over their subordinates. The nature of the collective good often encourages a flexible and democratic work ethos.

Showing respect for seniority and recognizing the hierarchical structure is vital for establishing and maintaining strong business relationships.

Working relationships in Russia

- **Personal and informal contact** is a central part in doing business in Russia.
- **Physical contact** during business meetings (a simple hand on the arm or even embracing) is a affirmative sign. The belief of social space is close in Russia.
- **In situations of conflict** - to avoid taking an official stance and remember that Russians are 'people orientated' and will respond to a **more personal approach**.

Business Practices In Russia

- Business cards are essential. If, ensure that one side is printed in Russian and one side in English.
- Presentations should be straightforward and comprehensible.
- Although many principal concerns are discussed in an informal environment final negotiations will be conducted in the office.
- Generally, at the commencement of meeting, the leader of the business will open the discussion and introductions should then be made in order of importance.

GENDER ASPECTS

- Women usually do not hold high positions in the Russian Business culture.
- There are more women in business education then in business.
- Foreign businesswomen face adversity from the male-dominated Russian business culture.

SOME GENERAL FEATURES

- The handshake is common.
- Eye contact is very important, must be maintained as long as the individual is addressing you.
- Smoking in public places is still a common occurrence, some restrictions are slowly imposed.
- Wearing your coat and/or winter boots in theatres, office buildings, universities or similar public spaces is considered unacceptable.

ATTITUDE TOWARDS FOREIGN PARTNERS

- The first meeting is usually just a formality-a time to assess credibility of you and your company.
- Russians can sometimes place a great deal of confidence in your professional competence and experience; very high expectations and demands.
- Russian business people are open-minded to new ideas, especially from western business culture
- Russian negotiators could make minor concessions and ask for major ones in return.

Russian business etiquette

D O ‘ s

- DO shake hands firmly when greeting and leaving your partners and make direct eye contact.
- DO partake in small talk that involves talk of family and personal matters, before dealing with business.
- DO make a gift that symbolizes the stature of your company, preferably an item characteristic of your local area or one that displays the company logo.
- Knock before entering an office
- Close the door behind you, when leaving an office
- Supply beverages and snacks during business meetings
- Go out and have a drink with your counterparts, it is a good way to break the ice.
- Bring small gifts for the children of a home you visit

Don'ts

- DON'T be afraid to show some emotion, the Russians won't!
- DON'T as the Russian proverb states 'hurry to reply', but 'hurry to listen'.
- DON'T praise or reward anyone in public as it may be viewed with suspicion or cause envy and jealousy. Remember the collective rules over the individual.
- Wear lavish clothing or jewelry.
- Use a restaurant as a place for doing business--it's for celebration

PERSONAL HYGIENE

Bathing

Some Russia-born persons want a shower weekly, whereas others can prefer a shower daily. No one will accept a shower on Sundays.

Dress

Older people prefer not to wear bright colours and prefer clothes that are warm and will not wear trousers outside of the home. An older woman doesn't like to expose any parts of her body. There are cultural norms surrounding standard of dress whereby sloppy or overly casual dress in public may be seen as inappropriate. Clothing also needs to be in good repair and ironed. What is considered 'appropriate' standard of dress is individual and will be influenced by the region in which they lived.

Living conditions

For most of the trainers and consultants in these case studies, their first encounter with Russian living conditions was through accommodation, which had been arranged for them by their employing organisation, or by the partner organisation. Russian provincial towns did not have, and still do not universally have, hotels with 'international' standards. In Case Studies A and F, trainers were accommodated in hostel chosen by the partner organisation. These were former Soviet holiday or 'rest' hostels, usually well out of town in the forests. Rooms would be very basically furnished, with furnishings twenty or thirty years old. Meals would be taken in a communal dining room. In Cases B and E, accommodation was in Soviet-style hotels, in which facilities were similar to the rest houses, except for the addition of a local telephone and a television. For some, theimpressions of Russian living standards were altogether negative:

A second informant, in Case Study B, spoke of an intense emotional attachment to his Russian experiences, to the extent that he almost felt homesick when back in the UK. A third, in Case Study 10

Transport and travel

Two case studies involved consultants in long overnight journeys through the limitless Russian countryside, either between Penza and Samara, or Penza and Moscow. The Penza airport had long since ceased to operate, an indication of the parlous state of the economy in that region. The consultants, German, Dutch and British, remarked on their lack of confidence prior to making the journey and anxiety about whether the sleeper trains were safe. The worry was due to hearsay evidence that bandits and gangsters worked the coaches, looking for foreigners and other sources of hard currency and valuables. In fact, once the passengers were settled into their first class compartments (sleeping two) and on the move, their doors bolted and their bags under the beds, the trains could seem like a world apart, a small hiatus in the hurly-burly of their schedules. Occasionally, sojourners might be irritated by Russians' over-solicitousness about their security and comfort while travelling. At other times, they might capitalise on it:

I like to remain fairly inconspicuous, and I like to play quite a lot on, in certain circumstances - particularly transport - acting like a complete idiot, because there's usually some kindly Russian lady around who will treat you nicely if she gets the impression that you're a complete foreign fool. So often when trying to catch a train I pretend to know less Russian than I actually do. Because that way they escort me to some nice comfortable seat somewhere, rather than leaving me to sort it out for myself.

The above quote is rather contradictory, as it might be difficult simultaneously to be inconspicuous *and* act the ignorant foreigner. Another interviewee, a woman, said that her favoured strategy was to keep, in a friend's apartment in Moscow, a set of 'Russian' clothes, which she wore when travelling. She also made a point of always carrying her valuables in a carrier bag, considering it the least likely item to be stolen.

If the consultants were, with experience, able to suspend their anxieties about sleeper trains, domestic air services were another matter. This was due to negative media reports about domestic Russian airlines' accident records. Several trainers refused to go to Tyumen via Moscow, a flight from Domodyedovo Airport on an internal Aeroflot flight, although this meant a more difficult journey flying Lufthansa to Ekaterinburg and driving 450 kilometres to Tyumen. Two explained that this was because of their families' insistence, rather than their own concerns. The families were not informed of the and its patrolling the lonely highway between the two cities. One of the consultants admitted to lying to his family about having taken an internal flight. This was explained as the only way they would have let him take the assignment.

Worries about personal safety were not confined to long-distance travel. In Moscow in particular, several consultants considered public transport potentially hazardous, especially if one were to be singled out as a foreigner.

Communications

In the first half of the decade telecommunications were a severe problem. Any town or village outside a major metropolis would be liable to suffer breakdowns in telephone links, sometimes for days and weeks at a time. Trainers occasionally felt that their Russian partners were too easily resigned to these problems:

In one case study, in a satellite town of Moscow, telecommunications were such a problem that the Western partner purchased a fax machine, that it had installed in the apartment of a Russian Colleague who lived in Moscow.

Other cases presented problems for trainers because they were operating at long distance from their project headquarters in Moscow, and had no local office base. They were thus dependent on the telephone links of the Russian partner organisations, and had to use someone else's office to make calls to base. Again, telephone lines were unreliable, and in one case, the inter-regional phone links of the Social Protection Department had been cut off because of non-payment of the bill. The only way to make a call to Moscow, other than going to the Central Telegraph office and standing in a booth, was to borrow the mobile phone of the top manager. This was extremely restrictive, as calls were normally only necessary when there was some kind of problem. Almost invariably, the problem would have something to do with relations with the partner organisation. Occasionally, there might be contractual or financial issues to deal with, and this was also potentially embarrassing. Similarly, messages from the employer, the contracting organisation, would be transmitted via a member of the partner or beneficiary organisation, verbally or by fax. No-one doubted that their faxes were read by all and sundry. These conditions created in trainers a sense that they were on their own while delivering courses in the regions.

By this time, the second half of the 1990s, email was becoming a more effective alternative means of communication. However, in Russian organisations, access to email was restricted, and messages often had to be passed through intermediaries. There is thus no guarantee that the message, even if opened and read, had been received by the person for whom it was attended. In all case studies, this created problems. In one case, the partner organisation had no email, and had to make arrangements through a contact in the local university, which had received a computer suite as a donation from the Soros Foundation. There was no question of privacy or confidentiality for contacts with the employing institutions.

Working conditions

A ‘portfolio’ lifestyle had also become a ‘normal’ way of life for Russian academics, in the sense that they had adapted themselves as well as they could to the need to juggle several jobs, often with

competing institutions. This was especially the case for academics in Moscow, who had a myriad different institutions as potential employers, In the regions, a city may only have one university. In such cases, academics with contacts would find work elsewhere, as advisors, consultants, executives or interpreters. This created problems for teamwork among groups of academics wishing to work on collaborative Western-funded projects:

We meet one another about once or twice a month, but it's not regular. Sometimes we're working together on other projects and then we'll meet. Z and I meet in a park that's half way between where we live. But frankly we need to have regular meetings, maybe once a month. This quotation serves to illustrate the difficulties for Russians of working collaboratively, while juggling jobs, and may go some way towards explaining the problems and frustrations experienced by Western trainers in making contact with members of their Russian network. At the same time as these circumstantial constraints were being placed on joint working, Russian organisations were sometimes pushing the pace of change faster than Western partners were willing or able to go. This was particularly so in two cases, in which the Russian oil companies were being restructured, presenting the Russian universities with a golden opportunity to develop a change management programme for them. The pace was being driven by the wider plans of the Russian partner institutions, which in turn were driven by their need to adapt quickly to changes in their own environment.

There was some ambivalence apparent in perceptions of organisational change. While it was seen as important for survival that Russian organisations should be able to seize new business opportunities wherever and whenever they arose (which tends to militate against Western conventions of 'strategic' management), there was also awareness that rapid environmental change might actually engender an opposite response from top management:

The Western idea that the organisation should change all the time. This just isn't appropriate here because of the instability of the environment. When everything outside the business is changing all the time, the boss is trying to keep things stable.

The pace of change

The rate of change in Russia was an aspect of short-term assignments mentioned by several trainers as making the work both interesting and challenging. One could return just a few weeks or months after a previous visit and find things had changed significantly in the environment of a partner organisation.

Moscow itself has changed. But I thought that it was just a superficial facade. When I went the first time the shops in Red Square had nothing in them. They were a bit like a bring and buy sale …… The next time there was Estee Lauder, there was all the expensive names, expensive fur coats, it was far better than any shopping centre I've ever seen in the UK. And I thought who this is for? Because the majority of people can't shop here. Westerners were acutely aware of the contrast between the glitz of

the metropolis and the lives of ordinary people:

All the MacDonald's springing up. It was becoming much more westernised in Moscow but then you go out to MosTek and it's just the same as it ever was. We actually got the train from Mosbiz back to Moscow, and the train, the walk to the station and the homes that people were living in, was just as bad as it has ever been.

There was a mismatch between Russian and Western concepts of change, in the sense that, while Westerners tended to focus on the material effects of change, Russians tended to emphasise more the psychological effects when talking about themselves and those close to them. One trainer said:

And one of the lecturers there did comment that everyone thought that when communism went they would have this fantastic lifestyle, but for a lot of the older people, they wanted to go back to communism because life was a lot harder, a lot more uncertain, and the dream hadn't materialised. In contrast, the severe psychological cost of rapid environmental change was described vividly by a Russian freelance trainer:

Europeans live like adults, Americans live like children, and Russians now are like old people. They go straight from being children to being old. The following entry from the researcher's diary, made immediately after this interview, extends the negative imagery:

After the interview, when we were getting ready to leave the cafe, Margarita said that now many people use the analogy that their lives are like trash. The image works on a number of different levels: they are surrounded by trash, people treat one another aggressively and without concern - anybody can be rude to anybody else - and they feel that they have been thrown on the scrapheap. [That morning I had seen used condoms on the pavement right on a main road Staro Basmannaya, near the Baumanskay metro and this had shocked me. Environmental factors may be normally being seen as a subset of cultural factors, or as a unified system lending itself to STEP analysis. In the case of Russia the pace of change is such that the socioeconomic and political environment has changed radically, but in many respects aspects of the Soviet infrastructure remain. Thus the greatest gap is the lack of an established civil society on which the institutions and practices of a thriving market economy might be built. The sense of despair and anger in the fragment above communicates the alienation of the 'losers' from the collapse of the old life, those who have not found a new life to replace it, and who remain untouched by the flood of 'Western' goods, people and behaviour that rushed into Moscow and St Petersburg.

British trainers reflected some of this negativity. To some extent, they found it difficult to accept the basis of enterprise in Russia post-privatisation. Some held the understandable belief that business schools in technical and engineering institutions may be set up as a more or less cynical way of staying financially viable. Media images of gangster bosses and robber barons in the large industrial empires fed their anxieties that their knowledge and skills, once 'transferred' may be put to questionable ends.

In one case, a general concern about social conditions was linked to images of a more sinister breakdown in society, and an aura of threat: …That even in the hotel we were in, everything was run by the mafia. That there was a lot of mugging, a lot of corruption, crime…… However, one interviewee, himself positive about his Russian experiences, had a more sanguine view of his colleagues' reports of their assignments in Russia:

Culture

When considering the environmental factors above, it is striking that most of them can be ascribed to features of the transitional period, rather than to permanent aspects of Russian culture. Phenomena encountered by Western sojourners in Russia are generally either the products or vestiges of the old Soviet infrastructure, such as the complexities of the transport system and the antiquated telecommunications networks; or features of the post-Soviet adaptation period, such as the relative breakdown in law and order. The extent to which these phenomena reflect deeper and permanent aspects of a 'true' Russian culture is unclear.

Thus there is a case for considering the argument that culture, in the context of the Russian transition period, may be a concept of limited explanatory power. Most phenomena can more specifically be explained in terms of situational factors represented by the other fields in the model. The question arises as to how useful to the interpretation of the cases are the dimensional frameworks
of culture developed by scholars such as Hofstede and Trompenaars. There are examples from the case studies which could be ascribed to various cultural dimensions, such as power distance and uncertainty avoidance. Senior managers were observed to exercise considerable authority over a work group or team who were prepared periodically to put their own lives 'on hold' for the sake of a massive joint effort. This might be interpreted as evidence of both relatively high power distance and high collectivism. However, this would not be taking sufficient cognisance of the high stakes for the Russian organisations in these Western-sponsored projects. All of the organisations that were direct beneficiaries of the projects were cash-starved. The projects gave them access both to much-needed equipment, plus the incentive of foreign travel for key members of the working group. It is therefore not surprising, given the privations and pressures of the environment in which they were working, that groups might be capable of great feats of co-operative work when they all had a stake in success. Across the case studies, however, there were features apparent in the data that appear to have a cultural significance, in the sense that they could not be as easily explained in terms of situational factors, and do not appear to be so bounded by space and time as other features which are encapsulated within the transition situation. These include some aspects of observed managerial styles and practices.

PART 2

VARIOUS INDUSTRIES OF RUSSIA

1. TOURISM INDUSTRY

- Travel & Tourism sustained a total of 3.9 million direct, indirect, and induced jobs in Russia in 2011.
- Travel & Tourism in Russia directly employs more people than the chemical manufacturing sectors.
- Of note, Travel & Tourism directly supports nearly as many jobs as the financial services and automotive manufacturing sectors.

Employment Share

- Travel & Tourism generated, either directly or indirectly, 5.4% of employment in Russia in 2011.
- For every job directly in the Tourism sector, another three jobs are created on an indirect or induced basis, making its linkages stronger than in the automotive manufacturing and communication services sectors.
- 0123456789 10 Communication services Manufacturing of chemicals Automotive manufacturing Travel & Tourism Financial services Education Mining Indirect Induced Direct Russia Employment Impact by Industry 2011, millions 0.0% 2.0% 4.0% 6.0% 8.0% 10.0% 12.0% 14.0% Communication services Manufacturing of chemicals Automotive manufacturing Travel & Tourism Financial services Education Mining Indirect Induced Direct Russia Employment Impact by Industry share of total economy employment

Growth Trends

- Travel & Tourism direct industry GDP expanded 77% between 1990 and 2011 while the total economy expanded 78%.
- The chemicals manufacturing and mining industries contracted 18% and 35%, respectively, over this 21- year period.

Growth Forecasts

- Travel Tourism GDP is expected to grow at an annual average of 3.9% over the next decade.
- In comparison, the total economy is expected to expand 3.5% per annum while education is forecast to grow 2.3% per annum in real, inflation-adjusted terms.

- 200 400 600 800 1,000 1,200 1,400 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017 2019 2021 Automotive manufacturing Communication services Financial services Mining Education Manufacturing of chemicals Travel & Tourism Total economy Russia GDP Growth by Sector 1995=100 0.0% 1.0% 2.0% 3.0% 4.0% 5.0% 6.0% 7.0% Mining Education Communication services Total economy Travel & Tourism Financial services Manufacturing of chemicals Automotive manufacturing Russia GDP Forecast by Industry CAGR 2012-2022

Russia – Economic Activity, 2007-2011

	2007	2008	2009	2010	2011
Nominal GDP, billion rubles	33,246	41,277	38,807	45,173	54,586
Nominal GDP, billion dollars	1,354	1,410	1,293	1,474	1,860
Real GDP growth, % change y-o-y	8.5	5.2	-7.9	4.0	4.3
GDP per capita, US$	8,813	11,304	8,682	10,315	16,700
Population, millions	142.1	142	141.9	141.9	142.96
Unemployment, %	5.7	7	8.2	7.5	6.6
Inflation, %	11.9	13.3	8.8	8.8	6.1
Exchange rate (per $1)	25.58	24.85	31.76	30.36	29.35

INDIA

KEY FACTS AT A GLANCE
2010 TRAVEL & TOURISM ECONOMIC RESEARCH

2010		10-year trend
8.6%	**Gross Domestic Product (GDP)** The contribution of Travel & Tourism to Gross Domestic Product (GDP) is expected to rise from 8.6% (INR5,532.5bn or US$117.9bn) in 2010 to 9.0% (INR18,543.8bn or US$330.1bn) by 2020.	▲
6.7%	**Growth** Real GDP growth for the Travel & Tourism Economy is expected to be 6.7% in 2010 and to average 8.5% per annum over the coming 10 years.	▲
10.0%	**Employment** The contribution of the Travel & Tourism Economy to employment is expected to rise from 10.0% of total employment, 49,086,000 jobs or 1 in every 10.0 jobs in 2010, to 10.4% of total employment, 58,141,000 jobs, or 1 in every 9.6 jobs by 2020.	▲
3.8%	**Visitor Exports** Export earnings from international visitors are expected to generate 3.8% of total exports (INR519.7bn or US$11.1bn) in 2010, growing (nominal terms) to INR1,886.2bn or US$33.6bn (2.4% of total) in 2020.	▼
7.2%	**Investment** Travel & Tourism investment is estimated at INR1,628.1bn, US$34.7bn or 7.2% of total investment in 2010. By 2020, this should reach INR6,137.2bn, US$109.3bn or 7.7% of total investment.	▲

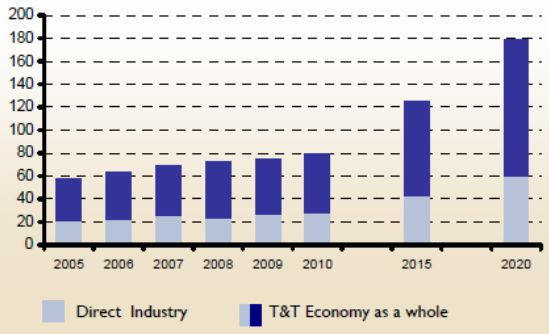
World ranking (out of 181 countries)

12	90	4
ABSOLUTE	RELATIVE	GROWTH
size	contribution to national economy	forecast

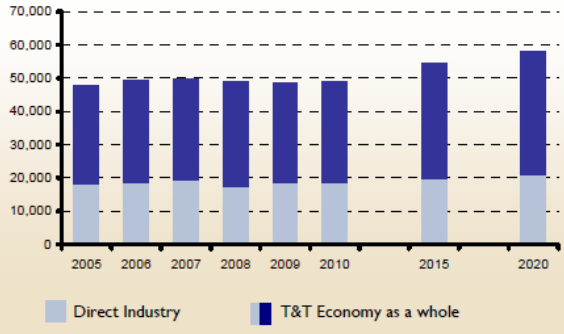
Ranking in South Asia (out of 6 countries)

1	2	1
ABSOLUTE	RELATIVE	GROWTH
size	contribution to national economy	forecast

INDIA
Travel & Tourism Gross Domestic Product
(2000 constant US$bn)



INDIA
Travel & Tourism Employment
('000 jobs)



Structure:

Russian tourism: Rich in heritage, poor in income

Russia may rank among the top 15 countries by the number of World Heritage natural and cultural sites but tourism accounts for just three percent of the gross domestic product. The number of tourists coming to Russia fell last year by seven percent to 2.1 million, while the number of Russians visiting foreign countries jumped by 32 percent to 12.6 million, said Vladimir Kantorovich, first vice president of the Association of Tour Operators. Officials and tourists alike mention many problems – difficulties with getting a Russian visa, lack of investment, poor infrastructure, crime and the language barrier. “I decided to come to Russia because I love the culture, the history, and I was curious to meet Russians. I wanted to form my own ideas about the country, different from the western view,” said Laura, a student from France.

“It was surprising to see that Russians don’t speak English and in Moscow, I think they are sick of tourists and just don’t make any effort. So to find your way, to eat in a restaurant, was quite a challenge,” she said. According to the World Economic Forum (WEF), Russia ranks fourth in the world by the number of World Heritage natural sites and 13th by the number of cultural sites. However, it ranks a paltry 59th among 139 countries by the competitiveness of its tourism business. Among the factors which give Russia a poor score, the WEF mentions poor land transport, safety and security issues such as high level of crime, lack of trust in police to provide protection and deaths caused in road accidents. The WEF says tourism is the “122nd most important” issue for the government. Russia ranks 91st in spending on tourism, falling way behind Gambia, Cambodia, Paraguay and Tunisia which are on top of the list. Russia spends about 0.6 euro to attract one tourist, while the world’s average stands at six Euros, said Yury Bazrykin, vice president of the Russian Union of Travel Industry. St. Petersburg, Moscow and the cities that surround the capital receive most foreign tourists. Other sites, such as Baikal Lake, the world’s deepest lake and largest body of fresh water, the

Kamchatka peninsula with its volcanoes and unique flora and fauna, attract only 1-2 percent of tourists due to poor infrastructure.

“Nobody invents new tourist routes, although a huge area, some 80 percent of Russia, was opened up after the collapse of the USSR,” Kantorovich said. Russia is also very expensive.”I was really surprised to see that Moscow is even more expensive than Paris, but this is, maybe, because I didn’t know the cheap places,” Laura said. Moscow remains one of the most expensive cities for accommodation not only in Europe but also in the world. The annual average room rate in Moscow hotels is approximately $237, while in Paris it is about $230, in London $216, in Berlin $189 and in Prague $141, said the Knight Frank real estate company in a study. Foreigners also often have to pay more than Russians for entertainment. The Tretyakov Gallery in Moscow, for instance, charges 180 rubles for an adult ticket from Russians and twice as much from foreigners, despite a law passed in the 1990s banning differential pricing for foreigners. (*RIA Novosti)*

Russian Tourists: What They Like

• Russian tourists are adventurous – they are active, sociable and looking for new experiences.
• Destinations with spas, sports facilities and culinary delights are all increasingly in demand.
• Russians are extremely susceptible to ‘novelty’: if a destination is marketed and differentiated in the correct way to the correct audience as the new holiday hotspot, it will succeed in the Russian marketplace.
• They like the reassurance of branded hotels and all inclusive trips.
• Russians book very late – 80% of holidays are sold in the last four weeks before departure.
• 72% of Russian tourists pay for their holiday in cash.
• Warm climates with outstanding beaches but which offer much more: spa facilities and restaurants, combined with the sense of history and culture, all sell extremely well with Russian tourists.

• MICE facilities and corporate hospitality – Russia's businesses are increasingly global in their outlook and activities.

• Education tourism – significant numbers of Russians go abroad to learn foreign languages and other skills.

Key Segments in Russian Outbound travel

The Ultra Wealthy

• Discerning and very affluent travelers/HNWIs

• Cash and time rich – multiple trips a year

• Initially hit hard by the financial crisis, but a new class of ultra wealthy has emerged. The number of Russian billionaires increased by 50% in 2009.

• Extremely difficult to reach by marketing and promotions; rarely using tour operators.

Young Professionals

• Even during the crisis unwilling to sacrifice their holidays – travel is no longer a luxury, but a fundamental part of their lifestyle.

• Foreign holidays are a status symbol; destinations which have a prestige factor, with a strong preference for 5*

• Significant disposable incomes – Russia has a 13% flat rate income tax.

• Jetting off for weekend breaks.

• Increasingly adventurous as they look further a field for new destinations.

Emerging Middle Class Families

• A growing middle class eager for travel – they take one or two trips a year and have a greater propensity to spend on leisure activities.

• Family holidays, predominately traveling to sun and beach destinations – often booked at the last minute.

• Very susceptible to marketing and promotions – especially for family friendly offerings, kids' clubs and competitive pricing policies.

• Destinations which have visa–free access or visas on arrival.

• With the recovery of the financial system, banks are offering credit facilities again, including for holidays.

After the financial crisis, a new frugality is reported: a new appetite for bargain travel offers. More people are booking services separately in a bid to economize.

Recent Travel Trends

Outbound traffic from Russia fell yet the volume of people taking premium or long haul holidays actually increased in 2009.

• A concerted promotional campaign reaps dividends. In 2009 Switzerland invested heavily in marketing and received 28.2% more Russian tourists, despite the financial crisis and the perception that Switzerland is an expensive destination.

• Resorts which responded to the financial crisis by reducing rates flourished: Montenegro increased Russian arrivals by 27.8% in 2009 while Croatian resorts, which refused to cut prices, saw numbers of Russian tourists plummet by 36.8%.

• Exchange rates are a sensitive factor: The USA received 28.6% more Russians in 2009 in part because of an attractive Dollar-Ruble exchange rates.

• Growing and intense competition from Far Eastern destinations – new openings, especially in China, are making a strong bid for Russian tourists.

• Destinations that are safe yet fun for teenagers are an important growing segment as wealthy professionals look to send their children abroad during the holidays.

• Destinations with friendly visa regimes have an established appeal and continue to rank highest on the list of popular destinations: Turkey, Egypt, Dubai and Thailand. Israel and Brazil recently relaxed their visa requirements and saw numbers of Russian tourists soar.

What Works: Promoting a Destination in Russia

• A positive reputation with Russian travel agents is not enough – a destination must be supported by a structured PR campaign, which communicates the brand directly to the widest number of Russians who holiday abroad.

• Constant contact with the Russian media – Russian journalists like to feel wanted. Personal relationships and regular outreach is vital.

• Press visits are essential in developing a destination's profile in the Russian media. For Russian journalists, seeing a hotel really is believing. It is difficult to convince them to write about a property unless they have actually stayed there.
• Coverage in luxury magazines is at a premium. During the financial crisis advertising revenues plummeted and the Russian media market is very volatile. In this challenging environment, destinations which are willing to conspicuously spend money are at an advantage as editorial teams are always going to do whatever they can to support their commercial people. • Russia has a thriving travel trade media, including a Russian version of TGG and online industry portals. It is essential to understand the quirks of the trade press to successfully reach travel industry professionals. • Proactive outreach to industry partners is rewarded. Making the effort to exhibit in Moscow and build personal relationships is an investment worth making.
• Celebrity ambassadors focus media and consumer attention – a very effective way at raising the profile of a destination, especially fashionable and aspirational resort.

Major events creates new opportunities for the evolution of travel and tourism

Over the next decade, Russia will host many large-scale political, cultural and sporting events including the APEC Summit in Vladivostok in 2012, the World University Games in Kazan in 2014, the Winter Olympic Games in Sochi in 2014, the FIFA World Cup in 2018 and many others. All of these events will require serious preparation in terms of transportation, travel accommodation, tourist safety and security and the quality of the travel and tourism products and services on offer in order to meet the high requirements of the organizers of these events. The thorough implementation of the development of all necessary requirements and the proper management of all of these events will help to create a solid base for the long-term future development of inbound and domestic travel and tourism in Russia. These events will be attended and watched by millions of local and international spectators, many of whom will pay attention not only to the

events, but also how Russia has managed to improve its travel and tourism and how hospitable the country now is.

PRESENT POSITION:

India-Russia trade and tourism grows at a good pace in 2012

India-Russia bilateral trade, as per latest official Russian data, grew 31.4% during the ten months of January-October 2012, compared to the identical period in 2011. Moreover, the flow of Russian tourists to India has risen significantly since mid-2011 and witnessed a further 22% growth during calendar year 2012, compared to calendar year 2011. Commenting on these encouraging developments, the Ambassador of India to the Russian Federation, HE Mr. Ajani Amphora, stated:

“I am delighted that India-Russia trade and tourism is growing at a good pace. The more liberal visa regime that we have been implementing since June 2011 has contributed to the 22% annual growth in tourism from Russia to India. The number of visas issued by the Embassy of India, Moscow, and its Consulates General in St. Petersburg and Vladivostok, has increased from 1,07,000 in 2010 to 1,31,and 000 in 2011 and crossed 1,60,and 000 in 2012. We are undertaking fresh tourism promotion initiatives across Russia this year and expect this trend to continue in 2013. Popular Indian destinations include Delhi-Agra-Jaipur, Goa, Kerala, Haridwar-Rishikesh, Kulu-Manali, Orissa and Ladakh. It is also good that Indian tourists travelling to Russia have more than doubled in 2012, compared to 2011, though their numbers are still quite modest.”

“India-Russia bilateral trade, which was US$ 7.5 billion in 2009, US$ 8.5 billion in 2010 and US$ 8.9 billion in 2011, has registered 31.4% growth during the ten months of January-October 2012, compared to the identical period in 2011. This substantial growth should also be seen against the backdrop of a global economic slowdown and a marginal decline in India’s overall trade during 2012. This constitutes one of the fastest growth rates in our trade with Russia in recent years. In fact, by October 31, 2012, we

have nearly reached the trade figure for the entire year 2011. Moreover, growth in India-Russia trade has been in both directions. It is the result of solid efforts in both Moscow and New Delhi. Still, there is considerable untapped potential and much work to be done to further exploit complementarities. If the present pace of growth is maintained, then the optimistic target of US$ 20 billion set for 2015 would be achieved".

It may be recalled that many trade related exchanges have taken place in recent months between India and the Russian Federation. India's Commerce, Industry and Textiles Minister, Shri Anand Sharma, led a high-level delegation to the St. Petersburg International Economic Forum (SPIEF) in June 2012. The "3rd India-Russia Business Dialogue" was convened on the margins of SPIEF. In July 2012, the Automotive Components Manufacturers Association of India (ACMA) visited Russia. In September/October 2012, numerous Indian trade promotion councils, commodity boards and other delegations participated in trade shows in Moscow and St Petersburg. These included India Trade Promotion Organization (ITPO), Agricultural and Processed Food Products Export Development Authority (APEDA), Federation of Indian Export Organizations (FIEO), Coir Board of India, Handicrafts Export Promotion Council of India, Cotton Textiles Export Promotion Council of India (TEXPROCIL), Synthetic & Rayon Textiles Export Promotion Council (SRTEPC), Apparels Export Promotion Council (AEPC), Pharmaceuticals Export Promotion Council (PHARMEXCIL), All India Association of Industries (AIAI), World Trade Centre, Mumbai, and World Trade Centre, Bengaluru. The "4th India-Russia Business Dialogue" was organized in Moscow in October 2012 by the "Business Council for Cooperation with India, Moscow" and the "Indian Business Alliance, Moscow". The 18th Session of the India Russia Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation was convened in New Delhi in October 2012, to which Deputy Prime Minister D.O. Rogozin led a large business delegation from Russia. The "6th India-Russia Trade and Investment Forum" was also convened in New Delhi on that occasion. Besides backstopping this trade related exchanges, special efforts have also been made in recent months to develop trade, cultural and other ties between India and Russia's regions. During 2012, this included through visits from the Embassy of India,

Moscow, to Tatarstan, Bashkortostan, Kursk, Irkutsk, Leningrad and Sverdlovsk Regions, Primorskiy Krai, and the Chuvash Republic

Russian Holiday Tours : An Russia based company.

RUSSIA HOLIDAY TOURS" is one of the leading tour operators especially for Russia, Ukraine, Belarus and Finland for both inbound and outbound tours and have our own offices in Delhi, Mumbai, Goa in India and Moscow in Russia. "RUSSIA HOLIDAY TOURS"." is more than an International Tour Agent; we are an Organization, streamlined to suit the specific and highly demanding needs of our customer.

Every month we organise group tours as well as individual tours for Russia, Ukraine, Belarus, Kazakhstan, Uzbekistan, & Finland. We provide visa assistance for these countries as well.

The flagship company of the **"RUSSIA HOLIDAY TOURS"** is the market leader in the Indian tourism industry and provides a comprehensive range tours within India. The core of **"RUSSIA HOLIDAY TOURS** is inbound & outbound tours from/to India. The company has consistently explored various ways to bring premium value to its customers and has always believed in setting benchmarks in quality of service and customer satisfaction. At **RUSSIA HOLIDAY TOURS**, we place great emphasis on delivering the highest standards of service. Our offices are equipped with state-of-the-art technologies, and the latest in communication techniques and connectivity. Our extremely skilled and dedicated team shares the company's goals and continually strives to build a long-lasting and mutually beneficial relationship with our partners and principals. Company has business partnerships with leading international tour operators across the globe. In fact, the company has successfully allied with an array of international tours companies providing them with wide-ranging services, from tour package to visa assistance.

Our Vision : We believe in an integrated vision of customers & products of working in partnership to increase business efficiency. We strive to keep alive the spirit of enterprise through well planned growth, personalized approach and honesty in dealings.

Our Services :

The company provides various types of services as noted below:

- Tour Packages for Russia (Moscow and St. Petersburg), Ukraine (Kiev),Belarus (Minsk) & Finland (Helsinki), Uzbekistan (Tashkent), Kazakhstan (Almaty) for Indian tourists
- Domestic tour packages to various destinations in India.
- Visa Assistance for Russia, Ukraine, Belarus, Uzbekistan, Kazakhstan & Finland (for Indian citizens) & for India (for foreign citizens), i.e. Tourist visa, commercial visa,
- For the foreign tourists, we offer a complete tour across India (Total Tour Packages).
- We offer complete legal documentation solution for foreign citizen in India
- We offer interpreter for Russian tourists (Russian-English-Russian)
- We provide the following services to foreign tourists i.e. Domestic-International Airline tickets, Railway Tickets, Hotel reservation, Car rental, Airport pick-up and drop, Russian speaking guide, etc.
- We provide English-Russian speaking guide in Goa, Mumbai and Delhi.
- We have established an Institute in Mumbai, which offers Russian & Hindi language courses. We encourage the Russians to learn Hindi and Indians to learn the Russian language respectively.
- We provide the following services to Indian tourists in Russia, Ukraine, Belarus, Uzbekistan, Kazakhstan & Finland i.e. Domestic Airline tickets, Railway Tickets, Hotel reservation, Car rental, Airport pick-up and drop, city excursion, sight seeing overview and related services, English speaking Guide, etc.
- We offer guidance to foreign citizens, who are interested in buying Real Estate in India i.e. Goa (North-South), suburban Mumbai and Delhi.

CONCLUSION

- The political environment of Russia acts as support as well as a barrier to carry out trade at both, domestic and international level.
- The Foreign trade policy and Trade laws formulated by the Russian government have given an impetus to the food industry.
- Investment opportunities have been enhanced as a result of the various institutions setup for the aiding of investments.
- Russia has a strong presence in the international political arena, especially after its induction to the G7, an international association of various countries which was rechristened as the G8 after Russia's induction. Russia also hosted the BRIC (Brazil, Russia, India and China) summit in Yekaterinburg in May 2008, convening a high-profile gathering of four nations with vast resources but differing interests. The BRIC summit is expected to unite these major economic growth centers to increase their role in international affairs. Furthermore, the country also held talks with Turkey in May 2008 to improve its bilateral relations with the country.
- During 1999–2007, the country had one of the highest growth rates, touching around 8% in 2007 but fell back to 6% in 2008. The global economic slowdown gripped the Russian economy too, and the economy went into recession with a negative rate of 8% in 2009.
- The social welfare system in Russia went through turmoil after the fall of the USSR. A weak healthcare system is one of the biggest challenges faced by Russia currently. Though the system is well decentralized in the country, it is inefficient, with under-qualified doctors and corrupt officials undermining the quality of treatment. Russia faces a severe demographic challenge resulting from low birth rates, poor medical care, and a rising AIDS problem.
- Russia has historically been known for its excellence in space technologies and is one of the most successful countries in terms of its implementation of many space programs. However, the country lacks expertise in fundamental research. Although Russia is part of the G8, the country does not have enough patents

registered in its name. Furthermore, the science and technology system in Russia is weak, with a lack of proper resources and funding.

- The Russian judicial system has suffered from corrupt officials and practices, which have made the system unreliable. In addition, unfair competition practices are hampering the entry of FDI into Russia.
- Although an environmental management system exists in Russia, a lack of resources to tackle environmental problems is preventing Russia from effectively implementing environmental protective measures.
- Tourism is based on Fordist Concept i.e.Up until the mid-70s, in Western Europe and North America, the dominant model of economic and social organization was one of more or less distinct features: that which some analysts call —fordist capitalismll (Pelagidis, 1998). The spatial expression of the term is associated with the concentrative tendencies of the great industrial units in the urban centers of the capitalistically developed countries.
- . Russia ranks 91st in spending on tourism, falling way behind Gambia, Cambodia, Paraguay and Tunisia which are on top of the list.
- According to the World Economic Forum (WEF), Russia ranks fourth in the world by the number of World Heritage natural sites and 13th by the number of cultural sites. However, it ranks a paltry 59th among 139 countries by the competitiveness of its tourism business.
- Russian tourists are adventurous – they are active, sociable and looking for new experiences. Destinations with spas, sports facilities and culinary delights are all increasingly in demand. Russians are extremely susceptible.
- Key segments in Russian outbound market are The Ultra Wealthy, Young Professionals , Emerging Middle Class Families.
- Over the next decade, Russia will host many large-scale political, cultural and sporting events including the APEC Summit in Vladivostok in 2012, the World University Games in Kazan in 2014, the Winter Olympic Games in Sochi in 2014, the FIFA World Cup in 2018 and many others. All of these events will require serious preparation in terms of transportation, travel accommodation, tourist safety and security and the quality of the travel and tourism products and

services on offer in order to meet the high requirements of the organizers of these events, creates new opportunities in Russian tourism.

- India is an incredible country – a kaleidoscope of images and experiences that overwhelm you from the moment you arrive. A country endowed with natural beauty, inspiring spirituality, rich in history and culture and identified as a New Age economy and Business Hub.
- India-Russia bilateral trade, as per latest official Russian data, grew 31.4% during the ten months of January-October 2012, compared to the identical period in 2011. Moreover, the flow of Russian tourists to India has risen significantly since mid-2011 and witnessed a further 22% growth during calendar year 2012, compared to calendar year 2011.
- Only about 15% of Russia's 142 million populations have ever traveled abroad – there is huge untapped demand for foreign travel. Many new routes are being added by Aeroflot and Transaero, Russia's two major airlines. The massive rise in middle incomes will create not only growth but also diversification of Russian outbound tourism creating demand for new destinations and types of holiday.
- Guidelines for Indian Tourism are Public awareness and guest notification, Information & training of personnel, Regulated use of premises and official equipment, Ethical business practices and marketing etc.
- In India, With the view to encourage setting up of tourism projects, the following facilities shall be provided such as Luxury Tax, excise duty etc.

Tourism sector is the third largest earner of foreign exchange and employs largest number of manpower- directly as well as indirectly in the country. Tourism Contributes to nearly 4.8% of GDP in India.

2. AVIATION INDUSTRY

Comparative Position of RUSSIAN AVIATION Industry with INDIAN AVIATION INDUSTRY

Russian Air Force (Russia):

The characteristics of Russian air power is still undetermined. With amazingly effective doctrine and mechanized defense, the Russian Air Force possesses the ability to maneuver in any kind of terrain. Notable for implementing beyond-the-limit strategy with weirdest technologies, this air force founded after the disintegration of the Soviet Union in 1991-92

Indian Air Force (India):

Considered as one of the best equipped air force across the world along with professional standards, the IAF was founded on October 8, 1932, and since then it has been in the limelight of mainstream media for its logical expansion and modernization. It is also the fourth largest air force in the world with approximately 170,000 personnel and 1,500 aircrafts

Indo-Russia T-50 stealth fighter to make its international debut

MOSCOW: T-50 stealth fighter jointly developed by Russia and India will make its first international public appearance at the MAKS airshow which went underway in Moscow, where Moscow unveiled its newest space shuttle, armed drones and a new range of upgraded weapons.

Two prototypes of the single seater jet, estimated to cost USD 6 billion, are expected to fly over Zhukovsky air field on the outskirts of Moscow.

"The co-development projects of the two countries will remain centerpiece of the Russian aviation industry", declared Mikhail Pogosyan, President of the United Aircraft Corporation,of theaircraft

Sukhoi's T-50 made its maiden flight in January 2010 and is expected to enter service by 2015. "The stealth fighter is progressing as planned and the new engine for the plane will be ready in time",Pogosyansaid.
The fifth generation Sukhoi T-50, also called the PAK FA for its Russian abbreviations for a perspective frontline aviation complex, is meant to be a rival to the US joint strike fighter F-22 Raptor.

Pogosyan had earlier said that Russia planned to develop upto 1,000 stealth fighters over the coming decade as aviation experts say that the Russian military orders will account for more than 50 per cent of the combat planes' produce.

He said that the Russian airforce is expected to buy 20 new fighters annually in the coming years.

Top Russian aircraft makers including Sukhoi and Mig have survived thanks to orders from India and China, but steady increase in government defence spending over the past few years have given new incentives to the nation's aircraft industries.

The Indian projects jointly developed by the two countries will remain the centrepiece of the Russian aviation industry, according to a top official.

Speaking with the reporters after the inauguration of the 10th International Aviation and Space Saloon (MAKS-2011), here President of the United Aircraft Corporation Mikhail Pogosyan told that the fifth generation fighter Russia's new stealth fighter jet, which is

expected to make its first public appearance during the air show Another static T-50 is expected to be demonstrated to a 'select' group'.

"The T-50 will be the newest main plane both for the Russian and Indian Air Force," Pogosyan said.

The fifth generation Sukhoi T-50, also called the PAK FA for its Russian abbreviations for a perspective frontline aviation complex, is meant to be a rival to the US joint strike fighter F-22 Raptor.

According to the local media reports the Indian version of the FGFA will be a lighter derivative of the PAK FA.

The projects for the joint development of Multimode Transport Aircraft (MTA) and deeper modernisation of Sukhoi Su-30 MKI fighters under the 'Super-30" project are among the key joint Indo-Russian projects.

Table I Development of passenger transport in Russia

	1990	1995	1999	1999/1990 (%)
Total (bn pass/km)	791.0	552.2	468.7	59.2
Air	159.5	71.7	53.4	33.5
International	18.5	23.2	22.6	122
Domestic	141.0	48.5	30.8	21.8
Passengers (mn.)	90.0		22.0	24.4
avg. trip length (km)	1,778		2,477	

Source: Goskomstat (2000)

India has a larger footprint at MAKS-2011, the air show which is held at alternate years, with an expanded presence.

Unlike in the past when BrahMos JV used to display its deadly missiles under the roof of its Russian partner, India has its exclusive stall displaying the models of its cruise

missiles, including an outdoor life-size mock-up of BrahMos cruise missile for the Sukhoi fighters.

Hindustan Aeronautics Limited also has a bigger display exhibiting models of the helicopters and planes produced by it.

This year's new entrant is Bharat Electronics, with a whole range of its avionics and force multipliers.

A huge IL-76 Flying Laboratory of Gromov Flight Research Institute with a Kaveri engine fitted on its test bed is also indicative of the scope of bilateral cooperation in cutting edge technologies.

The plane also bears the Seal of India's DRDO, showing an enduring interaction between the two organisations.

In all over 800 Russian and foreign firms, including Boeing and Airbus are taking part in MAKSairshow.

I.R.A.L.The enterprise

In a changing and volatile world, it is the versatile and the visionary who succeed. It is this belief which spurred the conception of India's most successful aviation enterprise- Indo-Russian Aviation Limited (IRAL).

In June 1994, when the Prime Minister of India and the President of the Russian Federation signed an agreement which brought IRAL into existence, they gave expression to an opportunity. By creating an enterprise that would fully support all aircraft of Russian (and former Soviet Union) origin. Whether it is operations and maintenance of engines, accessories, aggregates and avionics, modernization and re-

equipping, IRAL's support extends globally.

As India's fastest growing and most productive aviation company, IRAL's turnover has touched US $ 42 million in just 8 years. With it's headquarters at Nashik, where MiGaircraft are manufactured and overhauled, IRAL has focused on meeting the aviation needs of Defence and Security Services, for fighters, transport aircrafts and helicopters.

With significant annual growth rates, IRAL has quickly gained acceptance across the Indian Airforce and Indian Navy, The Royal Malaysian Airforce, The Vietnamese Airforce, The Sri Lankan Airforce and many others. Driven by a constant endeavor to add customer value, IRAL is aggressively moving into the manufacturing arena. Where the complete support of the Russian partners and transfer of technology agreements that deliver quick access to the latest updates, combine perfectly with high quality human engineering skills and competitive costs

AeroFlot

Founded	9 February 1923
Commenced operations	15 July 1923
Hubs	Sheremetyevo International Airport
Frequent-flyer program	Aeroflot Bonus
Alliance	SkyTeam
Subsidiaries	• Aeroflot-Cargo • Aeroflot-Finance • Donavia (100%) • Jetallians Vostok
Fleet size	130

Destinations	116
Company slogan	*Sincerely Yours* (Russian: *Искренне ваш*, *Iskrenne vash*)
Parent company	Government of Russia (51%)
Headquarters	Moscow, Russia
Key people	• Vitaly Gennadyevich Savelyev (General Director) • Viktor Petrovich Ivanov(Chairman) • Aleksandr Yuryevich Zurabov (First Deputy General Director)
Revenue	▲US$8,13 billion (*FY 2012*)
Net income	▼US$166 million (*FY 2012*)
Website	www.aeroflot.ru

Aeroflot – Russian Airlines (Russian: ОАО «Аэрофло́т-Росси́йские авиали́нии», *OAO Aeroflot-Rossiyskiye avialinii*) (MCX: AFLT), commonly known as **Aeroflot** (Russian: Аэрофлот, stylized as Аэрофлот, English translation: "air fleet"), is the flag carrier and largest airline of the Russian Federation. The carrier operates domestic and international passenger services, mainly from its hub at Sheremetyevo International Airport.

Aeroflot is one of the oldest airlines in the world, tracing its history back to 1923. During the Soviet era, Aeroflot was the Soviet national airline and the largest airline in the world. Following the dissolution of the USSR, the carrier has been transformed from a state-run enterprise into a semi-privatised company which ranks amongst the most profitable in the world. Aeroflot is still considered the *de facto* national airline of Russia. As of June 2011, it was 51%-owned by the Russian Government.

The company has embarked on a fleet modernisation program, extensive route restructuring, and an image overhaul. The airline joined SkyTeam in April 2006, becoming the 10th member of the alliance..

Destination & Services

As of July 2012, Aeroflot operates scheduled passenger and cargo flights from its hub at Sheremetyevo International Airport to 52 countries, serving 116 destinations.

One of the top airlines in the history of commercial aviation industry, Aeroflot offers air tickets at reasonable air fare to major business and leisure destinations in the world.

The airline covers regions like America, Asia, Russian Federation and CIS, Europe, Africa and Middle-East in its schedule. Passengers can easily book any of the Aeroflot flights conveniently using the online booking service.

In the American region the airline flies to destinations like Los Angeles, Toronto, New York, Washington, Miami and Cancun. There are a large number of flights to premium European destinations as well. In Spain, there are flights to Barcelona, Madrid and Malaga, while in France it flies to Paris and Nice.

Other European destinations served by Aeroflot include Germany, Italy, Switzerland, Belgium, Poland, Norway, Sweden and Finland, among others. The airlines also flies to many destinations in Asia including Delhi, Male, Bangkok, Ho Chi Minh, Hanoi, Hong Kong, Guangzhou, Shanghai, Beijing and Tokyo.

On domestic front, the airline offers flights to Tashkent, St. Petersburg, Kaliningrad, Vladivostok, Ufa and Kazan, among others. The extensive route network of the airline helps it serve its customers better with world-class facilities

Codeshare agreements

As of October 2012, Aeroflot has more than 27 codeshare agreements with the following airlines, which are the actual operators of the codeshared services Aeroflot places its code on:

Airline	Codeshare partner	Marketing partner
Aerosvit	Yes	Yes
Air Europa	Yes	Yes
Air Baltic	Yes	Yes
Air France	Yes	Yes
Air Malta	No	Yes
Alitalia	Yes	Yes
Adria Airways	No	Yes

Airline	Codeshare partner	Marketing partner
Bulgaria Air	Yes	Yes
China Southern Airlines	No	Yes
Cyprus Airways	Yes	Yes

Fleet

As of March 2013, the Aeroflot fleet includes the following aircraft, with an average age of 5.6 years:

Aeroflot Fleet								
Aircraft	In Fleet	Orders	Options	Passengers				Notes
				B	W	E	Total	
Passenger Fleet								
Airbus A319-100	15	1	—	20	—	96	116	

Airbus A320-200	44	5	—	20	—	120	140	
				8	—	150	158	
Airbus A321-200	21	5	—	28	—	142	170	
Airbus A330-200	5	—	—	34	—	207	241	
Airbus A330-300	17	—	—	34	—	268	302	
Airbus A350-800	—	18	—	TBA				
Airbus A350-900	—	4	—	TBA				
Boeing 737–700	—	15	—	TBA				Expected EIS: 2013; to be leased from Rostechnology
Boeing 737–800	—	25	—	TBA				
Boeing 737-900ER	—	10	—	TBA				
Boeing 767-300ER	7	—	—	30	—	185	215	
				30	—	186	216	

				30	—	192	222	
Boeing 777-300ER	2	13	—	30	48	324	402	
Boeing 787–8	—	22	—	TBA				
Ilyushin Il-96-300	6	—	—	22	—	260	282	
Irkut MS-21	—	50	—	TBA				
Sukhoi Superjet 100-95	10	21	10	12	—	75	87	
Cargo Fleet								
McDonnell Douglas MD-11F	3	—	—	N/A				
Total	**130**	**192**	**10**					

Company Policy

Aeroflot, as the leader of Russia's civil aviation, realizes its great responsibility before the society and future generations, and strives to secure a sound ecological balance in all its activity areas. This forms an integral part of its large-scale civil responsibility program, being a basic elements of the company's operations.

To achieve its environmental objectives Aeroflot is committed to completion of the following tasks:

- Air fleet modernization through replacing old power-consuming aircraft types with more energy-efficient ones
- Reduction of energy consumption by introducing resource saving methods and technologies
- Airline network optimization and introduction of new piloting techniques enabling lower emissions of noise and other pollutants from aircraft engines
- Introduction of new and improving of the current technologies and materials to provide ecology friendly aircraft maintenance
- Waste management in order to minimize the environmental impact of waste, with the emphasis on recycling as the most efficient way of waste utilization.
- Monitoring and analysis of the company's operations and technologies to elicit new ways of environmental performance improvement
- Usage of environmental efficiency indices as one of the key criteria for selection of suppliers and contractors
- Bringing the company's facilities and operations in compliance with the highest international standards of environmental protection
- Improvement of the staff's awareness of the responsibilities in the environment protection sphere, provision of incentives for a more responsible consumption of all resources, developing a culture of recycling.

To complete the above tasks, the company has implemented and is developing a system of environmental management complying with ISO 14000 series standards, which provides the company's compliance with the requirements of the Russian and international legislation in the sphere, and promotes the optimal choices of ways to achieve the environmental policy goals.

As a full member of the SkyTeam alliance, Aeroflot has developed its environmental policy in accordance with the Statement of Corporate Social Responsibility adopted by IATA (International Air Transport Association) in June 2008. The document sets the

state-of-the-industry standards in environment protection, improvement of social responsibility and provision of economic prosperity.

Aeroflot's environmental policy was developed in a strict accordance with the IATA strategy aimed at a reduced negative environmental impact of the air transport industry.

Aeroflot's Ecological Management and Control System incorporates up-to-date technologies and standards. The company has adopted Energy and Ecological Efficiency Programme which is in full compliance with IATA's ecological strategy.

The IATA strategy is being implemented along the four main lines:

- Fleet modernization and replenishment;
- Improvement of ground-based operations and procedures (e.g., takeoff and approach stages, toolkit of flight planning);
- Infrastructure improvement (passenger terminal zones);
- Economic problem solving (e.g., tax remissions for investments in aircrafts and aviation equipment with high fuel efficiency).

As both part of the IATA strategy implementation and Aeroflot's own environmental policy, in 2007 the company introduced the system for environmental management and operational control. Practically all Aeroflot air fleet complies with the standards of ICAO (International Civil Aviation Organization) for emissions of noise and other pollutants to the atmosphere.

The company is currently completing the introduction of e-ticket system, allowing it to escape the paper technology of air ticket issuing, and thus save vast areas of woodland. Aeroflot has developed a program for the switch to the usage of environmentally friendly and easily recycled materials in passenger servicing.

The complex of energy saving measures the company has developed and is implementing will enable it to save up to 1.5 million tons of jet fuel a year and reduce

its specific consumption by 43.6% in the period of 2007- 2020. The company is committed to its policy of openness about its intentions, efforts and achievements in environment protection. Corporate awareness of the company's environmental policies is achieved by means of corporate media and internal regulations.

Aeroflot	
Parent Company	Government of Russia
Category	International
Sector	Airlines
Tagline/ Slogan	Sincerely Yours. Aeroflot
USP	First airline to successfully operate regular jet airliner services
STP	
Segment	Business men / customers seeking leisure and comfort
Target Group	Upper middle class / high income groups
Positioning	Sincerity and Friendliness
SWOT Analysis	
Strength	1. Aeroflot has been transformed from a state-run enterprise into a semi-privatized airline which ranks amongst the most profitable in the world 2. It is one of the oldest airlines and during the Soviet era, Aeroflot was the Soviet national airline and the largest airline in the world thus it has a very strong brand name

	3. With a fleet size of over 125 it provides services to nearly 120 cities in 50+ countries. One of the few airlines to have such a wide reach 4. Good brand reputation and visibility
Weakness	1. Lack of pilot training and technical services in the subsidiaries of Aeroflot 2. Aeroflot isn't active at small regional airports. 3. The lack of systems providing customers' feedback does not allow the company to focus completely on the changing demand
Opportunity	1. Opportunities for steady growth in the domestic market and to obtain larger share of the domestic market. 2. Potential to construct new terminal for the VIP aviation in Pulkovo St Petersburg. 3. Aeroflot intends to bid in a tender for privatizing Czech Airlines
Threats	1. Increasing Fuel cost 2. Low cost carriers getting foothold in domestic market
Competition	
Competitors	1. AMR 2. Air France 3. Lufthansa 4. All Nippon Airways

Five Forces Analysis

Threat of new entrants

The threat of new entrants in the market of Russian civil aviation is low. The main reasons for that are huge amount of money that is needed to start airline business, and hardly any airlines company in coming years can offer as many destinations worldwide as Aeroflot has. That is why Aeroflot should not be afraid of possibility of new entrants.

Bargaining power of suppliers

Aeroflot's fleet, which is among Europe's most modern, youngest and fastest growing, consists of 90 aircraft (Airbus, Boeing, Tupolev and Ilyushin planes), confirming the airline's commitment to the highest economic, safety, ecological and noise standards. In 2009 the company is planning to receive the total of 24 brand-new modern planes. In 2007, Aeroflot signed multi-billion US dollar deals to buy 22 Airbus A350 jets and 22 Boeing B787 Dreamliners, with deliveries in both cases to start since 2016.In 2008, Aeroflot started receiving Airbus A330 aircraft which will dramatically expand the airline's long-haul capabilities and standard of service.

Threat of substitute products

The threat of substitute products is low, because of the size of Russian Federation. If you go for a long distance by train you will spend much more time on the trip than if you fly by plane. Also Russia is not a member of European Union and people prefer to go to Europe by plane than to spend a lot of time waiting on borders.

Bargaining power of buyers

Bargaining power of buyers is a threat for Aeroflot. Aeroflot mainly aims to business customers, who are willing to pay more for better quality of services. Nowadays, in the time of financial crisis many people would prefer to spend less on tickets and fly by budget airlines.

Competitive rivalry

Competitive intensity on the market of Russian civil aviation is not high. Aeroflot is the only one airline in Russia that aims at business customers. Aeroflot is a part of Sky Team alliance and that sufficiently increases the number of destinations available to its customers. So Aeroflot's rivals can hardly compete with it in number of routes available.

Competitor Analysis

As Russia's largest airline, Aeroflot has felt the full benefit of increasing demand for air transport. Company operations are completely focused on regular flights, reflecting Aeroflot's positioning as a global network carrier. Business development in 2007 enabled Aeroflot to strengthen its positions on the regular domestic flight market, significantly enhancing attractiveness of the company's route network and supporting development of cooperation with other airlines as part of the skyTeam global alliance.

Aeroflot's results in 2007:

The company carried 8 .2 million passengers in 2007, or 12% more than in 2006.

- Addition of traffic by Aeroflot subsidiaries gives a total figure of 10.2 million passengers, which is 16.6% more than in 2006.
- The occupancy rate over 2006 increased by 0,2% up to 70.3%,
- Revenues passenger kilometers (RPK) increased to27,879.3 mln, a14 .6% growths in comparison with 2006 (24,324.8mln)

- Total Revenue was 95 bn RUR (2,71 bn euro), a27.2% growth in comparison with year 2006 (74,75 bn RUR-2,13 bn euro)

Aeroflot kept its leadership on the regular international airline market, achieving a total number of 5 .4 million passengers or 45 .4% of the overall market, while Transaero took second place with 13 .8% market share. The company substantially expanded its operations on regular domestic routes, carrying 2 .8 million passengers (19 .7% more than in 2006, and 16 .7% more than the average level for Russian airlines). Including subsidiaries Aeroflot-don and Aeroflot-Nord, Aeroflot group accounted for 17 .7% of domestic volumes measured by passenger turnover and 17.6% by passenger numbers (4 .3 million people). The respective figures for secondplaced Sibir were 16 .4% and 14 .8%.

Competitors:

Transaero is the second largest Russian airline serving international routes. Transaero won Wings of Russian 2007 award in Airline of the Year –the Best Airline Serving International Routes. Transaero is the leader of the industry in terms of long-term stable development. The airline's passenger flow grew by almost 12 times in the recent five years. Transaero has the largest long-haul fleet in the Russian Federation, which includes 38 aircraft. Transaero serves routes connecting Moscow with 85 destinations and it is the only Russian airline to operate scheduled flights to five continents. International flights account for approximately 85% of the entire passenger turnover of the airline.

Transaero has shown impressive growth in 2007:

_ Revenue passenger kilometers (RPK) grew by 3,966 million to 11,759 million, a 50.9% increase from 2006;

_ Passenger number grew by 1.105 million passengers to 3.242 million, 51.7% more than in 2006;

_ Load factor increased up to 79.43%.

_ Revenue (excluding VAT, excises another obligatory payments) was RUR20,5bn (580 mln euro), which is by 50.5%more as compared to 2006.

_ Sibir S7

S7 Airlines is Russia's largest domestic airline and one of the world's top 50 airlines in this segment. In 2007 the company received an official notification from the IATAabout the inclusion of the airline in the registry of operators of the IOSA (IATA Operational Safety Audit) and became Russia's second airline to successfully pass the full procedure of the international audit for conformity to operating safety standards.

Results of year 2007:

_ S7 Airlines completed more than 47,500 flights in 2007, an increase of 19% over 2006

_ S7 transported 5,698,109 passengers, a 16% increase over 2006.

_ The number of passengers transported increased by 22% on domestic routes and 8% on international routes.

_ The occupancy rate over 2006 increased by 3 percentage points to 80.9%, while the commercial occupancy rate increased by 5.2 percentage points to 75.3%. Passenger traffic exceeded 13.9 bn passenger-km in 2007, up 11% from 2006.

_ Airlines' revenue during the reporting period increased from the previous year by 24% to more than 30 bn rubles-857 mln euro (not counting VAT).

_ Rossiya

Federal State Unitary Enterprise State Transport Company Rossiya is Russia's largest state-owned air company, and the leading air carrier in the North-Western Region of the RF. In 2007 Rossiya carried a total of 3,244,585 passengers in its own aircraft fleet. Today, the company offers flights to over 100 cities of the world and has 50 offices in RF and countries in and outside of the former Soviet Union.

Strategic Positioning

The airline industry market can be divided on a few big companies carrying flights for about of 57% of air passengers and a couple of smaller ones operating on the market with an overall market share of 43%. The key players competing on the Russian airline market are our company Aeroflot which is currently carrying out 20% of the air traffic in Russia. Siberia Airlines carrying out 13% of the Russian flights followed by Transaero holding approximately 10% of the market and Rossiya and Utair equally carrying 7% of the flights. The rest of the market is dominated by much smaller airline companies (VIM, Adant, Soyuz,Ural Airline, KD avia, Aeroflot-Don, Sky Express and others. Aeroflot kept its leadership on the regular international airline market, achieving a total number of 5 .4 million passengers or 45 .4% of the overall market, while Transaero took second place with 13 .8% market share. Russia's rapidly developing **air transport industry grew by around 20% in 2007** and in the first five months of 2008 Aeroflot Russian airlines continued to report growth at that level. However since then growth has slowed rapidly falling to under 1% in October. In November passenger numbers on Russian airlines fell by 6.5% and in December by 14.5% Demand suffered as a result of the collapse of several medium-sized airlines including KrasAir (with a fleet of over 30 aircraft) which ceased flying at the end of October. Domodedovo Airlines which operated a fleet of 13 Russian-built aircraft ceased operating at the end of September

Present Position and Trend of Business (import / export) with India during last 3 to 5 years

Industry Trends

The Russian airline industry has been showing strong growth since 2000; driven mainly by growth of the Russian economy, rise of business activity, rise of personal incomes and mobility, as well as development of air transport infrastructure and renewal of aircraft fleets. Russian airlines carried 45 million passengers on domestic and international routes in 2007, representing an increase of 18.6% from 2006.

These figures are still considerably lower than levels of passenger carrying before break-up of the USSR (88 million passengers were carried inside Russia in 1991), but they represent a steady growth dynamic. Passenger turnover grew by 18.2% to 111 billion RPK; growth rates in 2007 were more than twice higher than in 2006 and set a record for the period from 2000 to 2007. Growth rates of passenger traffic differed significantly between geographical areas in 2007.

The largest growth of passenger numbers by 22.4% was on long-haul international routes to destinations outside Russia and the CIS (the so-called “far abroad”). Growth on routes inside Russia was 16.7% and passenger carrying on CIS routes expanded by 12.8%. The 15 biggest airlines carried 70% of all passengers on Russian domestic routes, and the average growth rate in this category was 20.6%, which is 3.9 percentage points more than the average level on all domestic routes (16.7%) so the gap between largest airlines and smaller operators continues to widen.

The Russian market is now one of the most promising in the world, together with the Chinese, Indian and Middle East markets. Current forecasts for development of the economy and the market situation suggest that the trend of growing demand has a long-term character industry analysts estimate that nominal wages in Russia, which are used to calculate an affordability index, rose by more than

six times in 2000–2007, while average annual ticket prices on domestic routes rose by just over two times. However, air transport mobility of the Russian population remains considerably lower than in developed countries.

				(USD	MILLION)
Year	2007	2008	2009	2010	2011
Import market	0	0	30	65	70
Local production	2	2	9	17	30
Exports	0	0	4	5	10
Total market	22	35	77	55	10
Exchange rate	1USD = 4500 Rubles				

Policies and Norms of russia for aviation industry for import / export including licensing / permission, taxation etc

Policy

For e.g.

Aeroflot has renewed insurance policy of aviation risks with a discount of 19,6% in comparison with previous policy period In 2006 the discount was 12%. The renewed flight insurance policies of Aeroflot meet all the requirements of the aviation authorities of the countries, engaged into the airline company's routes, and correspond to Montreal convention requirements as regards to insurance of air carrier's liability for its passengers.

On February 27, 1992, the Export-Import Bank of the United States (Eximbank) opened programs to support U.S. exports to the Russian Federation. Specifically, Eximbank

supports, under its short- and medium-term insurance, loan, and guarantee programs, transactions involving U.S. exports to the Russian Federation, when the obligor or guarantor will be Rosvneshtorgbank (The Bank for Foreign Trade of the Russian Federation), Vnesheconombank (The Bank for Foreign Economic Affairs) or other official entity acting on behalf of the Government of the Russian Federation. Before processing applications for preliminary commitments, Eximbank requires clearance by Rosvneshtorgbank or Vnesheconombank

Import and Activity Licenses

Import licenses and activity licenses for wholesaling and manufacturing activities are necessary to import a number of products, including alcoholic beverages, pharmaceuticals, products with encryption technology, explosive substances, narcotics, nuclear substances, hazardous wastes, and some food products (e.g., unprocessed products of animal origin). While some of these requirements address legitimate health and safety concerns, others appear to be unnecessary additional requirements for imported goods and to burden unfairly importation of these products.

Export policies

Over the last two years, the Russia government has been pursuing a policy of raising export tariffs on coniferous logs and round wood in order to stimulate the development of a domestic wood processing industry and to encourage the export of sawn lumber and value added wood products. The government has eliminated the export tax for processed wood products such as particle board, several types of cellulose from coniferous wood, certain types of paper, carton and cardboard, and railway and tramway sleepers. In May 2007, the government eliminated the import tariffs for equipment used to produce medium-density fiberboard, granulated and brick wood.

The objectives of this policy are the creation and continued facilitation of a competitive and service-oriented civil aviation environment in which:

- The interests of the users of civil aviation are the guiding force behind all decisions, systems and arrangements,
- Safe, efficient, reliable and widespread quality air transport services are provided at reasonable prices,
- There exists a well-defined regulatory framework catering to changing needs and circumstances,
- All players and stakeholders are assured of a level playing field;
- Private participation is encouraged and opportunities created for investors to realize adequate returns on their investments;
- Recognizing that aviation today is an important element of infrastructure, rapid upgradation of airport infrastructure to world class with priority to the busiest airports and those handling international flights;
- Recognizing that transportation of air cargo is vital to the economic growth of the country, creation and development of specific infrastructure for air transportation of cargo and express cargo is encouraged,
- "Airline operations and acquisition of aircraft" is conferred "infrastructure" status for overall growth of civil aviation sector in the country
- Domestic and international aviation in the country are encouraged to grow at par with world aviation industry;
- Inter-linkages with other modes of transport are encouraged and stimulated;
- Trade, tourism and overall economic activity and growth is encouraged;
- International cooperation in aviation and development in tune with international trends and best practices, consistent with airspace sovereignty is promoted;
- Indigenous development of aircraft, components and aviation products is encouraged,
- Security of civil aviation operations is ensured through appropriate systems, policies, and practices, and
- Effective systems are put in place for timely crisis and disaster management, including investigation of incidents/accidents.

• The Government will aim at ensuring adequate world class airport infrastructure capacity in accordance with demand, ensuring maximum utilization of available capacities and efficiently managing the airport infrastructure by increasing involvement of private sector.

• Greenfield airport will be permitted by the Government where

1. the existing airport is unable to meet the projected requirement of traffic or
2. a new focal point of traffic emerges with sufficient viability and
3. the new location is normally not within an aerial distance of 150 kilometers of an existing airport

• Encouragement will be given to development/ construction in private sector of small airstrips/ helipads /heliports, which are smaller and cheaper to construct. These will be particularly suitable in remote hilly or island areas, large business, city centers, factory locations and at other important nodal points. This will also facilitate increase in small aircraft operations

• Private sector participation

1. Private sector will be free to undertake (a) construction and operation of new airports/airstrips/ helipads/heliports including cargo complexes, express cargo terminals, cargo satellite cities and cargo handling facilities (b) upgradation and operation of existing airports/airstrips/helipads/heliports in consultation with the existing operator including cargo complexes, Express cargo terminals, cargo satellite cities and cargo handling facilities
2. Foreign equity participation will be permitted up to 74 % with automatic approval and 100 % with special permission of government
3. Private sector participation will include participation of state government, urban local bodies, private companies, individuals and joint ventures on Build-Own-Operate (BOO) basis or any other pattern of ownership and management depending on the circumstances.
4. Restructuring of major airports of Airports Authority of India will be undertaken through long-term lease to private investors for efficient management, improvement of standards of services/ facilities and attracting private investment

5. At privately managed airports, air traffic control (ATC) and aviation security will continue to be provided by the Airports Authority of India (AAI) and customs and immigration facilities by respective Government departments.

6. The equipment needed for any service would normally be provided by the agency responsible for the service and an equitable system would be established for sharing of revenue between different agencies. Keeping in view their respective investments and responsibilities.

- All airports /airstrips /helipads /heliports used for scheduled air-transport services will be licensed by Civil Aviation Authority.
- Airport/ airstrip/ heliport/ helipad operators will follow ICAO guidelines for levying airport/ airstrip/ heliport/ helipad charges based on cost recovery principle. The CAA would put in a place a regulatory mechanism to prevent abuse of monopolistic nature of such infrastructure.
- An objective and well-defined transparent mechanism for allocation of slots at airports will be ensued at all times.
- CAA will ensure fair play between different airport/ airstrip/ heliport/ helipad operators and user agencies so that no airport/ airstrip/ heliport/ helipad operator is accused of discriminating against any particular airline or any other user. Similarly, Government will ensure that no airport-operator is discriminated against with regard to allotment as point of call, if there is demand for air services from such airport.
- More international gateways shall be provided. It would be ensured that there is at least one international airport in every region of the country in order to give a boost to trade and tourism and adequate capacity in all the routes.

- Cargo handling

1. Infrastructure like satellite freight cities with multi-modal transport, cargo terminals, cold storage centers, automatic storage and retrieval systems, mechanized transport of cargo, dedicated express cargo terminals with airside and city side openings, computerization and automation etc. will be set up on priority basis.

2. Private sector participation in cargo handling will be encouraged.

3. Efficient Electronic Data Interchange systems will be developed and linked amongst all stakeholders in the trade.

4. Air cargo complexes and dedicated express cargo terminals (with airside and city-side openings) will be integral part of all major airports.

- Operation of airports would be in accordance with the provisions relating to prevention of air, water and noise pollution.
- Guidelines for naming of airports will be formulated to ensure that the airports are named after the cities they are situated in as per international norms.
- Air Traffic services

1. Air Traffic controllers will be licensed by CAA.
2. AAI will continue to provide Air Traffic Services over the Indian air Space as per standards set by CAA in accordance with ICAO norms.
3. Approach and aerodrome control services may be provided by licensed ATCs engaged by the airport operators
4. New satellite based CNS/ATM systems will be introduced as per ICAO's Regional Plan
5. India to have a significant say in the provision of new satellite based CNS/ATM services in Asia- pacific/ SAARC regional airspace
6. Fresh Air traffic Services and Controlling (Departure, holding and approach) procedures will be evolved for helicopters and small aircraft to exploit their inherent advantages and to reduce the cost of their operations and efficient use of airspace without compromising safety. This will also give boost to Flying Clubs.
7. Efforts will be made for Civil-Military co-ordination for
    - Greater sharing of civil and military airspace for unidirectional air-corridors and straightening of air-routes to save fuel and time,
    - Uniform air-traffic procedures ,
    - Additional slots for civilian flights at military airports,
    - Sharing of revenues at civil enclaves

• The government will give thrust on use of Information technology in all aspects of civil aviation sector. Each organisation will have time-bound IT action plan.

The following information will be made available by CAA on Internet

1. Policies/ Rules/ Regulations related to aviation sector
2. Status of various pending proposal and applications
3. Syllabi, schedule and results of various examinations conducted by the CAA

• Increasing use of Intranet/ video-conferencing facilities for consultation for quick decision making and reducing administrative costs.

• In the national carriers, revenue yield management systems will be increasingly used for flexible tariffs and maximisation of revenue

• Internet based flight reservation , inquiry and status information system will be introduced.

• There will be web-site for all major airports where information required by various users like passenger facilitation ,transport facilities to and from city, duty free shops, car parking, cargo, guide map etc. will be available

• Electronic data interchange (EDI) system will be introduced in cargo terminals linking all stakeholders for quick transactions and availability of latest information about the status of cargo movement.

Present Trade barriers for import / Export

In general, U.S. companies face a number of tariff and non-tariff trade barriers when exporting to Russia. A complaint frequently voiced by U.S. companies is Russia's complex system of standardization. As explained in detail in the "Standards" section below, Russia's regime remains extremely complex due to its lack of clarity and transparency, and overall redundancy. While the system has improved somewhat, U.S. companies are encouraged to obtain appropriate legal advice or assistance from experienced distributors or consultants, as well as the U.S. Commercial Service.

Discrimination against foreign providers of non-financial services is, in most cases, not the result of federal law, but stems from abuse of power, sub-national regulations and

practices that may violate Russian law. For example, a few foreign service providers have noted that they are forced to pay a range of fees to obtain licenses from local authorities, fees that domestic companies allegedly bypass via bribes.

The 1996 federal law “On Banks and Banking Activity” permits foreign banks to establish subsidiaries in Russia. However, Russia does not allow foreign banks to establish branches in Russia. In November 2006, Russia and the U.S. signed their WTO (World Trade Organization) Bilateral Agreement, a major step in Russia’s accession to the WTO. As part of this Agreement, Russia pledged to allow foreign ownership to account for as much as 70% of the country’s total banking sector equity. Previously, Russia had the prerogative to legislate the limit on foreign capital to 50% of total equity. However, at the time the bilateral agreement was signed, foreign equity accounted for 20% of the total. Russia’s pledge essentially “grandfathered” in that 20% and provided new foreign equity the potential to absorb/account for an additional 50% of total banking sector equity.

The Central Bank has required new foreign bank subsidiaries to have a minimum of €5 million in capital (the same requirement is applied to domestic banks) and that at least 75% of the bank's employees and 50% of the bank's management board be of Russian nationality if the chairman is not a Russian citizen. Heads of foreign banks' Russian offices are required to be proficient in the Russian language.

In the insurance sector, foreign insurance firms are subject to a 49% equity restriction. Foreign firms that were active in Russia when this requirement came into effect, however, were grandfathered and are not subject to the foreign equity limit. Russia also has more generous operating provisions for insurance companies from the European Union, and has been permitting multinational companies to benefit from this more generous treatment provided they conduct their Russian investments via their EU-based offices. Once Russia becomes a WTO member and the United States grants permanent normal trade relations status, U.S. insurance companies will be allowed to operate through subsidiaries, including 100% foreign-owned non-life insurance companies, and

will be able to open direct branches at the end of a nine-year transition period. However, as in the banking sector, Russia maintains the discretion to limit foreign sourced charter capital in the insurance sector and if the ratio of foreign sourced to total charter capital in the insurance sector ever exceeds the 50% cap, Russia's regulators will have the discretion to take certain actions specified in Russia's WTO commitments.

Until Russia's accession, EU firms will continue to enjoy an advantage over their counterparts from the United States and elsewhere, since they can offer life and mandatory forms of insurance in Russia directly, without the requirement to work through a majority Russian-owned partner. Russian law currently requires that chief executives and chief accountants of foreign insurers operating in Russia be Russian citizens.

In the telecommunications sector, the 2004 Law on Communications was amended in July 2006 by the law "on Information, Information Technologies and Information Protection." The latter law's impact on competitive alternative telecommunications operators, many of which enjoy large foreign investment, has been substantial, since these companies now fall under tight government regulation. In particular, regulations on interconnection--the process by which alternative operators connect their networks to the Russian public telephone network--place interconnection contracts and fees under the regulatory authority of the Ministry for Information Technologies and Communications. Alternative operators fear that these fees will be raised to subsidize network upgrades of government-owned and ministry-controlled local and long distance operators.

There are significant barriers in the provision of satellite telecommunications services in Russia. In particular, satellite regulation is not transparent. The legal requirements and administrative responsibilities associated with the provision of these services appear to be discriminatory, with the Russian government demonstrating a preference for Russian satellite communications systems, which puts competing satellite systems at a

disadvantage. Current Russian legislation restricts foreign investment in the aerospace industry to less than 25% of an enterprise.

The government enacted the Strategic Sectors Law (SSL) in May 2008. The SSL introduces a list of 42 “strategic” sectors in which purchases of “controlling interests” by foreign investors must be pre-approved by the Russian government. The list of restricted sectors includes: enterprises in the nuclear industry or involved in handling radioactive materials; enterprises involved in work on infectious diseases; arms, munitions, and military equipment production, maintenance, or repair; the aviation and space industries; certain data-transmission (radio, television, telecommunications) infrastructure; production and distribution of encryption technologies and equipment; production and sales of goods and providing services under conditions of a “natural monopoly” (e.g., activities such as operating certain gas networks); newspapers with a circulation of more than one million; and natural resource extraction. Many observers, while welcoming more precision about the rules of the game, have criticized the SSL for being overly broad in the number of sectors it covers, and raised concerns that the approval process will prove to be non-transparent and burdensome.

The SSL approval process involves two steps. Initially, the foreign investment must be vetted by the Federal Anti-Monopoly Service (FAS). The FAS must determine whether the proposed investment is subject to the SSL and then recommend to the Government Commission on Control of Foreign Investment in the Russian Federation (“Commission”) whether the investment should be approved. The head of the FAS is appointed by the Prime Minister. The Commission is headed by the Prime Minister and is comprised of Cabinet Ministers with jurisdiction over most of the restricted sectors, as well as the Director of the Federal Security Service (FSB).

To date, only two foreign companies have received approval under the SSL: DeBeers (diamond mining) and Alenia Aeronautica (development of Sukhoi Superjet 100). These

approvals provide little guidance regarding implementation of the SSL. Both investments were pre-approved by Prime Minister Putin when he was still President and no information about the process was publicized by government authorities.

In conjunction with the SSL, amendments to the sub-soil legislation were also passed requiring governmental approval for foreign investment in excess of 10% in companies operating a "strategic" deposit, which includes major oil, gas, and other mineral deposits. Foreign oil and gas companies are concerned about the potential application of these provisions, including how and when the government may declare a given field strategic and what compensation a field licensee may be given under such declarations. The Russian government continues its policy of not entering into any further Production Sharing Agreements (PSAs - designed for energy projects that require high capital expenditures and a long period before profits or significant tax revenues are generated).

In aviation, many of the Russian-flagged carriers have aging fleets and use outmoded avionics and engines, but several are seriously considering significant purchases or wet-leases of foreign aircraft in an attempt to be more competitive with Western airlines. Domestic aircraft manufacturers only produce ten planes per year on average and therefore cannot keep up with Russian airlines' projected demand for 1,500 additional planes in the next twenty years. The airlines hope that Russia's commitment to reduce aircraft tariffs as part of its WTO accession will help them purchase the modern, fuel-efficient aircraft they need to remain competitive with foreign airlines. Current Russian law stipulates preferential treatment (tax holidays, guarantees on investment) for Russian and foreign investors in aviation-related research and manufacturing ventures. However, it limits the share of foreign capital in aviation enterprises to less than 25% and requires that board members and senior management staff be Russian citizens. There is speculation that the 25% limit could be raised or eliminated to make way for further investment. Some observers, however, doubt that recent proposals to raise the limit to 49% would be sufficient to attract foreign capital for Russia's aircraft industry.

The signed bilateral agreement on Russia's accession to the WTO and the corresponding side letter on leased aircraft could yield significant market access opportunities. The side letter on leased aircraft has been in force since November 19, 2006, with narrow body leased aircraft enjoying immediate tariff reductions. Tariffs on wide body aircraft will be reduced from 20% to 7.5% over four years following accession. Tariffs on civil aircraft parts, including engines, will be reduced to an average of 5%. As long as the lease is signed before January 1, 2011, aircraft with less than 50 seats will be charged only 8% and those with 115-160 seats will be charged 10%.

The Russian government eliminated the import tariff on small aircraft with up to 19 seats for a period of nine months as of July 16, 2008. According to the Ministry of Transportation, the measure will be extended after nine months. In September 2008, the government announced that the import tariff for aircraft with up to 50 seats would be cancelled as of January 1, 2009, and that import tariffs for aircraft with 115-160 seating capacity would also be temporarily canceled, so long as the aircraft were not more than ten 10 years old and were imported into Russia prior to 2011 under leasing contracts for no longer than five years. Neither of the decrees finalizing these proposals has yet been issued.

The import tariff on foreign aircraft with over 300 seats was eliminated for a period of nine months beginning in February 2008. In September 2008, the Russian government recommended permanent cancellation of import duties on aircraft seating more than 300 passengers, but no date has been set yet for this permanent tariff reduction measure to come into effect. U.S. industry reports that illegal logging accounts for as much as 20% to 30% of Russia’s timber harvest. Illegal wood supplies have begun to appear in China, hurting U.S. exports to that market. Illegal logging continues to increase, particularly in the Far East due to its proximity to China. According to World Wildlife Fund data, the share of unregistered wood to total volume of timber consumption is 53% in the Chita region, 34% in Primorskiy Kray, 33% in Khabarovsk Kray, 17% in Vologda region, and 10% in Krasnoyarsk Kray.

Potential for import / export in Indian Market for aviation industry

India May Open Airline Industry To Investment From Foreign Carriers
11 April 2012
The Indian government will make a decision this week on whether to allow foreign airlines to purchase stakes in Indian carriers, said a report by theTimes of India on Wednesday. The move is one which could potentially provide a lifeline to cash-strapped carriers such as Kingfisher Airlines, with Indian carriers now facing an accumulated debt of $16 billion and cumulative losses of over $8.5 billion.
On Tuesday, India's commerce & industry ministry a circulated a cabinet note to other government ministries, seeking comments on whether to permit a 49 percent foreign direct investment limit for the nation's carriers. The proposal, which has already been agreed upon by the finance and civil aviation ministries, will now be taken to a cabinet meeting on Thursday in order to decide its fate.

If the decision goes through, foreign carriers such as Singapore Airlines and Emirates will be allowed to invest up to 49 percent into India airline companies. In 1996, a joint move by Singapore Airlines and Tata to acquire Air India was blocked by the Indian government, while Jet Airways owner Naresh Goyal was also forced to buy back a 40 percent stake in his company from Gulf Air and Kuwait Airlines.

Though the Indian government has since allowed non-airline investors to purchase stakes in Indian carriers since then, the high cost of fuel, coupled with the poor performance of some Indian carriers, may now force authorities to push through the change – with the proposal needing approval from the trade ministry and the union cabinet to be passed into law Vijay Mallya, the owner of Kingfisher Airlines, has already said that some foreign airlines have expressed interest in investing in his company, which currently is $1.3 billion in debt.The government-owned Air India also desperately needs a fresh infusion of funds, after numerous banks refused new loans for the company.

"Given the financial state of the industry, such a move (to allow foreign investment) should be strongly welcomed and it will have positive strategic implications on the sector," said Kapil Kaul, the South Asia CEO of the Centre for Asia Pacific Aviation, in an interview with the Economic times.

Potential of Business opportunity of India in Russia

With its rich natural resources, a well-educated workforce and a reforming industrial base Russia has the potential for substantial future growth.

Russia operates a number of Special Economic Zones (SEZ) which offers benefits for companies locating in these zones. Locating in these zones can enable foreign companies to overcome market access issues in Russia.

Western goods and expertise remain in demand. The most promising opportunities for Indian companies are in the Advanced Engineering, Financial Services, ICT, Power/Energy, Sports & Leisure Infrastructure, Airports, Construction, Creative Industries, Rail and Water.

Problems & Prospects of business/trade with the Russia.

Major problems:

- Adaptation to the competitive market.
- Low levels of wages in the industry (even lower than in other sectors of economy).
- Unfavourable economic conditions.
- fluctuating exchange rate;
- unstable fuel prices.
- Low financial support from the State.
- Brain drain.
- High taxes.
- No good sophisticated regulatory basis.

Specific point which restrict trade /business with Russia

Bureaucracy - Corruption, the rule of law, questions as to the independence of the judiciary, red tape and customs formalities are just some of the problems which can be located under the broad umbrella of bureaucracy. The enduring problems with bureaucracy increase the transaction costs of any potential venture on the Russian market and must be taken into account when planning.

Language and culture – Language remains an obvious stumbling block for many would be entrepreneurs both from small and large companies. Competency in Russian as a foreign language remains relatively low in Europe and despite improvements in the English language competency of many Russians it is still to be expected that many firms will not communicate effectively in English. There are also some differences in corporate culture and etiquette which should be anticipated and researched thoroughly.

The "risk" factor – This commonly heard cliché refers to the idea that Russia is an inherently risky place to invest. Political stability has been achieved but it is young and widely criticised and the Russian government is known for making u-turns in policy.

Difficulty in raising capital – Businesses continue to complain of strict credit terms and a lack of available credit from Russian banks. Interest rates remain high in comparison with Western counterparts and terms remain mostly short which makes locating capital for large, complex and time-consuming ventures difficult. The situation has improved somewhat with the entry into the Russian market of leading European and Western banks such as Barclays, HSBC, Raiffeisen and others but this still lack of capital still hampers small- and medium-sized enterprises especially.

Best Prospects

New Aircraft Cooperation Projects - Sukhoi SuperJet-100 and MS-21 are two examples of international cooperation projects in which Western components and systems are widely used. Sukhoi SuperJet-100, put into operation in 2011, is a regional medium-haul (3,000-4,500 km) aircraft with 60-100 passenger capacity. MS-21 is a short-to-medium (5,500 km) aircraft with 150-212 passenger capacity and will be put into operation in 2017. SuperJet-100 contains an estimated 80% of Western air components, while MS-21 has 50% Western components. In the future, the share of Western components for the MS-21 is planned to be reduced down to 15%. U.S. companies are advised to monitor current and future projects in the Russian market for business opportunities. High level contact with representatives of UAC and Rostech is preferred, and frequent visits to Russia are recommended. It is also important to be aware of local and international competitors already present in the market to better assess one's own chances of winning contracts.

• Air Part Supplies - The quickly expanding Western aircraft fleets drive up the demand for aircraft spare parts and replacement components. The Russian aircraft spare parts market is estimated at $600-700 million per year, according to Locatory.com, a global e-business aircraft spare parts platform. Russian airlines spend about $150 million annually for maintenance and repair of 500 medium-haul Western aircraft (Boeing, Airbus), $120 million annually for 300 long-haul Western aircraft and $18 million monthly for 60 regional Western aircraft (Bombardier, CRJ). While most Russian airlines may already have well-established air parts supplier arrangements, some of them still continue to seek out opportunities, looking for better pricing, wider assortment, and more efficient delivery. Setting up one's own air parts stock in Russia is considered by Russian airlines and parts distributors as an attractive competitive advantage in this market segment.

• Microelectronics Product Supplies - The Russian electronics industry- which is the basis for the aviation, aerospace and the defense industry segments - is lagging behind in the serial production of electronics components compared to Western manufacturers. New products are being developed and tested, but until they are put into serial production, imports will continue to play an important role in filling in this market need. The types of products in demand are: semi-conductors, integrated circuits, power and high frequency modules - items that serve as production components for various systems and modules. Finding a local distributor with connections in various industries is considered to be an effective marketing strategy in this segment.

• Localized Western Aircraft Production and MRO - Russia's state corporation Russian Technologies is currently in joint venture negotiations with Bombardier to build the Q400 business aircraft in Ulyanovsk-Vostochny Special Economic Zone (SEZ). Rostech CEO Sergei Chemezov indicated the deal will be a 50-50 joint venture with an estimated investment of about $100 million. However, no legally binding documents have been signed yet. In August 2012, FL Technics Ulyanovsk, a subsidiary of the international aviation service provider Avia Solutions Group (Lithuania), became the first resident company at Ulyanovsk-Vostochny SEZ to provide various MRO services, including A to D checks, engine and landing gear replacement, avionics and airframe modifications, flight hour inspections, structure maintenance, component maintenance and interior design-related services. FL Technics Ulyanovsk will provide maintenance service to both narrow and wide body aircraft, including the Airbus A320 and A380, Boeing 737 Classic, 737NG, 777, 787, 747 Bombardier CRJ 200, Sukhoi Superjet 100.

Ulyanovsk-Vostochny SEZ is part of the Special Economic Zones, a daughter structure of the Ministry of Economic Development of Russia, funded 70% federally and 30% regionally. Ulyanovsk-Vostochny offers fiscal discounts—no property, land, or transport taxes, lower profit tax (15.5% for residents), and the option of locating and using foreign

goods (equipment, raw, components, construction materials) without paying duties and VAT. Special Economic Zones are becoming more common in Russia.

Key Suppliers

Boeing_opened a sales office in Moscow in 1992 andhas been co-operating with Russian aircraft design bureaus and scientific institutions through its Moscow-based Technical Research Center since 1993. In 1998, the Boeing Design Center was added. The Design Center employs Russian aerospace companies, mainly for structural engineering work, but also for manufacturing studies and systems engineering for its commercial aircraft range. While the design centre is owned by Boeing, most of its 1,200 staff comes from Russian partners such as Ilyushin and Sukhoi. In 2007, Boeing and VSMPO-AVISMA, the largest Russian titanium manufacturer, set up Ural Boeing Manufacturing (UBM), a 50/50 equity joint venture in Verkhnya Salda, to produce titanium parts for the Boeing 787 Dreamliner passenger jet.

Airbus_has a regional office in Moscow to cover sales, marketing and public relations, develop cooperation projects with the Russian aviation industry, and provide on-the-spot airline support. The Engineering Center Airbus in Russia (ECAR) was established in Moscow in 2003 and employs about 200 engineers who concentrate mainly on airframe structures. The team handles about half of the fuselage-related structural work for the A330-200 freighter and now focuses on the A350 and A320 winglets. The company's main partner in Russia is Irkut Corporation, which is supplying the nose landing gear bay, keel beam and flap track for the A320 family. VSMPO-Avisma is another key partner to Airbus and its parent company, EADS, currently covering 60% of the group's titanium needs in semi-finished products and titanium forgings. In recent years, VSMPO-Avisma activities for Airbus are not limited to the supply of raw material

and forging, but also extend to rough and pre-machining or of titanium parts for the landing gear of the A380 family.

United Technologies Corporation **(UTC)** established a representative office in Moscow in 1992. Comprised of several business units, UTC pursues various projects in several industries including aviation. In 2009, Pratt & Whitney was chosen as a supplier of Geared Turbofan engine for the new Russian MS-21 aircraft project. The definitive agreement on PurePower PW1400G engine for MS-21 aircraft was signed in June, 2012. Irkut Corporation also selected Hamilton Sundstrand electric integration systems for with Sukhoi Super Jet. The contract was signed in May 2006. In October 2011, Hamilton Standard Nauka joint venture was established to manufacture commercial aircraft heat exchanger management systems. HS-Nauka JV is the sole supplier of heat exchangers for the Boeing 787 and Airbus A380. Sikorsky is currently collecting and analyzing information on the local market's capacity for the company's main commercial aircraft, certification procedure, marketing and MRO opportunities.

Rockwell Collins opened a sales and service support office in Moscow in 1991. In the last few decades, Rockwell Collins has offered many commercial products to ensure that Russian aircraft meet FAA requirements to fly to the United States and Europe. Systems such as TCAS-II were certified on many Russian made aircraft, including the Tu 134, Tu 154, IL 62, IL 76, IL 86, Yak 40, Yak 42, An 12/An 24/26/32, An 140 and An 148. With the expansion of updated Russian fleets over the last few decades, Rockwell Collins has increased its presence and established the Moscow Engineering Center to provide specialized support and development for the new avionics systems for Russian commercial aircraft.

Honeywell opened a representation office in Moscow in 1974, followed by branch offices in St Petersburg and Kiev in 1992. Russia is currently Honeywell's largest national market within the Commonwealth of Independent States (CIS) from the former Soviet Union. All four major Honeywell Strategic Groups are represented: Aerospace, Automation and Control Solutions, Performance Materials and Technologies, and Transportation Systems. Honeywell auxiliary power units, brakes, and avionics are

widely used on Russian aircraft and helicopters. Honeywell took part in the design of the Sukhoi SuperJet-100 auxiliary power system in cooperation with the Russian company MMPP Salyut.

Prospective Buyers

Russian airlines are the principle end-users of commercial aircraft, parts and equipment. In 2012, the number of commercial airlines dropped to 120, as compared to the maximum of 393 in 1993. Four major Russian airlines (Aeroflot, Transaero, UTair and S7 Airline) account for 60% of passenger traffic and a total of fourteen airlines account for 90% of all passenger traffic in Russia.

The Russian aircraft and air component manufacturers under the umbrella of the United Aircraft Corporation (UAC) represent another group of prospective buyers. One of the most successful companies is Sukhoi, which possesses a wide portfolio of internationally competitive military aircraft, including the Su-27, Su-30 and Su-35 models. In the commercial aircraft segment, the company's most important project is the Superjet 100. Komsomolsk-on-Amur Aircraft Production Association, Russia's largest aircraft enterprise located in the Russian Far East, is responsible for manufacturing Sukhoi products. Joint Stock Company Tupolev focuses on the commercial aircraft market with its Tu-204 and Tu-214 model. Mass production of Tu-204 aircraft is carried out by Aviastar SP, located in Ulyanovsk; while the Tu-214 variant is produced by Kazan Aircraft Production Association. Ilyushin focuses on the military cargo and transport sector. The main manufacturer of Ilyushin aircraft is the Voronezh Aircraft Production Association. Irkut Corporation has a portfolio of trainer and amphibious aircraft projects and competes in the onboard electronics and avionics niche. In the unmanned aerial vehicle segment, ZALA Aero and Vega Radio Engineering Corporation are among the leading companies.

Besides UAC, other significant state corporations are: 'Helicopters of Russia' Holding, Oboronprom and Russian Technologies (Rostech RT). 'Helicopters of Russia' Holding is the managing body of the consolidated Russian helicopters industry, represented by five helicopter assembly plants, two design bureaus, two components product plants, one overhaul and one helicopter service company providing aftermarket services in Russia and abroad. Oboronprom has 100% ownership of the 'Helicopters of Russia' Holding. Oboronprom is one of the largest Russian diversified industrial-investment groups in the engineering and high technologies industries. Besides helicopters, Oboronprom also monitors production of aircraft engines and compression stations, and the unique Pechora-2M air defense missile system.

Rostech RT has 32% ownership of Oboronprom. Rostech RT is a state owned corporation established in 2007 to promote development, production and exportation of high technology products. Rostech RT has consolidated assets of about 663 Russian enterprises along three main segments of the Russian economy: defense industry, civil strategic assets and ventures with dual use technologies, and civil assets of non-strategic significance.

CONCLUSION

- Russian government considers aviation a strategically important sector of economy.
- The contribution in GDP of Indian Aviation Industry is 0.5%, whereas Russia's contribution is more than double of India's contribution, i.e. 1.1%
- India's rank in Aviation is 9th and that of Russia is 6th.
- Therefore, according to study done by us, Russia is far better than India in Aviation Sector.
- Russian officials have voiced the opinion that favourable conditions would be created for those foreign aerospace companies that would be willing to initiate joint ventures and create workplaces in Russia.

- Thus, the mutual cooperation between the two countries, INDIA and Russia, could improve competitiveness of the Russian industry and benefit the INDIAN market.

3. Packaging Machinery Industry

Introduction of the Packaging Machinery Industry & its role in Russia's economy

To package is to say is the science, art, & technology to protect or to enclose products for storage, delivery, sale, & use. A choice of packaging machinery includes: labor requirements, technical capabilities, worker safety, maintainability, serviceability, reliability, capital cost, quality of outgoing packages, floor space, flexibility (change-over, materials, etc.), energy usage, ability to integrate into the packaging line, qualifications (for food, pharmaceuticals, etc.), throughput, ergonomics, productivity, effectiveness return on investment, etc.

Packaging machinery can be:

1. Purchased custom-made or custom-tailored to specific operations
2. Purchased as standard, off-the-shelf
3. Manufactured or else modified by in-house engineers & maintenance staff

Packaging machines may be of the following general types:

- Accumulating & Collating Machines
- Bottle caps equipment, Over-Capping, Lidding, Closing, Seaming & Sealing Machines
- Blister packs, skin packs & Vacuum Packaging Machines
- Cartooning machines
- Cleaning, Sterilizing, Cooling & Drying Machines
- Conveyor belts, Accumulating & Related Machines
- Filling Machines: Handling dry, powered, solid, liquid, gas, or viscous products
- Product Identification: labeling, marking, etc.
- Label dispenser

- Converting Machines
- Weighing Machines: Check weighed, multiheadweighed
- Process Machinery (Product Cooking, Heating, & Cooling): Aseptic
- Slitting Machines
- Box, Case & Tray Forming, Packing, Unpacking, Closing & Sealing Machines
- Coding, Printing, Marking, Stamping, & Imprinting Machines
- Feeding, Orienting, Placing & Related Machines
- Inspecting: visual, sound, metal detecting, etc.
- Orienting, Unscrambling Machines
- Package Filling & Closing Machines
- Palletizing, Depalletizing, Unit load assembly
- Sealing Machines: Heat sealer
- Other specialty machinery: slitters, perforating, laser cutters, parts attachment, etc.
- Process Machinery (Product Preparation): Chopper, Crusher, Cutter, Molder, Peeler, etc.
- Wrapping machines: Stretch wrapping, Shrink wrap, Banding
- Form, Fill & Seal Machines
- Process Machinery (Special Product): Coating, Enrobing, Seasoning

Around 67 countries are engaged in manufacturing of packaging machinery. Few to name are India, Russia, Brazil, Slovenia, Bulgaria, UK, South Africa, Turkey, Jordan, Germany, Netherl&s, US, Taiwan, Austria, China, Hong Kong, Pol& , Australia, Vietnam, Finl&, Greece, Spain, France, Bangladesh, Italy, Belgium, Sweden, Zeal&, Argentina, etc.

Global dem& for packaging machinery is projected to increase 4.7 % per annum through 2014 to $35.9 billion, a progress over market growth during the recession impacted 2006-11 period.

Dem& for packaging machinery is led by the food market, which will account for 43 % of all sales worldwide in 2014. However, the beverage market will post the fastest gains, averaging 5.2 % annually through 2014.

Packaging machinery industry in Russia

The Russian packaging machinery industry is the tenth-largest packaging machinery Market in the globe, with a value of US$17.4 billion in 2011. It was also the eighth fastest- growing packaging machinery market in the world during the review phase. The main reasons for this rapid growth were the extensive investments into the industry from both domestic as well as foreign packaging manufacturers & the country's huge domestic raw material reserves. The key end users which generate deem & for the Russian packaging machinery industry during the review phase were the food, alcoholic & non-alcoholic beverages, & personal care & pharmaceutical markets.

Russia is the 3rd most significant market worldwide for German food & beverage packaging machine manufacturers. After the economic break down in 2010 exports recovered in 2011 & were about 4% higher than in the same period the previous year in the first eleven months of the year, amounting to around €400 million(27,703,581,425.61 INR).

Packaging machinery manufacturing industry has shown an increase of about 10%. Domestic & imported equipment's share is somewhat evenly divided in the Russian Market. But it is interesting to know that imported components sometimes as high as 100% are used by the Russian packaging machinery manufacturers.

According to statistics, in 2009, about 59% of the Russian market for packaging machinery manufacturers was held by the German equipment manufacturers, followed by Italy with 15%, Sweden with 6%, US with 5%, Netherl&s with 4%.

The exports of the Russian packaging products & packaging equipment showed a significant increase in 2008 to 2010. The share of machinery & equipment in Russian imports of commodities has been constantly increasing. In 2008 it amounted to almost 50%, up from 35% in 1995.

As per the commodity structure of exports of Russian Federation (at actual prices),in 2010, the total exports were of 397 billion USD of which machinery, equipment & the transport means accounted for 21.5 billion USD, i.e. 5.4% of the total exports. While the total imports were of 229 billion USD of which machinery, equipment & transport means accounted for 102 billion USD, i.e. 44.4% of the total imports.

At UPAKOVKA/UPAK ITALIA 2012, International Trade Fair Packaging Machinery, Packaging Production & Packaging Material, in Moscow are,

 Alex&er Puzikov, president of the Russian packaging machinery association Packmash, was satisfied with the products on display by Russian exhibitors: "The packaging machinery sector is still in its early years in our country, with most of the companies having been founded in the ‘90s. Domestic participation in UPAKOVKA/UPAK ITALIA has increased much & the progress that the products have made is impossible to overlook."

 Alex&er Boiko, president of the National Confederation of Packagers of Russia NKPak, also expects the growth in the Russian packaging industry to carry on:

"The trend has definitely been reversed since the recent crisis when cutbacks were also made regarding packaging. The sector is once again seeing growth of around 6 percent annually & the packaging is becoming more sophisticated again. Plastics have surpassed cardboard packaging & film packaging is also still increasing."

During the forecast period, several large international packaging machinery manufacturers are expected to enter Russia to take benefit of the improved returns on investment, increased sales & positive taxation conditions gained from domestic operations.

Structure, Functions & Business Activities of Russkaya Trapezaof Russia

Company Overview

Russkaya Trapeza OOO (Russkaya) is manufacturer of packaging equipment, based in Russia. The company provides packaging machinery, which includes multihead weighing hopper, & automatic packing machines. It also provides a variety of conveyors, which include spiral, feeding screw, screw flour-feeding, & discharge conveyors. In addition, it offers flexographic printing through its company ARTFLEX, which is focused on manufacturing single, double & triple layer films for various food & non food piece products. The company operates through the packaging equipment manufacturing plant located in Russia & East Europe. It principally operates across Russia, CIS & the Baltic States. The company is headquartered in Saint Petersburg, Russia.

Top Competitors

- Kloeckner Werke AG
- NORDENIA International AG
- Focke & Co
- Unionpolypack, OOO
- Koerber AG
- Tauras-Fenix Co.
- Veda-PACK CJSC
- Bestrom, ZAO

Types of Packaging

- Closures
- Containers
- Pet
- Paper & Card
- Protective
- Packaging Materials

Specialized Packaging

- Food Products
- Beverage Products
- Household & Electronics Products
- Pharma Products
- OTC Products
- Chemicals

Services

- Packaging Services
- Contract Packaging
- Design

Packaging Technology

- Automation & Technology
- Machinery & Equipment
- Labelling Equipment

Green Packaging

- Recyclable
- Sustainable Packaging

Russkaya Trapeza (Russkaya) is a Russian company engaged in the manufacturing of packaging equipment found in 1994 with its headquarters in St. Petersburg & it is the leading Russian manufacturer of equipment for packaging industry.

The company provides the packaging machinery, which includes multi head weighing hopper, & automatic packing machines. Company has the largest plant for making packaging machines in Eastern Europe & also has a complex for flexography printing on a film. Company has more than 10 year experience for making packaging equipment for the packaging industry. During these years, it made & supplied above 10,000 units of equipment to different regions of Russia, countries of ex-USSR & abroad. Dealer network includes many of regions of Russia, of CIS countries & Baltic States.

Today the main activities of the company are as follow:

- Weighing & packaging equipment
- Technological equipment for food industry
- Plexography printing on film

Number of Employees: 101-500 People
Annual Turnover: US$5 Million - US$10 Million

Innovations from some of Russian's most important agricultural & food processing machinery suppliers were recognized at the AgroProdMash 2004 exhibition which took place in Moscow, underline Russia's commitment to improving its processing capabilities. There is number of companies were awarded gold medals for their equipment, including Agros, for a meat smoking chamber, & Russkaya Trapeza for its RT-UM-GSh packaging machine. Top Competitors of Russkaya Trapeza include: Kloeckner Werke AG, NORDENIA International AG, Focke & Co, Koerber AG, Tauras-Fenix Co., Bestrom, ZAO, Unionpolypack, OOO, & Veda-PACK CJSC. Certain key factors contributing for the number one position of Russkaya Trapeza amid automated packaging suppliers in Russia:

 TRAPEZA is ISO 9001:2000 certified company.
 Accurate inspections take place at every stage in order to provide you with 18 months warranty period.
 Perfect integration between the developments, quality control, service departments.
 Fill form seal pouch packing machines installation & on-site training at your premises -Comprehensive stock of spare parts. 70% of spare parts are in fact set aside in stock.
 Proven service delivery systems & 4 days is the standard delivery time.
 Factory is situated in Russia where hourly pay rate is 70 % lower than in Western Europe & USA. This fact contributes to providing its customers with cost advantageous solution.
 Quality is not sacrifice, for the reason that they install only trusted worldwide brands (Festo, Bonfiglioli, Omron, Schneider-Electric, & SKF).
 Real production tests of every vertical bagger before delivery also ensures their customers to get packaging equipment that match their customer’s specific requirements.

Russkaya Trapeza OOOCompany Profile & SWOT Analysis

Synopsis

ICD Research's 'Russkaya Trapeza OOO: Company Profile & SWOT Analysis' contains in depth information & data about the company & its operations. The profile contains a company overview, business description, SWOT analysis, key facts, information on products & services, details of locations & subsidiaries, plus information on key news events affecting the company.

Summary

This SWOT analysis & company profile is a crucial resource for industry executives & anyone looking to gain a better understanding of the company's business. ICD

Research's 'Russkaya Trapeza OOO: Company Profile & SWOT Analysis' report utilizes a wide range of primary & secondary sources, which are analyzed & presented in a consistent & easily accessible format.

ICD Research strictly follows a standardized research methodology to ensure high levels of data quality & these characteristics guarantee a single report.

Scope

•Examines & identifies key information & issues about 'Russkaya Trapeza OOO' for business intelligence requirements

•Studies & presents the company strengths, weaknesses, opportunities (growth potential) & threats (competition). Strategic & operational business information is objectively reported

•The profile also contains information on business operations, company history, major products & services, prospects, key employees, locations & subsidiary
Reasons to Buy

•Quickly enhance your understanding of the company
•Gain insight into the marketplace & a better understanding of internal & external factors which could impact the industry

•Recognize potential partnerships & suppliers

Key Highlights

Russkaya Trapeza OOO (Russkaya) is a Russian company engaged in the manufacturing of packaging equipment. The company provides packaging machinery, which includes multihead weighing hopper, & automatic packing machines. It also

provides a variety of conveyors, which include spiral, feeding screw, screw flour-feeding, & discharge conveyors. In addition, it offers flexographic printing through its company ARTFLEX, which is engaged in manufacturing single, double & triple layer films for various food & non food piece products. The company
operates through the packaging equipment manufacturing plant situated in Russia & East Europe. It mostly operates across Russia, CIS & the Baltic States. The company is headquartered in Saint Pietersburg, Russia.

Comparative Position of Packaging Machinery Industry with India

The Indian market for packaging equipment is characterized by a few large manufacturers with a nation-wide presence along with a big number of small players in the unorganized zone with a regional presence. The market for India's food packaging equipment amounts to about dollar eighty million.

India has around six hundred-seven hundred packaging machinery manufacturers, 95 percentage of which are to be found in the small & medium region located all over India. Imports of packaging equipment to India are currently more than dollar 130 million. Growing investments by both domestic & foreign companies in the Indian food processing sector, dairy products specially in beverages, edible oil, processed food, & marine products have expanded the market for packaging machinery.

The food processing industry has contribute in a major way to the development of the packaging industry. According to the Indian institution of Packaging, just two percent of India’s total processed food is packaged compared with 70 % in western countries. This forecasts large raise in this segment.

The Indian printing & packaging industry is expected to reach dollar 41 billion by 2015, to grow to be the 6th largest market in the world, according to analysis by ICD Research. In line with the growth on the whole industry, the printing & packaging

machinery type is expectation to record robust growth to achieve dollar 2.3 billion by 2015 from its current projected value of dollar 1 billion.

India's imports at 20-25 dollar with a value of US dollar 125 million of its total packaging machinery point to further opportunities not only for Indian companies to increase their share in domestic market but also for international companies to discover new business opportunities in India.

Best Prospects

Good news for the packaging machinery industry came with the standardization of excise duties. The excise duty have been reduced from 24% to 16%. Packaging machines such as sealing machines & automatic form-filling, tetra pack aseptic packaging machines for packing of liquids & sterilized filling, & test instruments offer considerable business opportunities.

The Indian packaging machinery manufacturers in the unorganized area mostly produce general-purpose equipment to serve the necessary needs of the industry. One area that has been known as having good market potential is equipment for manufacturing aluminum beverage cans. Automatic high speed labeling machines; Machinery for cleaning & drying containers & sealing machines for cans, boxes, capping machines; & other containers; closing bottles & cans; machinery for filling, & mounding machines packing/wrapping machines; & also offer superior prospects.

Key Suppliers

Chief suppliers of packaging equipment to India with their share are Switzerland (8 percentage), Italy (20 percentage), US (10 percentage) & Germany (42 percentage). Its other major suppliers of packaging machinery to India include China, Korea, & the Taiwan (20 percentage). Some of the major domestic equipment manufacturers deliver the market are ITW Signode India Ltd. (Hyderabad), Eagle Manufacturing Company

(Mumbai) ,Larsen & Toubro for a variety of packaging machinery; Print Pack Machinery Ltd. (Faridabad),S.P.M. Engineering(Bangalore), Flex Engineering Ltd., (Noida), Acrofil India (New Delhi),S.P Ultra flex Systems(Mumbai) for flexible packaging machines; E.C. Packaging (Faridabad)specifically for filling & sealing machines; & Multi Pack Machines Pvt Ltd. (Hyderabad), & Primo Pack (Ahmedabad) for pouch packing machines.

Market Issues & Obstacles

There are no restrictions on the import of packaging equipment into India. No license is required for the import of packaging equipment.
Yet, 1 reason for India's lack of ability to produce advanced technology is that the investments are not taking place, says a packaging machine manufacturer, due to the fact that the import duty on packaging machinery equipment is around 30 percentage so it is easier to import machinery in India. But still with low import duty various Indian packagers are not capable to import machinery due to the high cost of the machines.

The countervailing duty is the same to the excise duty on related articles manufactured within the country.

Conclusions & Suggestions

- The political environment of Russia acts as support as well as a barrier to carry out trade at both, domestic & international level.

- The Foreign trade policy & Trade laws formulated by the Russian government have given an force to the food industry.

- Investment opportunities have been enhanced as a outcome of the a variety of institutions setup for the aiding of investments.

- Russia's score in Corruption Perceptions Index rose from 2.2 in 2011 to 2.5 in 2012, which indicates the lowering of the corruption levels in Russia.

- The approval of depoliticized (the system free from political influence or control) type of bureaucracy & the refusal of the nomenklatura (the system of personal dependence [emphasis is mine] of a secondary on superior) type of bureaucracy has helped Russia improve politically. Thus, politically a sound environment seems to carry on in Russia.

- The Russian packaging machinery industry is rising at a pace which is supporting the Russian economy to a vast extent.

- But the problem untruthful inside the parts required for the manufacture for the machinery or the machinery itself are imported more than to be manufactured by themselves. This massive amount of imports makes the cost of machinery to raise much.
- Only 5.6% of exports of machinery as compared to the 48.4% of imports of machinery create a question to the viability of the balance of the machinery industry, packaging equipment industry being one of them.

- Also the heavy import & excise duties rates on the machinery imported increases the cost of the machine.

- Russkaya Trapeza being a top packaging machinery manufacturer in Russia, with ten years of experience & an annual turnover of about 5 to 10 million US dollars has helped Russia to place itself as a contributor to the machinery exports.

- The Indian packaging machinery industry is on the development trajectory.

- Strong competition in the end-user market, the cost of machinery & low running cost has influenced the trade of the packaging machinery in India.

- The emphasis on rapid increase of exports has a given a stimulus to this section.

- With an import duty of 30%, the import of packaging machinery is reasonably cheaper but the cost of machine being very high makes investments in this industry a unsafe venture. This has led to the lack of ability of Indian packaging machinery manufacturers for advancement in technology.

- Decrease in excise duties from 24% to 16% would increase & aid the packaging machinery manufacturers with a marginal decline in the investment necessary for the production.

- E.C. Packtech Machines Pvt. Ltd. with a long working experience since 1987, with export to more than 45 countries including Russia & being the only packing machine manufacturing company in India who is frequently receiving more than 35 percentage business from existing customers makes it one of the important contributors to the growth of Indian economy.

- Russian Foreign Trade Policy is a mark of rigid protectionism & state monopoly on foreign trade.

- Stringent custom duties make the import of machinery a lot expensive.

- Also high import duty of 16% with jump rate of 35% makes it more difficult for the packaging industry, which needs the machinery for its manufacturing processes.

- Russian trade policy being export-oriented wherein rising export of basic commodities as fertilizers, timber, gas or oil & import of finished industrial products, aggravates a troublesome arrangement of industrial production.

- The Foreign Trade Policy of India aims at simplifying procedures, lowering transaction costs, aiding technological & infrastructural up-gradation, etc.

- The recommendation of FICCI for the reduction of import duty on packaging & food processing machinery would help in boosting not only the packaging machinery industry but also the food processing industry,

- Reduction of custom duty on packaging machine from 15% to 5% has proven to be a good fiscal incentive for both packaging machinery industry & the food processing industry.

- The packaging industry in India as well as in Russia is at its growth trajectory, so India has a good potential for importing packaging machinery but heavy import & excise duties in Russia may act as hurdles to import for Russia.

- From 2007 to 2012, with the tripling of the Indo-Russian trade figures to about $8.5 billion & an expectation of this number to raise up to $20 billion by 2015, it can be said that business opportunities for Indo-Russian trade are current & will continue in the future.

4. Steel mining industry of Russia

INTRODUCTION

MINERAL INDUSTRY OF RUSSIA

The mineral industry of Russia is one of the world's leading mineral industries and accounts for a large percentage of the Commonwealth of Independent States' production of a range of mineral products, including metals, industrial minerals, and mineral fuels. In 2005, Russia ranked among the leading world producers or was a significant producer of such mineral commodities as aluminium; arsenic; asbestos; bauxite; boron; cadmium; cement; coal; cobalt; copper; diamond; fluorspar; gold; iron ore; lime; lithium; magnesium compounds and metals; mica, sheet, and flake; natural gas; nickel; nitrogen; oil shale; palladium; peat; petroleum; phosphate; potash; rhenium; silicon, sulphur; titanium sponge; tin; tungsten; and vanadium.

In 2005, the Slavonic frugalness benefited significantly from drunk oil, gas, and element prices. Oil revenues accounted for about 14% of the GDP. Tailing the petrified render business, the next directional offset of the pigment industry, in damage of its try to the soul system was the science sphere, which contributed 19% of the assess of developed creation, accounted for 11.1% of the treasure of developed capital soup, and exploited 9.3% of the industrialized grind compel. In 2005, a totality of 1,071,000people were working in the mineral extraction facet and prefabricated up 1.6% of the country's have compel. Investment in mineral extraction and metallurgy accounted for about 20% of total investment in the Russian economy.

Steel mining industry Industry of Russia

Russia is the reality's fourth-ranked poise producer after China, Nihon, and the Federate States. Russia shares the track with Japan as the earth's slip poise exporter. From 1998 to 2005, Country brace production magnified by many than 50%. Between 1998 and

2005, investment in the steel aspect greatly raised, which developed economic indicators for brace enterprises and enabled them to improve set property. Withal, the brace facet was no effervescent in necessity of assets to amend its cognition to contend and to alter production content. According to a Native analysis, the state's steel architect can be split into trine categories based on the train of screw the highest levels of profession. For instance, this position meet of mills has the minimal percentage of open-hearth production, the maximal aim of unceasing sport fishing, and produces the maximal grade motley of brace products. The back worker poise designer consists of the City, the Nizhniy Tagil, the Kuznetsk, the Oskol, the Uralsk, and Occident Siberian mills. The state's preeminent brace holding visitant was Evraz (a Luxembourg-registered poise troupe) that had holdings that countenance terzetto of the strip brace mills in State (Kuznetsk, Nizhniy Tagil, and Westmost Russian). Empire's position stratified steel maker, Severstal, was discussing a union with Arcelor of Luxembourg, in attempt to baffle

‘Nonferrous metals’ and ‘Iron and steel’ recorded shares of 4 % and 3 % respectively, of GDP of the Russian economy

INTRODUCTION OF SEVERSTAL

OVERVIEW:

OAO Severstal is one of the world’s leading vertically integrated steel and steel related mining companies, with assets in Russia and the USA, in Ukraine, Latvia, Poland, Italy, Liberia and Brazil.

Severstal is listed on RTS and MICEX and the company’s GDRs are traded on the LSE. Severstal reported revenue of US$ 14,104 million (2012) and Net Income of US$ 762 million (2012) EBITDA of $2,119 million in 2012. Severstal crude steel production in 2012 reached 15.14 million tonnes. The company focuses on high added value products and unique niche products. In 2008 it was decided to modify

the company's management structure by creating three divisions: Severstal Russian Steel, Severstal Resources and Severstal International.

Severstal's key asset is Cherepovets Steel Mill, an integrated steel plant with coking coal, agglomeration, blast furnaces, steel-smelting and rolling facilities. It is one of the world's most powerful and modern ferrous metals manufacturing enterprises.

Currently the company's assets are located in Russia, Ukraine, Kazakhstan, Italy, France, the USA and Africa.

SEVERSTAL RUSSIAN STEEL

Severstal Russian Steel is one of the leading steelmakers in Russia. It consists of six segments:

steel (Cherepovets Steel Mill, Sheksna Weld Pipe Mill, Kolpino processing service center), metalware (Severstal-Metiz), pipes (Izhora Pipe Mill, Sheksna Section Mill), trading (Severstal-Invest), services (Stoic,SSM-Tyazhmash) and scrap procurement (Vtorchermet).

The growth of Severstal Russian Steel in 2010 improved the company's leading position in the Russian market. Severstal Russian Steel specializes in high value added products, such as cold-rolled and galvanized sheet (including automotive grade steel), thick-gauge plates and pipes.

STRUCTURE, FUNCTIONS AND BUSINESS ACTIVITIES OF MINING INDUSTRY AND SEVERSTAL:

STRUCTURE OF RUSSIAN MINING INDUSTRY

There are three types of business entity in Russia.

These are: Limited Liability Companies (LLCs), Joint-Stock Companies (JSCs) and partnerships.

Both of the first two of these are joint-stock companies (in that they are owned by their shareholders) and have limited liability (the shareholders are only liable for the company's debts to the face value of the shares).

FUNCTIONS AND BUSINESS ACTIVITIES OF SEVERSTAL:

In April 2008 we reorganized our businesses into three principal divisions:

Severstal Russian Steel, Severstal Resources and Severstal International

Severstal

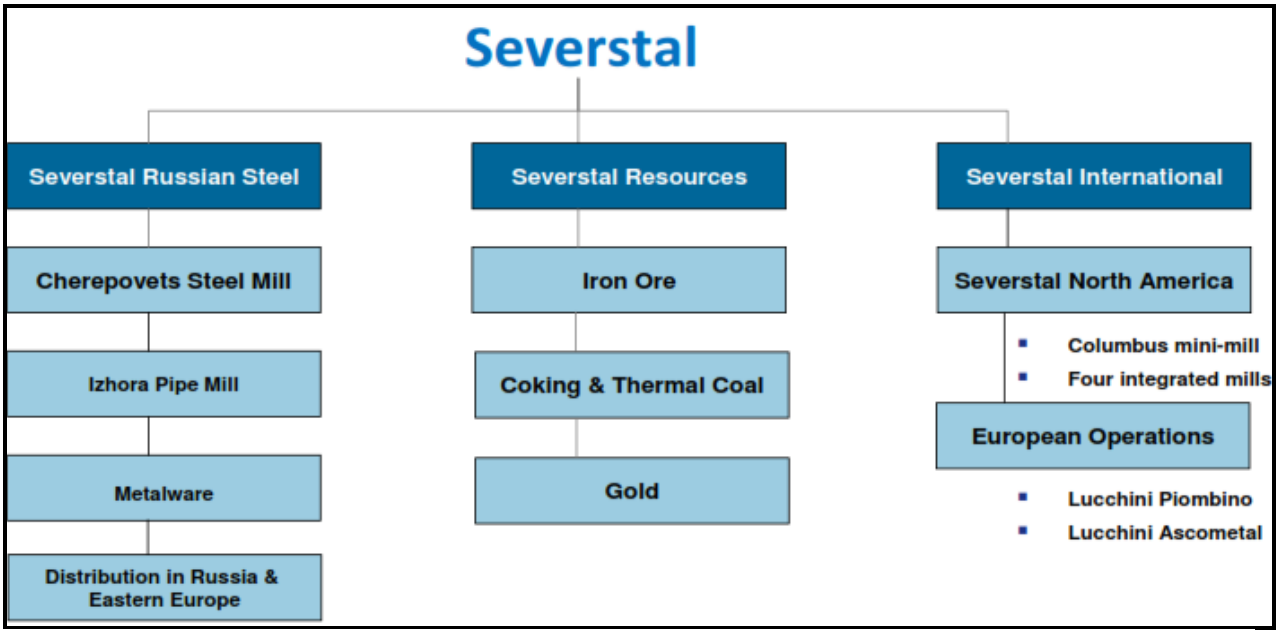
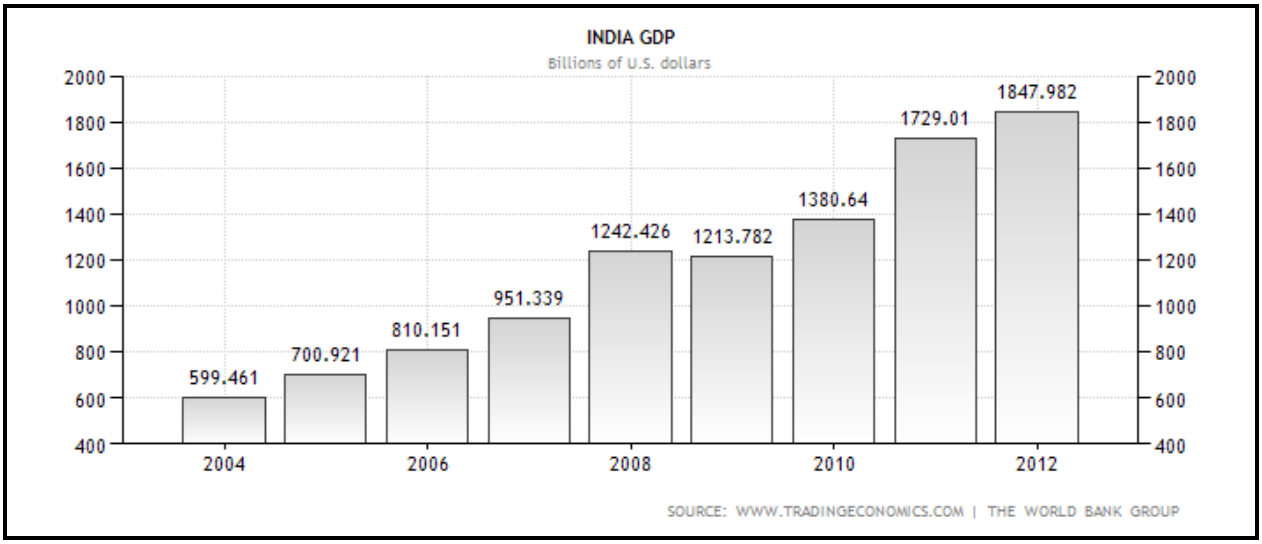


FIGURE 2.1: Business Activities of Severstal

COMPARATIVE POSITION OF STEEL MINING INDUSTRY / SEVERSTAL COMPANY WITH INDIA:

Russia GDP

India GDP



COMPARISION OF STEEL SECTOR OF RUSSIA AND INDIA:

	Russia	India
Industry's contribution in GDP	37.6%(2012)	26.4%(2011)
Steel industry's contribution in GDP	3%	2%
Production of steel in the world	4th rank	5th rank
Growth rate of Iron and steel industry	7.8%	10.00%
Domestic consumption	40 million tonnes	67.8 million tonnes
Import of Steel		19 million tonnes
Export of steel	24.7 million tonnes	10.20 million tonnes
Employment in steel sector		48681 crore
Total Crude steel production	70.60 million tonnes	76.70 million tonnes

COMPARISION OF TATA STEEL AND SEVERSTAL:

	Severstal	TATA steel
Revenue	US$ 14.104 billion (2012)	US$ 24.67 billion (2012)
Profit	US$ 762 Million	Profit - US$ 1.00 billion
Growth rate	4.7%	1.2%
Production capacity	15.3 million tonnes per year	33.5 million tonnes per year
Export	110,29 crores	1804.87 crores

PRESENT POSITION AND TREND OF STEEL MINING INDUSTRY INDUSTRY (IMPORT / EXPORT) WITH INDIA / GUJARAT DURING LAST 3 TO 5 YEARS:

Overall bilateral trade has been growing steadily. Russian-Indian trade and economic relations are dynamically developing. Last year, the bilateral trade increased to $9 billion. In H1 2012, the turnover amounted to almost $6 billion. If these growth rates are maintained, we shall soon reach $20 billion and complete the tasks we have received from our governments

Official Russian trade figures that have just been released reveal that India-Russia bilateral trade, which stood at US$ 7.46 billion in 2009, US$ 8.53 billion in 2010, and US$ 8.87 billion in 2011, has spurted to US$11.04 billion in 2012, registering a 24.5% growth in 2012 compared to 2011. In April-2011 to March-2012, Russian exports to India amounted to USD 1,778.27 and Russia Imports averaged 11671.13 USD Million reaching an all time high of 31553 USD Million in October of 2012 and a record low of 2691 USD Million in January of 1999. The two-way investment between the two countries stands at approximately $ 7.8 billion in 2010.

Both sides acknowledge that given the respective sizes of the Indian and Russian economies, as also untapped economic complementarities, there is vast potential for an increase in bilateral trade volumes and investment. In 2009, both sides set the target of achieving USD 20 billion in bilateral trade by 2015. Special attention is being paid to the energy, pharmaceuticals, IT, steel, hydrocarbons, aerospace, and diamonds and agriculture sectors for this purpose.

The Indo-Russian Inter-Governmental Certification on Occupation, System, Technological, Bailiwick and Ethnic Cooperation (IRIGC-TEC), co-chaired by the Outside Concern Rector on the Indian face and the Helper Select Diplomat on the Land select, is the principal uninteresting execution management scheme cooperation. The IRIGC-TEC integrates inputs from six working groups on economic and dealing cooperation, mines and metallurgy, push, touristry and content, science and bailiwick, and IT. The 17th convergence of the IRIGC-TEC took residence in Moscow on 18 Nov

2011 and was co chaired by Shri S.M. Avatar External Concern Clergyman and Mr. Sergey Choreographer, Supporter PM.

Indo-Russian Assembly on Change and Investment (accepted in 2007 and co-chaired by the Dealings and Industry Clergyman of Bharat and the Indigen Diplomatist for Efficient Utilization) and the India-Russia CEO's Council (orthodox in February 2008 and co-chaired by Shri Mukesh Ambani, Chairman Reliance Industries Ltd., and Mr. Vladimir Yevtushenkov, CEO of SISTEMA) are the two first mechanisms to promote outspoken bilateral business-to-business contacts. The terminal assemblage of the Indo-Russian Facility on Class & Assets was held on 10 Nov 2011 in Moscow and co-chaired by Mr. Anand Sharma, Dealings & Industry Clergyman, and Supporter PM Mr. Sergei Choreographer. Mechanisms specified as the India-Russia Playing Council (in partnership with FICCI of India and CCI of Land) orthodox in 2007; the India-Russia Craft, Assets and Technology Publicity Council (in partnership with CII of Bharat and RUIE of Russia) secure in 2007; and the India-Russia candid business-to-business ties. In June 2011, the 2nd India-Russia Acting Word was also held within the theory of the period St. Petersburg Supranational System Mart (SPIEF).

POLICIES AND NORMS OF RUSSIA FOR STEEL MINING INDUSTRY INDUSTRY/COMPANY FOR IMPORT / EXPORT INCLUDING LICENSING / PERMISSION, TAXATION ETC:

POLICIES AND NORMS OF RUSSIA FOR STEEL MINING INDUSTRY INDUSTRY

Russia has not enacted any specific legislation governing the operation of the steel industry and the business of steel-manufacturing companies. The production, sale and distribution of steel in the Russian Federation is regulated by general civil legislation and special legislation relating to quality standards, industrial safety, environmental and other rules.On 5 September 2002, the Russian government approved the ""Plan of Measures for Development of the Russian Steel Industry until 2010", or the Plan. The Plan proposes measures supporting voluntary certification of steel products and promotion of innovation in the industry, reduction of import duties on high-tech machinery, Financing of research and development in the steel industry, investment in new technologies and professional development and social protection of the industry's workforce.

The Federal Law ""On Technical Regulation" No. 184-FZ dated 27 December 2002, as amended, or the Technical Regulation Law, introduced new rules relating to the development, enactment, application and enforcement of obligatory technical requirements and the development of voluntary standards relating to manufacturing processes, operations, storage, transportation, selling and utilization.

The Technical Regulation Law supersedes the Laws of the Russian Federation ""On Certification of Goods and Services" No. 5151-1 dated 10 June 1993 and ""On Standardisation" No. 5154-1 dated 10 June 1993 and will be followed by the revision of existing legislation and technical rules falling within the scope of its regulation. In particular, the Federal Service for Environmental, Technological and Nuclear Supervision is responsible for developing and enacting new technical rules relating to the industrial safety of steel- and iron making facilities

as well as coking and chemical facilities and safety rules relating to iron ore extraction.

Federal, Regional and Local Regulatory Authorities Governing the Steel mining industry Industry

At the federal level, regulatory authority over the steel industry is divided primarily between the Ministry of Industry and Energy and the Ministry of Natural Resources. The Ministry of Industry and Energy is responsible for the development of governmental policy in the industry (for example, on attracting investment, foreign trade, taxation, support of scientific research and employment). The Ministry of Natural Resources is responsible for the licensing of subsoil resources and also regulates exploration and geological prospecting.

The Ministry for Economic Development and Trade of the Russian Federation regulates Russian exports and imports of steel products and co-ordinates inter-governmental negotiations relating to export and import regulations.

The federal ministries in Russia are not responsible for compliance control or management of state property and provision of services, which are directed by the federal services and the federal agencies, respectively. The federal services and agencies that are relevant to Severstal's activities include:

- The Federal Service for Environmental, Technological and Nuclear Supervision, which sets procedures for, and oversees compliance with, industrial safety and environmental rules and issues licenses for certain industrial activities and activities relating to safety and environmental protection.
- The Federal Agency for Subsoil Use, which organizes auctions and issues licenses for subsoil use and approves design documentation for subsoil production activities.
- The Federal Agency for Technical Regulation and Metrology, which determines and oversees levels of compliance with obligatory general and industrial standards.

Aside from the above federal executive bodies, which are directly involved in regulating and supervising the steel sector in Russia, there are a number of other federal regulators that, together with their structural sub divisions, have authority over general issues relevant to the Russian steel industry, such as defence, internal affairs, security, border services, justice, tax enforcement, rail transport and other matters.

Generally, regional authorities with jurisdiction over the specific area in which a steel-producing enterprise is located have substantial authority. Regional and local authorities usually control regional and local land-use allocations.

Licensing of Operations

Severstal is required to obtain numerous licences, authorisations and permits from Russian governmental authorities for its operations. The Federal Law ""On Licensing of Certain Types of Activities'' of 8 August 2001 as amended, or the Licensing Law, as well as other laws and regulations, set forth the activities subject to licensing and establish procedures for issuing licences. In particular, some of Severstal's Russian companies need to obtain licences and permits to carry out certain activities, including, *inter alia*:

- the use of subsoil, which is described in more detail in ""Ì Subsoil Licensing'';
- water consumption (the use of water resources);
- geodesic works;
- the collection, utilisation, deactivation, transportation and disposition of hazardous waste;
- the storage, utilisation and distribution of explosives for industrial use (three different licences);
- the operation of hazardous industrial facilities (explosives);
- the operation of hazardous industrial facilities (chemicals);
- the operation of hazardous industrial facilities ;
- the operation of complexes containing radioactive substances;
- surveying operations;
- construction;

- medical operations;
- educational services; and
- Transportation activities.

These licenses are usually issued for a period of five years and may be extended upon application by the licensee. Licenses for the use of natural resources may be issued for shorter or longer periods. In particular, licenses for the use of surface water resources may be issued for periods of up to 25 years, although Severstal's licenses extend from three to five years. Certain types of licenses may also have unlimited terms.The requirements imposed by regulatory authorities may be costly and time-consuming, which may result in delays in the commencement or continuation of exploration or production operations. Accordingly, the licences Severstal needs may not be issued in a timely fashion, or may impose requirements that restrict its ability to conduct its operations or to do so profitably.

Subsoil Licensing

In Russia, mining minerals requires a subsoil licence with respect to an identified mineral deposit, as well as the right (through ownership, lease or other right) to use the land where such licensed mineral deposit is located. In addition, as discussed above, operating permits are required with respect to specific mining activities.The licensing regime for use of subsoil for geological research, exploration and production of mineral resources is established primarily by the Federal Law of the Russian Federation ""On Subsoil" No. 2395-1 dated 21 February 1992, as amended, or Subsoil Law. The Procedure for Subsoil Use Licensing adopted by Resolution of the Supreme Soviet of the Russian Federation on 15 July 1992, as amended, or Licensing Regulation, also regulates the exploration and production of mineral resources.

There are two major types of licences: (1) an exploration licence, which is a non-exclusive licence granting the right of geological exploration and assessment within the licence area, and (2) a production licence, which grants the licensee an exclusive right to produce minerals from the licence area. In practice, many of the

licences are issued as combined licences, which grant the right to explore assess and produce minerals from the licence area.

There are two major types of payments with respect to the use of subsoil: (1) periodic payments for geological exploration under the Subsoil Law and (2) the minerals extraction tax under the Tax Code. Failure to make these payments could result in the suspension or termination of the subsoil licence.

Issuance of subsoil licences. Subsoil licences are generally issued by the Federal Agency for Subsoil Use. Most of the currently existing production licences owned by companies derive from (1) pre-existing rights granted during the Soviet era and up to the enactment of the Subsoil Law to state-owned enterprises that were subsequently reorganised in the course of post-Soviet privatisations; or (2) tender or auction procedures held in the post-Soviet period. The Subsoil Law and the Licensing Regulation set out the major requirements relating to tenders and auctions.

Amendments to the Subsoil Law, passed in August 2004, significantly changed the procedure for awarding exploration and production licences, in particular abolishing the joint grant of licences by federal and regional authorities. Under the 2004 amendments, production licences and combined exploration and production licences are awarded by tender or auction conducted by the Federal Agency for Subsoil Use. While the auction or tender commission may include a representative of the relevant region, the separate approval of regional authorities is no longer required in order to issue subsoil licences. The winning bidder in the tender is selected on the basis of the submission of the most technically competent, financially attractive and environmentally sound proposal that meets published tender terms and conditions. At the auction, the success of the bid is determined by the attractiveness of the financial proposal.

Land Use Rights

Land use rights are needed and granted only for the portions of the licence area actually being used, including the plot being mined, access areas and areas where other mining-related activity is occurring. Under the Land Code

of the Russian Federation of 25 October 2001, as amended, or the Land Code, companies generally have the rights of ownership or leasing with regard to land in the Russian Federation.

A majority of land plots in the Russian Federation are owned by federal, regional or municipal authorities, which can sell or lease land to third parties. Companies may also have a right of perpetual use of land that was obtained prior to the enactment of the Land Code; however, the Federal Law on Introduction of the Land Code of 25 October 2001, with certain exceptions, requires companies using land pursuant to rights of perpetual use either to have purchased the land from, or to have entered into a lease agreement relating to the land with, the relevant federal, regional or municipal authority owner of the land by 1 January 2006.

Severstal's mining subsidiaries (including Severstal Mining) generally have a right of perpetual use of their plots or have entered into long-term lease agreements. A land use lessee has a priority right to enter into a new land lease agreement with a lessor upon the expiration of a land lease. In order to renew a land lease agreement, the lessee must apply to the lessor (usually state or municipal authorities) for a renewal prior to the expiration of the agreement. Any lease agreement for a period of one year or more must be registered with the relevant state authorities.

CONCLUSIONS AND SUGGESTIONS:

CONCLUSION:

- Russia’s industrial champions – its large energy and metal producers – are supported at home by protectionist policies and abroad by financial incentives. The Russian government is assuming an increasingly active role in both arenas. By inhibiting the export of Russia’s raw materials, severely restricting foreign investment within its borders, and actively supporting its own companies’ foreign

endeavors, the Russian government is actively manipulating and interfering with global trade in raw materials.

- The Indian government is actively intervening in raw material markets to ensure sufficient supplies of low-cost raw materials for its steel industry and other manufacturers. In particular, the government has moved quickly to restrict the growth of exports, imposing prohibitively high export tariffs and export quotas on critical raw materials. India's captive mining scheme further ensures that raw materials are used to benefit domestic industries rather than exported abroad. The net result has been a dramatic decline in Indian exports of critical industrial inputs such as iron ore.

SUGGESTION:

- The Government should provide more and more assistance in Iron and Steel industry, as both India and Russia have competitive advantage of cheap Raw material as well as labour.
- In Russia, Growth rate of Iron and Steel industry is less compared to overall industrial growth, so government should attract FDI in this sector by removing the restrictions.
- Also, there is a demand of quality products in Russia, so they should satisfy their local demand.
- Russian government should attract small and medium scale players, by increasing the level of privatization.

5. Machinery industries of Russia:

Automotive industry:

Automotive production is a significant industry in Russia, directly employing around 600,000 people or 1% of the country's total work force. Russia was the world's 15th largest car producer in 2010, In the early 2000s, the Russian economy recovered. Macroeconomic trends were strong and growing incomes of the population led to a surging demand, and by 2005 the Russian car market was booming. In 2005, 1,446,525 new cars were sold, including 832,200 Russian models and 614,325 foreign ones. Foreign companies started to massively invest in production in Russia: the number of foreign cars produced in Russia surged from 157,179 in 2005 to 456,500 in 2007. The value of the Russian market grew at a brisk pace: 14% in 2005, 36% in 2006 and 67% in 2007—making it the world's fastest growing automotive market by 2008

Recent developments

By the end of 2010, automotive production had returned to pre-crisis levels. Nine out of the ten most sold models in Russia in 2010 were domestically produced, with Avtovaz's Lada models topping the list.[15] In the first 7 months of 2010, sales of Lada cars increased by 60%, the Korean KIA reported a jump of 101%, and Chevrolet's sales rose by 15%.

In 2010, Russia was the world's 15th largest producer of cars. The Russian automotive industry currently (as of 2010) accounts for about 7% of worldwide car production.

Structure

The Russian automotive industry can be divided into four types of companies: local brand producers, foreign OEMs, joint ventures and Russian companies producing foreign brands In 2008, there were 5,445 companies manufacturing vehicles and related equipment in Russia. The volume of production and sales amounted to 1,513 billion rubles.

Key Companies: Cars & Heavy Vehicles

Electronic industry:

A rejuvenation of Microelectronics has taken place in Russia, with the recovery of JCS Mikron. Tele systems is an example of a successful consumer Electronics Company of Russia with products sold in over twenty countries.

Transportation machine building industry:

In recent years, two national transport strategies have been adopted by Russia. On 12 May 2008, the Russian Ministry of Transport adopted the Transport Strategy of the Russian Federation to 2020. After three years, on 22 November 2011, a revised strategy, extending to 2030 was adopted by the Russian government. One of the significant components of Russia's GDP is the export of transport services. The government anticipates that the measures included in its 2009 transport strategy will raise the export of transport services to a total value of $80 billion between 2007 and 2030, a sevenfold rise on its 2009 value. Russia also makes its transportation mavhines i.e vehicles itself.

Chemical and Petrochemical machine building Industry:

As it is well known, Russia is one of the world's leading exporters of mineral oil and gas. Thus, it is not astonishing that mineral oil products hold the leading position in the country's export structure. While exports of commodities from the CPS traditionally do not play a leading role in Russia's foreign trade, the sector is strongly export-oriented as more than 30 per cent of its production is sold abroad. The picture is becoming particularly interesting if we look at the import structure. Here, imports of commodities from the chemical sector rank third behind imports of machinery, vehicles and production facilities as well as manufactured goods and agricultural raw materials. The growing importance of imported CPS products was one of the most obvious changes in the country's trade structure between 1995 and 2003

Railroad machine building industry –

About 2.5 per cent of GDP of Russia comes from the Russian Railways. For private transportation such as private automobiles or company-owned trucks, no statistics are available so the percentage of passenger traffic and freight that goes by rail remains unknown. In 2009, around 1.3 billion passengers and 1.3 billion tons of freight went via Russian Railways. In 2007, about 24,200 passenger cars; 19,700 goods and passenger locomotives and 526,900 freight cars were owned by the company. In 2010 Russia had 128,000 kilometres of common-carrier railroad line, of which about half is electrified and carries most of the traffic, and over 40% was double track or better. A further 270,000 freight cars are privately owned in Russia.

Agricultural machine building industry:

Began in Great Britain in the early 19th century and in the USA soon after. In the USA the costliness and shortage of manpower necessitated the introduction of machines, especially in the regions of large-scale farming in the western states. By the end of the 19th century France, Sweden, and Germany also had developed agricultural machine-building industries. In pre-revolutionary Russia the great majority of peasants used primitive agricultural tools. According to the 1910 census, peasant farms had 7.8 million sokhi and kosuli , 7 million horse-drawn plows, and 752,000 horse-drawn reapers. In 1913 only 180 steam-powered threshers were manufactured. The first enterprises producing agricultural equipment—mostly repair shops of foreign commercial firms—appeared in the 19th century.

After the October Revolution of 1917, planned development of agricultural machine building was initiated by the Decree of the Soviet of People's Commissars of Apr. 1, 1921, which pointed out that the production of agricultural machines and

Table 1. Production of basic agricultural machines in the USSR					
	1940	***1950***	***1960***	***1970***	***1974***
Number of different models produced	112	188	388	610	752
Tractor plows.....	38,400	121,900	149,100	211,700	218,000
Tractor planters	21,400	118,400	111,900	163,500	178,000
Grain-harvesting combines	12,800	46,300	59,000	99,200	88,400
Beet-harvesting combines.....	—	1,700	4,700	9,100	15,900
Potato-harvesting combines.....	—	100	100	7,000	8,800
Cotton harvesters	500	4,700	3,200	5,900	7,400
Corn-harvesting combines.....	—	—	3,650	5,100	10,100

Heavy machine building industry:

Heavy machine building was poorly developed in prerevolutionary Russia, with only a few plants engaged in that type of production, such as the Izhora, Kramatorsk (now Starokramatorsk), Sormovo, Kolomna, Kharkov, Putilov (now Kirov), and Briansk plants. Heavy machine building began developing in the USSR during the period of reconstruction. The production of metallurgical, transportation, coal, and mining equipment developed rapidly during the first five-year plans (1929–40). Many machine-building plants were converted to heavy machine building, new plants were built, and old facilities were modernized. Within a short time this eliminated the necessity of importing many types of equipment from capitalist countries.

Telecommunication industry: Telecommunications industry of Russia has seen growth not only in size but also in maturity. As of 31 Dec. 2009, the estimated broadband lines in Russia reached 4,900,000. There were more than 300 BWA operator networks, accounting for 5% of market share, with dial-up accounting for 30%, and Broadband Fixed Access accounting for the remaining 65%, in Russia. At the end of 2010, the country was struck with a financial crisis leading to a steep decline in investments by the business segments and a notable decrease of IT budget made by

government in 2008–09. With this, in 2011 the IT market in Russia declined by one third in euro terms and by more than 20% in ruble terms.

INTRODUCTION OF THE MACHINERY & INDUSTRIAL GROUP N.V.:

Machinery & Industrial Group N.V. Концерн Тракторные заводы

11, NOVINSKIY BLV., 121099, RUSSIA, TEL.: +7/495/780-24-80, FAX: +7/495/780-24-42, E-MAIL: MIGT@TPLANTS.COM

INFORMATION ON THE ENTERPRISE

Machinery & Industrial Group N.V. is one of the biggest Russian companies integrating resea operates more than 20 large enterprises situated in 9 regions of Russia (i.e. with Denmark, Germany, Austria, Serbia, Ukraine and the Netherlands.

Machinery & Industrial Group N.V. is registered in Holland and in 2008 successfully comp establishing of speedily growing machine engineering companies, and in cooperation with federal adm

Mission

Our mission is to create a set of values by providing customers with machines at an affordable price b

Strategic Objective

Our strategic objective is to maintain and reinforce our leading position on Russian market of light and

Primary Tasks

- Production lin

e extension and model range renewal to create technologic complex: "We sell our work and not just m

- Sales and service network extension
- Increasing market presence in developing countries
- Investment in new technologies, increasing production capacity and flexibility to satisfy consumer

and minimizing costs.

Trademarks support by means of marketing

Machinery & Industrial Group N.V. production facilities cover five main fields:

- Industrial machine building
- Agricultural machine building
- Manufacturing of spare parts and OEM components
- Railway machine building
- Special machinery

New generation Russian Brands

- CHETRA - industrial off-road machines
- AGROMASH – agricultural machines

Production bases

Industrial tractor-building in the Group is presented by Promtractor JSC, SAREX JSC and Cheboks
pipelaying equipment. Cheboksary Aggregate works is the leader of domestic mechanical engineering
tractors, combines and cars. SAREX JSC is one of the biggest wheel-tractor based excavator manufa

The military direction is presented by Kurganmashzavod JSC, Lipetsk Caterpiller Tractor Works and
(BMD) - and also by the leading design organization Special design office of mechanical engineering

The Danish company Silvatec making harvesters of the new generation together with the Onega Tract
% of domestic market. Since 2005 the structure of the Group includes a number of large industrial a
Plant JSC, Vladimir Motor-Tractor Works JSC. Starting from 2008 the direction expanded through the
and Promtractor –Promlit Ltd. Cheboksary Aggregate works together with Zauralsky foundry Ltd. and

Innovative Development Strategy

Machinery & Industrial Group N.V. units development concept fully corresponds with the goals and pr

and the President Dmitry Medvedev strategic outlines.

Holding step-by-step long-term investment programme supposes the development and manufacture o
national security and to expand Russian exports. The investment is directed at the further research
technology by the leading foreign companies is applied. Both borrowed funds and own financial resou

The company uses spare parts by Cummins (USA), Eberspacher (Germany), Sauer-Danfoss (Gerr
others. Famous Ricardo, Bosh, Danfos, ASF Keystone companies take part in the design process.
The quality management is guaranteed by the certification system according to the international sta
including military innovations.

According to the Group Development Strategy 2009-2015, Machinery & Industrial Group N.V. fulfills t

STRUCTURE, FUNCTION & BUSINESS ACTIVITY:

Business activity:

The history of creation of "Concern Tractor Plants" started in 1996, from the purchase by its founder, M

The first dozer T-20.01 of modular construction, with the capacity of 280 h.p., was assembled. Ca
construction, with the capacity of 240 h.p., was assembled. First pipelayer TG-221K with the carrying c
was assembled to substitute the pipelayer TG-321. The experimental model of tractor T-11.01, with th
the enterprise is continued, trade and service centers and warehouses are opened in the largest reg
contract for the total amount of: $1 bln., for supplies of the cast-iron products for railroad. CHETRA tra
the first Russian Tractor show, attracting the attention of the business people, bank structures and me
Tractor Works" JSC was bought from "Access Industry" company. First pipelayer TG-121 with the ca
Motor-Tractor Works" JSC. Experimental workshop of "Vladimir Motor-Tractor Works" JSC assemb
certificate "Euro - 2". JSC "Cheboksary aggregate works" and "Lipetsk Tractor" JSC were purchased.
The machine-building group "Concern Tractor Plants" was created for the purpose of optimization of th

JSC "Promtractor" has doubled the volume of production of equipment to compare with 2001. Chebok
of the capital of Russian tractor building. First frontal wheeled loader PK-60 with the carrying capacit

VTZ-30 with the modernized design were assembled at "Vladimir Motor-Tractor Works" JSC. First exp
238 h.p. was assembled. The controlling stock of JSC "Kurganmashzavod" was purchased at the tend

"Russian railroads" JSC transferred in rent to "Promtractor-Wagon" CJSC the complex of property c
construction of new capacities for production of cargo wagons. Realization of project of production
holding included "TC Volgograd tractor works" JSC, "Volgograd machine-building company "VGTZ" JS

The first foreign productive shareholding was purchased. That was Silvatec Skovmaskiner A/S, the
achieve the new quality parameters for the products, and, basing on the own Russian enterprises, to
found at Cheboksary; it received the authorities of the common managing body, controlling all enterpr
of new, innovative products and modernization of the produced models. The target investment progra
hydrocontrol of transmission and attached equipment was assembled.

Assembly of industrial tractors CHETRA T9, which were produced before at JSC "Promtractor", was
Plants" Production of experimental industrial lots of fodder harvesting combine "Enisey - 324" and c
tractors of the 5th class for agricultural purposes, CHETRA 6C-315 and 6CT-315, designed in coopera

The works related to construction of universal assembly and welding block (USSK) of CJSC "Prom
"Kurganmashzavod" held the meeting at the end of October; the decision was taken to create "Zaur
machine-building holding "Concern Tractor Plants". Three large productive divisions of the enterprise:

Full-scale sector project, the week of "Concern Tractor Plants", under the slogan: "Made in Russia" w
RF and "Union of machine-builders of Russia", the largest Russian public organization. For the first
design bureau and produced by the largest machine-building enterprises of Russia with use of the la
foundry enterprise, is completed. This enterprise supplies parts and units for the cars, it became the s
technologies, to the best world producers, such as are Buhler, BHS Corrugated, Caterpillar, CNH, C
CHETRA T40, with capacity 650 h.p. and weight 68000 kg, were terminated. On November 29, 2008
(Netherlands)".

For the present day, the holding includes 13 production plants, 8 design offices and 3 specialized tradi

The corporate governance company has fulfilled anti-crisis programme that helped to reduce the cos rubles, working capital optimization -1500 mln rubles), etc. Production revenue allowed the Group to c agricultural machines - 4 units, transport - 1 unit) - component basis building - 4 projects- supply and s

Cargo carriage production grew by 21 per cent while the market share expands from 3 to 11 per cent. The largest Russian agricultural brand "AGROMASH" product line presented at the V International s technical Fair "Golden Summer - 2009".Brought into operation the first line of the joint venture of SIS awarded the diploma of the National contest "TOP-100 best Russian products - 2009". Presented the CHETRA and AGROMASH machines with the satellite navigation terminals GLONASS\GPS. The pro Bakov headed the delegation to Central Africa in the framework of the Russian President Dmitry Medv media contest, organized by the Union of Machine-builders and the Journalist Union of Russia. In ac recovery programme of the Group. The bank decided to credit the company with up to 15 billion rub signed agreement. Promtractor started the tests of the caterpillar excavator EPG - 230. During the wor

Function:

- Production line extension and model range renewal to create technologic complex: "We sell our
- Sales and service network extension
- Increasing market presence in developing countries
- Investment in new technologies, increasing production capacity and flexibility to satisfy consume
- Increasing operating efficiency by means of labor productivity growth, decrease in resource con
- Trademarks support by means of marketing.

Structure of Machinery Industry of Russia:

Different machineries included in Russian Machinery Industry

1. automotive industry

2. Electric equipment and appliances industry

3. Heavy Machinery, Power plant Machinery, Transportation equipment producing industry

4. Chemical & petrochemical machine building industry

5. Machine building for food & light industry

6. Construction & Road construction Machine building industry

7. Tools & plant machine building industry

8. Agriculture machine building industry

9. Military machine building & other sub industries

10. **electric equipment and**

11. **appliances**

12. **electric equipment and**

13. **appliances**

14. **electric equipment and**

15. **appliances**

16. **electric equipment and**

17. **appliances**

18. **electric equipment and**

19. **appliances**

20. **electric equipment and**

21. **appliances**

22. **electric equipment and**

23. **appliances**

24. **electric equipment and**

25. appliances
26. electric equipment and
27. appliances
28. electric equipment and
29. appliances

Contribution of different industries:

Comparison Of Machinery Sector Of Russia And India:

	Russia	India
Industry's contribution in GDP	36.8%(2010)	28%
Production of machinery in the world	4th rank	6th rank
Growth rate of machinery industry	7.41%	6.7%
Import of machinery	22.8 million tones (2010)	46.59 million tonnes(2011)
Export of machinery	25.7 million tonnes(2010)	12.62 million tones (2011)
Employment in machinery sector	34300 people(2009)	10545 people(2008)

Comparision Of N.V.Group And Yantraman:

	NV group	Yantraman
Revenue	170.73090 thousands of US dollar	113.229 crore
Growth rate	19.16%	8%
Export	110.29 crores	2761.67 crores
Products	Agriculture machinery, Defence machinery, infrastructure machinery like JCB.	JCB

Conclusion:

1. Conclusion from the assessment of the prospects for the development of the trade and economi cooperation between the two countries. However, the stagnating trade flows, over the recent year strength could increase substantially. Cooperation in other sectors could also be invaluable to both
2. Notably –
   - ✓ The economies of the two countries are healthy and expanding
   - ✓ In various sectors of bilateral trade, major strengths exist that require consolidation.
3. However, such measures will have a serious impact that will stretch well beyond the matter of the r
   (i) Russia must come to regard India as significantly endowed with advantages for business ac
   (ii) The same can be said of India's perspective on the Russian Federation.
   (iii) Promotion of "Brand India" over a range of goods needs to take place in the RF. In term products, even as the quality of Indian goods is appreciably better.
   (iv) In view of enormous potential in services sector between India and Russia, both Governmer trade in services, most opportunities may be treated as one-off ventures with limited benefits
   (v) Given large potential for investments between the two countries, both countries should intro
   (vi) A number of specific measures in specific industries should be implemented with an aim to f

Introduction of coal industry

MINERAL INDUSTRY OF RUSSIA:

The mineral industry of Russia is one of the world's leading mineral industries and accounts for a large fuels. In 2005, Russia ranked among the leading world producers or was a significant producer of such lithium; magnesium compounds and metals; mica, sheet, and flake; natural gas; nickel; nitrogen; oil sh

In 2005, the Slavonic frugalness benefited significantly from drunk oil, gas, and element prices. Oil re try to the soul system was the science sphere, which contributed 19% of the assess of developed c 1,071,000people were working in the mineral extraction facet and prefabricated up 1.6% of the country

COAL INDUSTRY OF RUSSIA

Given the tremendous energy and mineral potential which is present in many of the former Soviet cou most energy-rich region in the world and ranked first in the world in gas and oil production, second in e

Russia is the world's leader in coal reserves with the country containing an estimated 6 trillion tonnes total. Of this total, more than 250 billion tonnes are considered to be economically recoverable reserve

The third largest coal producer in the world behind China and the U.S., Russia produced on the orde open-cast mines, with approximately 60 percent from the surface mines. While current industrial dema

Production is forecast to continue to continue to decline until the year 2000, with some forecasts cal natural gas and oil.

Coals range in rank from lignite to anthracite, with a significant portion of the lignite reserves containin

a slight increase expected to have occurred in 1993. Japan is the largest importer of Russian coal, foll

Major Producing Basins

While there is production from more than 20 coal basins in Russia, the majority comes from seven ba
Those producing basins lying in the western portion consist of the **Donetskii Basin** which straddles th
Pechora Basin, which lies in the extreme northeastern part of European Russia.

Reserve Parameters

Once the Commission had classified reserves of a specific deposit as belonging to the balance or sub-

- Minimum bed thickness;
- Maximum average ash content;
- Specified overburden-to-coal ratios; and
- Specific requirements regarding deposit-specific geologic and mining conditions.

The concern with reserve figures reported in both Russian and English-language literature is the unce

Technical Grade

Coals for each basin are ranked by technical grade, or **sort**, using two criteria – the yield of volatiles d

Russian Coal Classification System Technical Grade	**Rus.**	**Eng.**	**Remarks**
Brown	B	Br	Lignite grade
Poorly caking	SS	PoCa	Subbituminous
Long flame	D	LoFl	Free burning, high volatile bituminous
Gas (light, fiery)	G	Gas	Light, fiery, high volatile bituminous; yields

			large quantities of illuminating gas on distillation
Fat	Zh	Fa	Meta bituminous, 89-91% carbon, still relatively high percentage of volatiles
Coking Fat	KZh	CoFa	Intermediate between Fa an Ca grades
Coking	K	Co	Bituminous with 80 to 90% carbon
Lean	T	Le	Hard coal, low in volatiles, dry burning
Hard caking	OS	HaCa	Low in volatiles (15-17% Ad), high calorific value (6200 – 6900 Qif)
Semi anthracite	PA	SeAn	Intermediate between semi-bituminous and anthracite, non-agglomerating, 86-92% carbon
Anthracite	A	An	Hard coal, 92-98% fixed carbon, smokeless, short flame on ignition –

			then disappears, 220-330 cm^3/g of volatiles

Coal mining in russia

In 2011, Russia produced 336.3 million t of coal. This represents 4% growth over the 2010 total (323.
18 largest players in the industry, demonstrating the concentrated nature of the Russian coal mining b

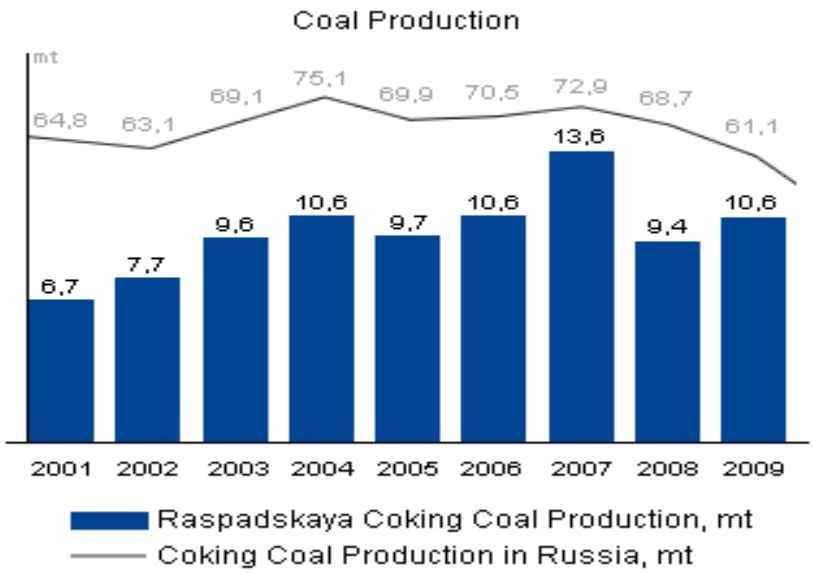
Since the early 2000s Russia benefits the status of coal net-exporter. Russia became the world's # 3 c
with 73.4% share. But following market drop in Europe the western route of Russian coal export beca
coal tycoons began to shift export interests from EU to Asia-Pacific...

Total investments in Russian coal mining totalled US$ 2 billion in 2010. Of these, foreign direct inves
Russian coal mining industry.

Similarly, more than 60% of Russia's exports to India according to Indian statistics are dominated by
Other imports include Newsprint (6.88%); Silver (5.42%), Synthetic & Reclaimed Rubber (4.98%).Acc

INTRODUCTION TO RASPADSKAYA

OVERVIEW



Headquarters	Kemerovo, Russia
Key people	Alexander Vagin, (Chairman)
	Gennady Kozovoy, (CEO)

Raspadskaya's total resources were estimated at 1,461 million tons and total coal reserves at 782 mi
our reserves allows us to employ highly productive modern equipment and achieve high recovery rate

Structure, Functions and Business Activities of Coal Mining Industry :

STRUCTURE OF RUSSIAN MINING INDUSTRY

There are three types of business entity in Russia.
These are: Limited Liability Companies (LLCs), Joint-Stock Companies (JSCs) and partnerships.
Both of the first two of these are joint-stock companies (in that they are owned by their

shareholders) and have limited liability.

FUNCTIONS AND ACTIVITIES

Raspadskaya Coal Company incorporates a group of enterprises in the Kemerovo coal production co
enterprises related to transport and production infrastructure.

Raspadskaya Mine

Raspadskaya Mine is a leading enterprise of Raspadskaya Coal Company, it mines about 8 millions to

The mine uses traditional wastewater purification and dust control systems. The company plans to upd

MUK-96 Mine

MUK-96 Mine production capacity exceeds 1 million tons of gas-rich coal (GZh brand) annually. Its res

Olzherasskoye Shaft-Sinking Unit

The core business of this enterprise is subsoil extraction and construction of vertical shafts.

Olzherasskoye Shaft-Sinking Unit is one of few remaining highly professional shaft-sinking businesses

Razrez Raspadsky Open Pit Mine

The Razrez Raspadsky Open-Pit Mine was launched to process coal reserves, once considered unfea

Tomusinskoye Cargo Handling Unit

The Tomusinskoye Cargo and Transport Unit is an industrial railroad transport enterprise that services

Montazhnik Raspadskoy

The enterprise produces roof bolting and metal lattice for the company’s enterprises.

Raspadskaya Joy

This enterprise processes reserves not accessible for extraction using standard extraction methods.

Raspadskaya Preparation Plant

The factory meets the most advanced engineering requirements and is technically equipped for enrich
capacity of 7.5 million tons of black coal annually

Puteets

Puteets is responsible for construction and maintenance of railroad infrastructure, small buildings and

Raspadsky Ugol

The sales and marketing of coal products of the Raspadskaya Coal Company are undertaken by Rasp

The nature has endowed Raspadskaya with favourable mining and geological conditions. Our reser
optimal working range.

Licenses

Raspadskaya Coal Company has licenses to mine coal for the next 20 years. Licenses for cut mining p

Brief information about our licenses is provided below:

• Raspadskaya Mine has two licenses: a basic license to mine on Raspadsky field (No. 12677), grant
right to exploit all coal-beds within the license areas to 250 meters level.

•MUK-96 Mine has two licenses: basic license No. 00635 and license No. 13024, concerning Mine No
grants a right to 11 to 19 coal-beds.

•Raspadskaya-Koksovaya Mine has license No. 11578, which grants the right to all coal-beds within li

•Four licenses are for cut mining. They are the Raspadskaya Mine basic license (No. 12677), MUK 96

Swot analysis of Russia coal industry

STRENGTH

- ✓ High sales growth rate

WEAKNESS

- ✓ Low investments in research & development

Opportunity

- ✓ Growing economy
- ✓ New acquisition
- ✓ Income level is at constraint increase
- ✓ Growth demand
- ✓ Venture capital
- ✓ New product & service

Threats

- ✓ Low cash flow
- ✓ External business risks
- ✓ Limited financial capital
- ✓ Increasing costs
- ✓ Increase in labour

Present Position and trend of Coal Business (import /

export) with india / gujarat during last 3 to 5 years:

Present Position and trend of Coal Business (import / export) with india / gujarat c

Historically, India and Russia have been close trading partners. Bilateral Trade in 2005- 2006 stood a average of overall Russian trade volume. Similarly in case of India, bilateral trade with Russia amounts

Indian statistics

YEAR	IMPORT	EXPORT	TOTAL
2006-2007	798.18	535.71	1333.89
2007-2008	704.00	592.61	1296.61
2008-2009	713.76	959.63	1673.39
2009-2010	631.26	1322.74	1954.00
2010-2011	729.89	1992.01	2721.90

Co-operation in the Energy sector

Energy sector is an important area in Indo-Russian bilateral relations. In 2001, ONGC-Videsh Limited company Gazprom and Gas Authority of India Ltd. have collaborated in joint development of a bloc operation. Both sides have expressed interest in expanding co-operation in the energy sector.

In December 2008, Russia and India signed an agreement to build civilian nuclear reactors in India du

Today Russia is one of the major exporters of the hydrocarbons in the world. Thus leading Russian Cooperation between Russian "Rosneft" and ONGC is an important step to develop Russian-Indian possible.

Further, considering long-term ties between the two countries in this sphere, cooperation in reconstru considered.

Mining

There is a considerable demand for coking coal in India, in which Russia offers the opportunities. Mor which Russian companies play important role in the world market and India is a good source of ores. production is also needed.

Metals and Minerals

- ✓ Considering the Possibilities of Russian investors taking part in the coal mining sector in India a
- ✓ Information exchange regarding availability, supply and requirement of Ferrous and non ferrous
- ✓ Facilitate purchases of Non-Ferrous Metals, Coal and Fertilizers directly from Russian producer

Metallurgy and Mining

There are considerable opportunities in the emerging markets of the two countries for cooperation in process control, thermo mechanical control cooling process rolling, technology for production of co Production of titanium di-oxide and titanium sponge is another area in which Russian companies play is need to cooperate closely in areas such as coal gasification project and the area of mines safety wh

GDP forecast, Global Insight

	2010	2015	2020	2025
India	1.91	2.56	3.38	4.41
Russia	1.69	2.10	2.46	2.86

Policies and Norms of Coal Industry in Russia

Fuel and Energy Complex

STATISTICS

- ✓ According to the updated information provided by Ministry of Energy and Industry of Russia, th 2005 results.
- ✓ The production of coal increased by 5.5%, of gas – by 26%, of oil – by 2.3% during the period u
- ✓ The production of oil containing gas condensate during January-July amounted to 276.7 million results), with the average daily production of up to 1320 thousand tons (June 2006 – 1317 thou
- ✓ According to the updated information provided by CDD FEC, 123.9 million tons of oil were expo exported to the CIS countries. 18.34 million tons of oil were exported to the far-abroad countri tons to Kazakhstan.
- ✓ A stable tendency remains for the increase of oil deliveries to the internal market.volume of processed in July, 2006 (by 3.6% higher than in July of 2005). 45.2% of the produced oil and g
- ✓ The output of oil products increased due to the growth of oil processing volumes. Thus, the pro of the fuel oil – to 33.76 million tons (3.9% up) during the last seven months of the current year
- ✓ Gas production came to 383.05 billion cubic meters in January-July, 2006 (2.6% higher than volume of gas production amounted to 83%. Oil companies and other gas producers are rampi
- ✓ Coal mining in January-July, 2006 amounted to 174.73 million tons (5.5% up on the January- growth rates (8% and 4% respectively).
- ✓ Most of the coal (about 69%) was extracted from the Kuznetskiy andKansko-Achinskiy coal m grew by 1.8% in the Pechora basin, and it saw a 7% decrease in the Donetsk basin.
- ✓ According to the updated information of the Central Dispatch Control of the Fuel and Energy C coal for own needs), which amounts to 103.5% in comparison with the same year of 2005.53. utilities and for the agrarian needs – 13.5 million tons (90.4%). 45.2 million tons were exported

- ✓ The production of electrical energy in January-July, 2006 came to 572.29 billion kWthr (4.7% up
- ✓ In January-July of 2006 was observed the following energy production ratio structure: Power Pl
- ✓ The coal and fuel oil storage at RAO EES's Power Stations, as of August 1, exceeded the requi
- ✓ The consumption of electrical energy in January-July 2006, according to the preliminary data av
- ✓ The average electrical energy tariff paid by the Russian consumers in July, 2006 was 95.61 k (16.6% up), rural population paid 95.99 kop./kWthr (20.7% up). .
- ✓ In January-July, 2006 major consumers of the Russian Federation were supplied with oil produc
- ✓ The following types and quantities of oil products were delivered to the Russian Federation Min 2005), diesel fuel – 223.9 thousand tons (77%), aviation kerosene – 446.4 thousand tons (114%
- ✓ The following deliveries of oil products were made by oil companies to OAO RZhD during Jan (105%).
- ✓ The deliveries of fuel oil made by oil companies to AO-Energo and to power stations of RAO EE

Details of import of coal and products during the last five years(as reported by Coal Controller's Orga

Coal	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Coking	10.99	11.06	11.11	12.95	12,00	14.57
Non-coking Coal	8.71	9.87	9.44	10.31	9.50	11.56
Coke	2.41	2.42	2.28	2.25	2.00	2.51
Total import	22.11	23.35	22.83	25.51	23.50	28.64

The current duty on imported coal as amended on 28.2.2004 is as under:-

Types of coal	Import	Duty
Coking having	upto 12%	ash 0%
Coal having	ash 12%	and more 5%
Coke		5%
Non-Coking Coal		5%

PRESENT TRADE BARRIERS FOR IMPORT / EXPORT Of COAL:

Risks involved in coal imports Risks involved in coal imports

There are certain factors which can significantly affect the project economics. Some of the key risks in

• In case of acquisition, profile of the asset and timing of acquisition is important. Acquisition of wrong
be paid upfront.

• Due Diligence of asset: While due diligence of source is necessary for reliability of coal supply, it be
be assessed resulting in heavy losses.

• Commercial Contract: For reliability of long term supply, it is necessary that detailed contract is draf
Contract should have enough enforcing provisions and deterrent for ensuring performance by each pa

• Coal Prices: FOB price of coal forms more about 60-80% of landed cost of coal. Coal Prices in Glob
been about 30% for various coal indices. (RB Index, NEWC Index, ICI Index)

• Charter Cost: It forms about 50-60% of total transportation cost and about 10-15% of total landed
standard deviation reported for charter rates of Panamax and Capesize vessels has been about 21,00

• Bunker Price: Variation in bunker cost will have significant impact on transportation cost as it cost al
monthly average bunker cost has been about 25% with standard deviation of 19%.This signifies signifi

• Exchange rate: For a consumer in India, the net cost will also depend on the prevailing exchange rat
price volatility to consumers in India. However, this risk can be minimized by hedging the exchange ra

• Demand from buyers: For majority of coal moving into one territory, the role play of the buyers from s
shortage of demand, the prices may fall because of which the coal producers become reluctant to sell

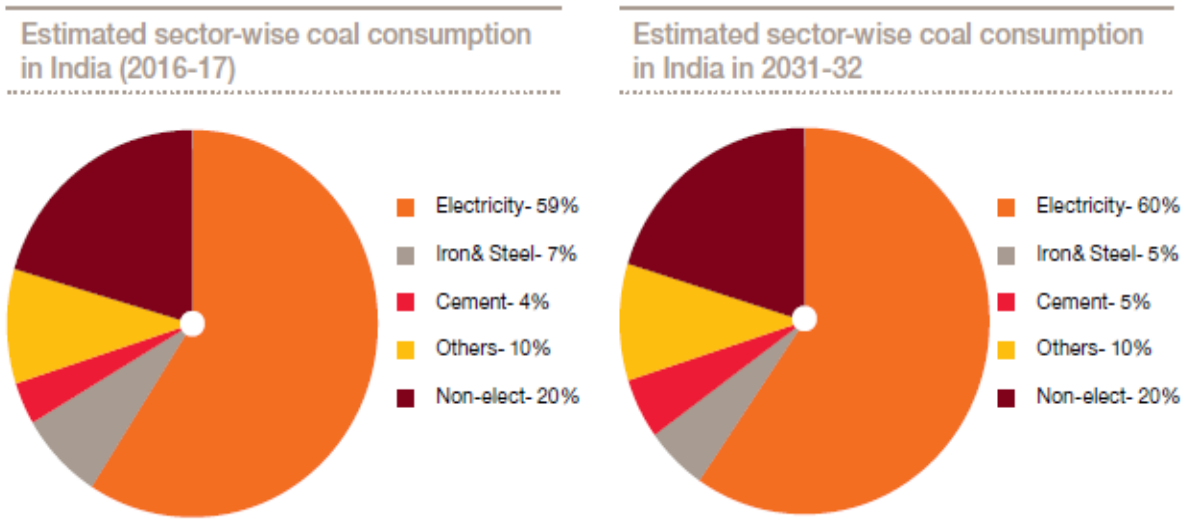
• Changes in regulatory regime: As discussed earlier, in the recent years many countries have introdu

while on the other hand, price benchmarking is expected to increase the price of coal. Similarly, in Aus

POTENTIAL FOR IMPORT IN INDIA

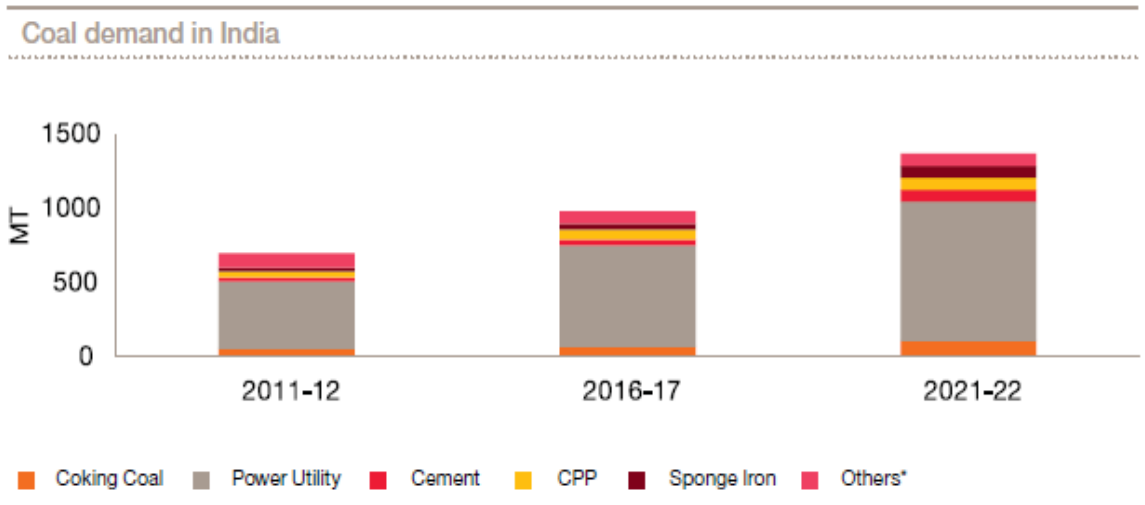
Potential for import in India

The overall long-term demand of coal is closely linked to the performance of the end-use sectors. In primarily of the brick and ceramic industry is relatively large though infirm as users switch between co The charts show the projected sector-wise coal consumption in India by the end of the 12th Plan and



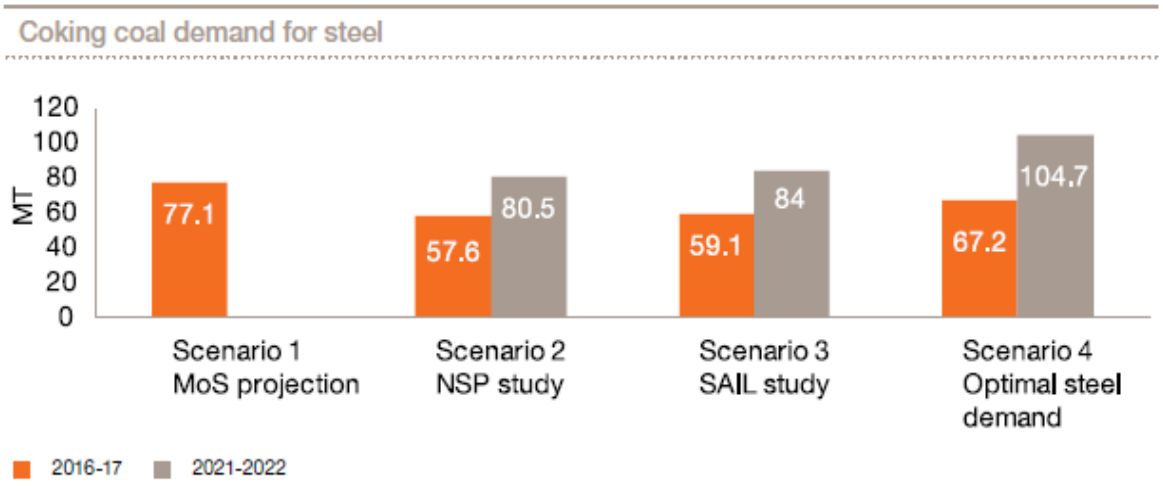
Source: India Energy Book 2012, (World Energy Council, Indian Member Committee)

The report of the Working Group of Coal and Lignite for the 12th Five Year Plan projects the coal dem to reach 1,373 MT by 2021-22.



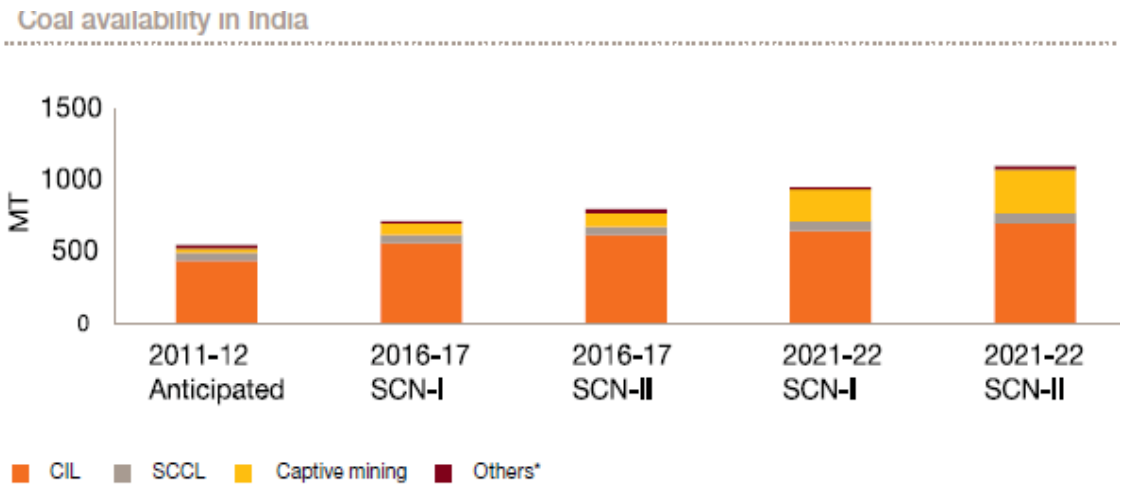
Others in 2011-12 include e-auction quantity.
Source: The report of the Working Group for Coal and Lignite for 12th Five Year Plan

Further, the Ministry of Coal (MoS) projected to build coal production capacities of 200 MT by 2020 to coal requirement are also proposed under different studies, and their projections are as follow:



The current shortage of coal stands at 84 MT and the same is expected to rise to 300 MTPA in mediu coal blocks and rest through imports. Also, the choice between the supplies from domestic and impor use plant. Captive coal mining in India was, gradually, being permitted by amending the Coal Mines N

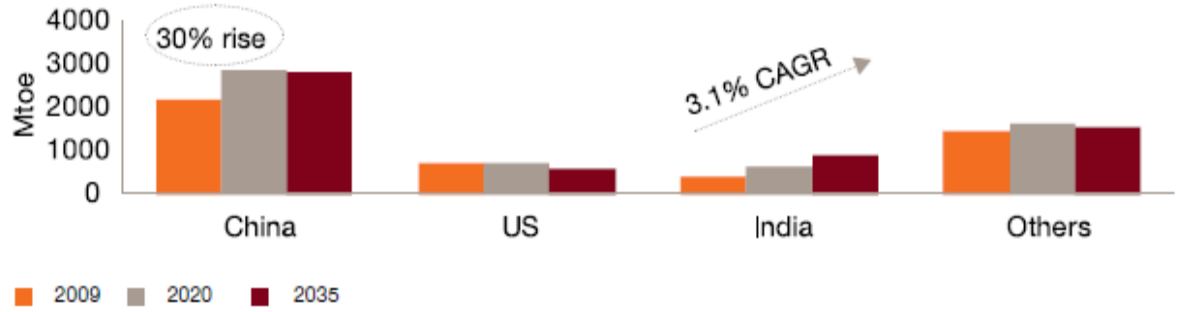
blocks was dismal as only 30 mines could come online as compared to a targeted 76 mines. Hence, i
mainly dependent on availability of coal in global market, increasing competitive scenario and affordab



SCN-I: Business as usual, SCN-II: Optimistic scenario
Source: The report of the Working Group for Coal and Lignite for Twelfth Five Year Plan

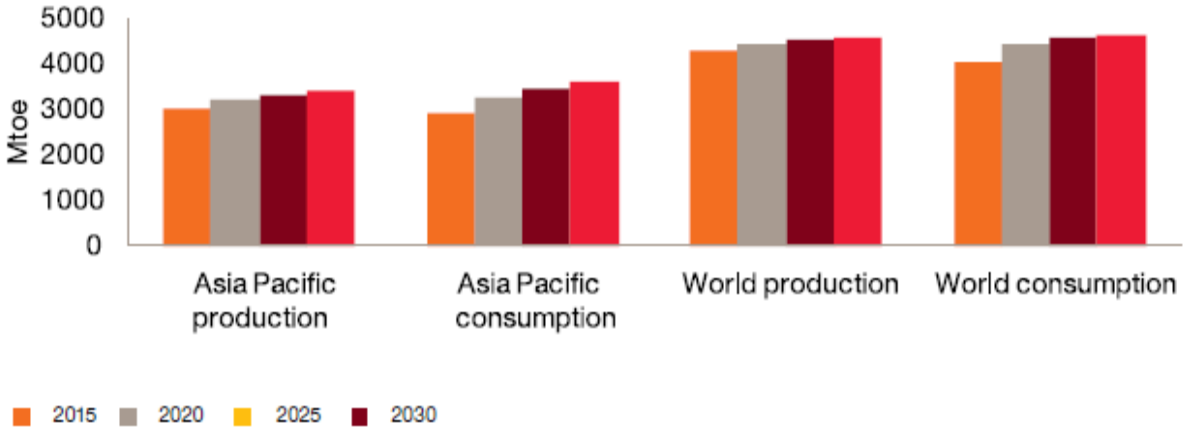
In the global market, China, India and Indonesia are expected to account for nearly 80% of the total i
Indonesia. Coal-based thermal power projects will be the main drivers of demand in China and India
95,000 MW to 294,000 MW over the next 11 years (a 300% increase).

Primary coal demand*



*As per the new policies scenario
Source: IEA, WEO 2011

Coal production and consumption



Source: BP Energy Outlook 2030, January 2012

Asia Pacific is expected to account for 70.8% of the global coal production and 71.3% of the global c
expected to produce 73.8% of the global coal production but consume 77.7% of the total consumption

BUSINESS OPPORTUNITIES IN FUTURE:

- ✓ The biggest opportunity before Indian coal sector is that there is enormous scope for increasing

- ✓ India has rich mineral resources. It has abundance of iron ore, coal and many other raw mater raw materials are available at comparatively lower costs.

- ✓ It has the third largest pool of technical manpower, next to United States and the erstwhile U commensurate with skill. This gets reflected in the lower production cost of coal in India compar

- ✓ Excellent potential exist for enhancing coal consumption in other sectors such as automobiles,

- ✓ Latest technology must be adopted by Indian coal mining of superior quality of coal for these Production and supply of superior grades of coal in desired shapes and sizes will definitely incre

CONCLUSIONS AND SUGGESTIONS:

CONCLUSION:

- ✓ Russia's industrial champions – its large energy and metal producers – are supported at hor inhibiting the export of Russia's raw materials, severely restricting foreign investment within its trade in raw materials.

- ✓ The Indian government is actively intervening in raw material markets to ensure sufficient sup exports, imposing prohibitively high export tariffs and export quotas on critical raw materials. In been a dramatic decline in Indian exports of critical industrial inputs such as iron ore.

SUGGESTION:

- ✓ The Government should provide more and more assistance in Iron and Coal industry, as both I

- ✓ In Russia, Growth rate of Iron and Coal industry is less compared to overall industrial growth, so
- ✓ Also, there is a demand of quality products in Russia, so they should satisfy their local demand
- ✓ Russian government should attract small and medium scale players, by increasing the level of p

7. Steel Industry

Introduction:

Russia is entering a steel-intensive growth phase, offering excellent prospects for Russian steel make
are not in state ownership, are not subject to such punitive tax and export duty regimes as national
therefore in an excellent position to lead global consolidation. Russia's once-unexciting steel industr
capitalization.
Russia's steel sector becomes a major part of the Russian capital markets with increasing transpare
industry is a good defensive play. Russian steel has a sustainable competitive advantage due to high
position is set to stay in place for many years, with increasing efficiency and modernization largely offs
more important as the "right" business strategy becomes key. In contrast, focus on the core steelbusin
The two broad business strategies for steel companies involve vertical integration and horizontal inte
both securityand the ability to book the material at cost, thus improving profitability margins. While
acquisitions as a way to lower costs.

The case for acquiring rolling mills in forward integration is less apparent than thebackward integration
steeloutput up, a major factor in lowering costs, as steel producers generally do not have muchflexibili
Russian steel companies are very cost competitive due to many factors, contrary to the often-heard a
steel sector also enjoys low labor costs despite paying relatively high wages by Russian standards. St
12 times less.In short, on a cost basis Russian steel can compete with anyone, and while steelmaker
profits, accumulate cash and (likely) hunt for distressed companies bogged down by labor unions, deb
Russia's steel industry is the fifth largest in the world, producing 65.6mn tons last year, or 6.3% of glol
theRussian industry was just 0.1mn tons shy of the top position. Russian producers sold onlyabout 48
steel consumption. The Russian steel sector consists of six groups, four of which – Severstal, Evraz G

Top five Russian steel companies:

Evraz:

Evraz Group is one of the world's biggest vertically integrated steel production and mining busines production, which enables the company to be one of the largest participants on the domestic coking co

Evraz Group S.A. is one of the largest vertically-integrated steel, mining and vanadium businesses in half 2008, the consolidated revenues were US$10,726 million and EBITDA - US$3,700 million.

Evraz Group's principal metallurgical assets include three of Russia's leading steel plants: Nizhny constituted by its subsidiary Eras Inc. NA uniting Oregon Steel Mills, Claymont Steel, and Ipsco's Cana the Czech Republic, and Highveld Steel and Vanadium Corporation in South Africa.

In Ukraine, it acquired three coking plants - Bagleykoks, Dneprkoks,and Dneprodzerzhinsk Coke Ch Russia, the SukhaBalka iron ore mining and processing complex in Ukraine and Yuzhkuzbassugol coa

Evraz also holds a 40% equity interest in Raspadskaya Coal Company. Its mining assets enable Ev coking coal internal consumption. In 2007, Evraz Group produced approximately 18.9 million tonnes business comprises Strategic Minerals Corporation in the United States, Nikom in the Czech Repub ofRussia.

Severstal:

Severstal is one of the world's leading vertically integrated steel and steel related mining compan are central to our operations. Severstal is structured into three divisions: Severstal Russian Steel, Sev of its volumes throughout the world.

Severstal's strategy is to be a global industry leader in value creation by focusing on its core strengt end markets and geographies. Our strategy is supported by a well-thought capital expenditures progr to operational efficiency.

In 2001, Severstal became the first Russian production company to certify its compliance with the IS gas emissions to the World Steel Association (WSA). Within the past years we have significantly 2006 and 201

Magnitogorsk Iron and Steel Works (MMK)

Magnitogorsk Iron and Steel Works, abbreviated as MMK, is the third largest steel company

processing of rolled steel. MMK turns out the broadest range of steel products among steel making pla
In 2008 MMK produced 11,957,000 tons of crude steel, 11,522,000 tons of hot rolled products and 10
history, turning out 12.2 million tons of commercial products. The slump was caused by the impact of t
226 bn, 19 % up on the 2007 results. The 2008 sales income was RUR 54 bn (107% against 2007),
high production level. Thanks to its diversified products range and flexible sales policy MMK has been

Novo Lipetsk Steel (NLMK)

Novo Lipetsk Steel or NLMK is one of the four largest steel companies in Russia with sales of more th
produces flat steel products, semi-finished steel products and electrical steels. It is a global slab and g

Currently Novo Lipetsk Steel (NLMK) is one of the world's most profitable steel companies per tonne c
and on par with its global peers. NLMK is fully self-sufficient in iron-ore through its 97% stake in Stoile
Depositary Shares (GDSs) on the London Stock Exchange. Each GDS represents 10 ordinary shares
pursues the goal of bringing its total dividends over five-year period to 30%.

Mechel

Mechel OAO, founded in 2003, is one of leading global coal and steel producers. Mechel's fully integr
as the U

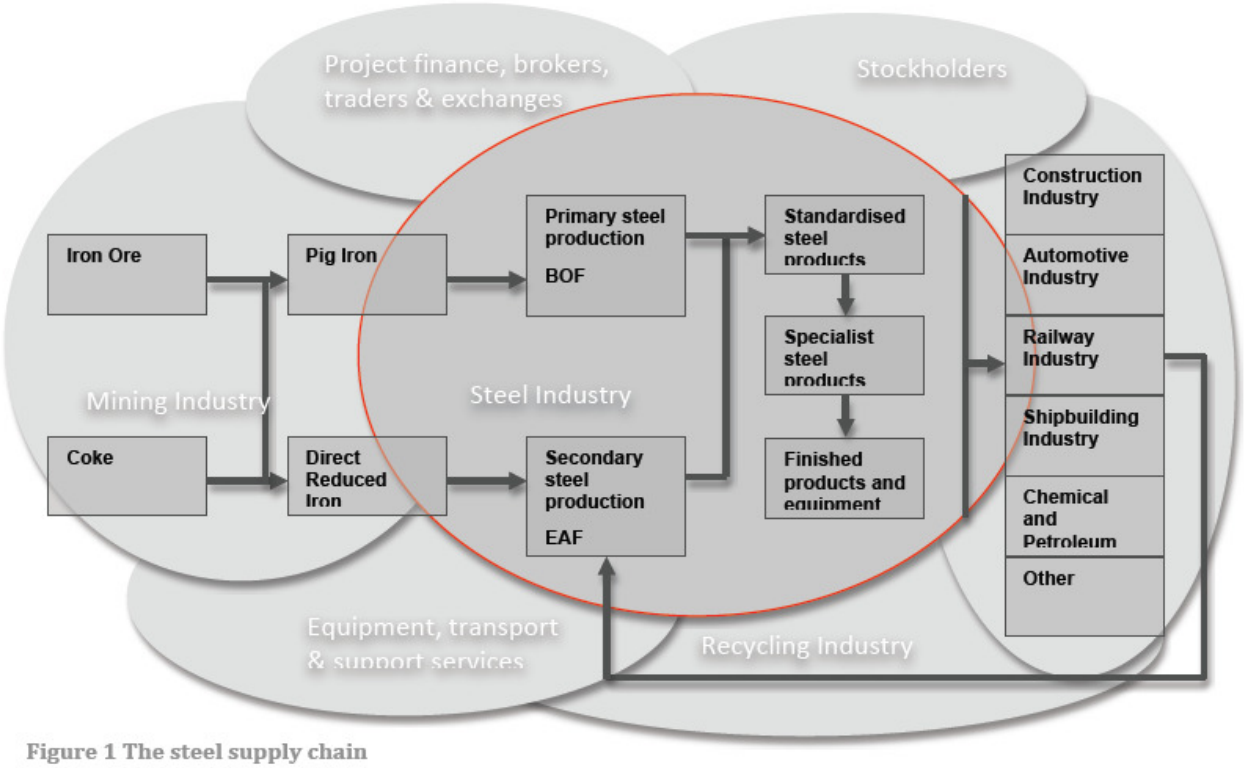


Figure 1 The steel supply chain

Mechel i
and elec
owns thr
about 93

Mechel
company
the most

Mechel i
New Yor
Mechel's

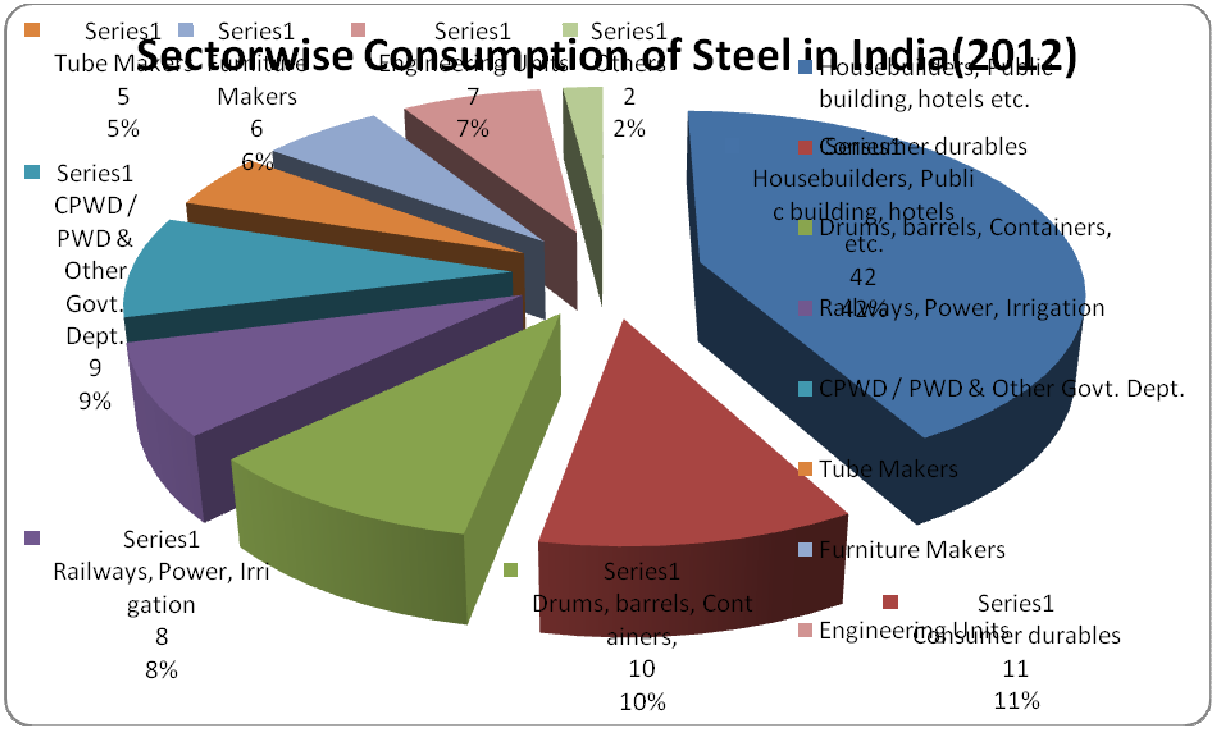
Struct

Since the invention of the Bessemer process in 1856, steel has become a choice building material acr
synonymous with industrial development, not least today, when the growth of the so-called BRIC coun

CONSUMPTION OF STEEL IN INDIA

Sectorwise Consumption of Steel In India	
Sectors	**% Share In Consumption**
Housebuilders, Public building, hotels etc.	42
Consumer durables	11
Drums, barrels, Containers,	10
Railways, Power, Irrigation	8
CPWD / PWD & Other Govt. Dept.	9
Tube Makers	5
Furniture Makers	6
Engineering Units	7
Others	2
Total	100

CONSUMPTION OF STEEL IN INDIA



Comparison Between India And Russia On Certain Facts About Steel Industry

Sr. NO	Particular	India	Russia
1	Steel Production (2011)	71Mt	69Mt

2	Steel Usage(2011)	68Mt	40Mt
3	Per Capita Use(2011)*	57 kg	292 kg
4	Coking coal exporter(2011)	<0.5mt	14Mt
5	Coking Coal Importer(2011)	19Mt	-
6	Comsumer of PCI** Coal(2010)	3.8 Mt	2.7Mt
7	Steel Import(2011)	8.2Mt	-
	Steel Export(2011)	10.2Mt	24.7

*per use of world=215Kg **PCI-Pulverised Coal Injection -Negligible

[Source: World Steel Association, World Coal Association]

STEEL RECOVERY RATE:

By sector, global steel recovery rates for recycling are.		
1	Construction	85%
2	Automotive	85%
3	Machinery	90%
4	Electrical and Domestic Appliances	50%

chance for it to grow and the increasing consumption of steel in various other sectors also provide a g
on co. like the environmental cost,scarcity of raw material and the threat of substitute.

SWOT ANALYSIS:

SWOT analysis of Evraz:

Strength:

1. Diversified business structure (by markets and products);
2. Proprietary resource base (self-sufficiency in coking coal concentrate is 69% (excluding Raspadska
3. The geographical proximity of raw material base, production facilitiesand major customers.

Weakness

1. The key weaknesses of EVRAZ are mainly related to the cyclicdependency of the sector on th performance.
2. The company also carries additional risks associated with operating in different regions of the world

Opportunity:

1. A significant increase in the resource base (in 2016, the planned increase of coking coal production
2. The ability to optimize the debt structure. By the end of 2012, the company managed to reduce the
3. The prospect of increasing the volume of steel products with high value added and development of
4. Modernization of production facilities in order to increase the efficiency and capacity of the current p

Threat:

1. A decline in global and domestic demand for steel products and raw materials.
2. Implementation of projects requiring large amounts of capital investment, and, hence, increasing company's business may rise.
3. Risks associated with overseas operations: companies present in developed markets bear extra c taxation and antitrust regulation.
4. Environmental costs

Interpretation:

EVRAZ is one of the world's leading vertically integrated steel and mining companies with operations being the main contributor to the company's revenue (89% of the total . But the cyclic dependency of t financial performance.

The company also carries additional risks associated with operating in different regions of the world. problem areas also which need concern like if there is global decline in the demand of products and different laws prevailing in the various countries it operate.

PRESENT POSITION AND TREND OF STEEL BUSINESS (IMPORT /EXPORT) WITH INDIA / GUJA

Overall bilateral trade has been growing steadily. Trade in 2011 was USD 7.46 billion, In 2012 itwas

India to Russia amounted to USD 2.142 billion. The two-way investment between the two countries sta
Both sides acknowledge that given the respective sizes of the Indian and Russian economies, as als
target of achieving USD 20 billion in bilateral trade by 2015. Special attention is being paid to the ener

POTENTIAL FOR IMPORT / EXPORT IN INDIA / GUJARAT MARKET:

- India is planning to increase its steel production and wanted to achieve second rank in world ste
- Also Indian Company can get a Captive mining license with collaboration of RussianCompany t
- as bilateral trade of Russia and India is increasing, and relation between countries is also old, th
- India can export steel products to satisfy Russian domestic demand by making variety
- And quality products

BUSINESS OPPORTUNITIES IN FUTURE:

RUSSIA:

Russia is entering a steel-intensive growth phase, offering excellent prospects for Russian steel maker

- Availability of steelmaking raw materials and energy provide favorableconditions for furth
- Russian steel has a sustainable competitive advantage due, backward integration wit modernization largely offsetting the effects of rising energy and labor costs.
- The political risk associated with the steel industry is very low. Asthe steel sector has a r that none of the companies studied were privatized completely in the way that Norilsk Ni

We expect the Russiansteel leaders to buy and/or build mini-mills to address growing demand from va

- construction
- railways
- automotive industry

Rapid growth as foreign auto producers set up production in Russia Because of increasing raw materi

Conclusion:

Russia's industrial champions – its large energy and metal producers – are supported at home by pro
export of Russia's raw materials, severely restricting foreign investment within its borders, and actively

The Indian government is actively intervening in raw material markets to ensure sufficient supplies of
imposing prohibitively high export tariffs and export quotas on critical raw materials. India's captive mi
decline in Indian exports of critical industrial inputs such as iron ore.

Arms and Ammunition industry

Overview of arms and ammunition industry .

Russia Pitches for Production service in India as Ammunition Contracts worth $ 1 Billion Get ongoing

India's long-lasting Defence partner Russia has decided greater diffusion into the Indian Defence ma
Russian Defence major Rosoboronexport, has indicated that a construction facility to construct projec

shells, worth $1 billion to India this year.

Speaking at a Defence Show on Machine-Building Technologies in Moscow, top Rosoboroexport offic
Russia has conserved the first round of discussions on the delivery of 3UBK20 (Mango) tank projectile

Currently, the Indian Army relies like mad on the Smerch MRBLs which can shoot 12 rockets at one ti
by solid fuel utensil and are 7.6 metres long. The rockets mull over 800 kilograms, together with a 100
launchers.

Meanwhile, Russia is also satisfying the $ 1 billion merit of contract sign earlier this year for provide of
of Russian types by yourself. As of now, the public and personal sector resistance firms in India canno

The $ 1 billion agreement with India is one of the major export contacts which Rosoboronexport finish
be significance $ 7.7 billion which is regarding 80 per cent of India's arms export. A large reason for th

in the middle of the many deliveries expected this year, the transport of the refurbish Vikramaditya ai
billion. next this, the second-biggest release is the planned provide of two frigates worth an approxima

According to CAWAT, the military goods to India from Russia will embrace about 21 Su-30MKI fight
shipboard MiG-29K/KUB fighters beneath the original weapons supply plan.

as well, India and Russia will carry on the programmes to improve MiG-29 fighters, BPA Tu-142 aircra
simulator education systems, plus Club-C anti-ship missile launchers.

Structural Weaknesses of the Russian Armed Forces

The effect of this challenge to defend all can be most clearly seen by looking at the expansion of the
ranging Staff faced massive practical struggle in 1992. Under the old Soviet system military were mai
border military districts were at an in-between state of readiness and the centre districts, such as the
when the collapse of the Soviet Union brought the loss of mainly of the border districts as on form.
Thus the new Russian Army had to be formed by deploying the hypothetically combat ready formation

in the inside districts were quite insufficient for the recently arriving formations. Many units were unloa
controlled a very high percentage of conscript from the non-Russian republic. When this cause of ma
was too small to man the equipments being deliver from Eastern Europe. (An augment in the grant of
At the same time the universal Staff was attempting a major transform in the armys force construction
mid-1990s the ground military were left with a mixture of formation which fitted neither model. Both a
(armies & corps) was completely not enough. The manpower question is examine in more detail la
organization was established in practice by the farcical recruitment for the Chechen War. The Russian
units is a measure of last resort, undertake when a formation or element has totally lost its combat e
control in battle was very hard. Thus by trying to continue a capacity for universal war which was beyo
By 1997 army had the manpower organization of divisions, division the organization of regiments. real
talking of dipping the ground forces to about 12 properly manned division with about as many extra
would entail; he also made the error of trying to cut the politically dominant airborne forces. Rodionov
valuable year has been lost in opening real change. Sergeyev has explain his objective in the following

> "We are face with a simple choice. Either we stick to unfounded numbers, abundant overgrow
> pitiful armed order - such as we encompass had for more than three years now or we cut our
> forces to research and propose work aimed at create get through technologies. This should all
> one's force will be unwavering not by numbers but by flexibility and speediness."

The purpose is to have at least one eternally ready distribution in each military district, with a endorse
1997 from basics of two under-strength division which were initially part of the Western Group of serv
other ranks. The bureau of Defence was said to have been specified the separation top priority for m
Gen Stolyarov, has complain that units took the opening to off-load their difficulty soldiers onto 3rd Mo
or health problems. It seems that there are only 470 male and 360 female agreement servicemen in
replace with new conscript. Only 30% of the officer cadre are ordinary officers, the relax are reservist
terrible case 100th Tank company has only one normal legion commander). as long as the division wi
can hardly carry out vital managerial odd jobs.

Policy of Russia.:-

The Real trouble of the Russian Armed Forces

In November 1997 General Kvashnin, Chief of the General Staff, claim that 1997 was the year "...w
because they deal with problems which can be treat by decree of the minister of defence. The real t
concentrate on the issue which most openly power the military efficiency of the Russian army. They ar

Leadership trouble In The Russian Armed Forces

One does not need to be symbols this paper in the Royal Military college Sandhurst to clutch that the and does not call for expansion here. But even if the present movement against bribery in the armed s legacy from the Soviet era. It urban in a conscript army portion an demanding political system. Russia need a new basis for relationships within their position. This is clearly illustrate by the official info for c there were 487 suicides. though these figures are lower than in 1996 they still reproduce very poorly parallel period of 1997). The figure of death in accidents is symptomatic of poor parameter and lack mark of barracks life. A similar hierarchy amongst the enlisted ranks rules base camp rooms. Dedov criminal records has bigger its power. The lack of a qualified NCO cadre has limited the armed force most of their time in barracks and this regulation compensated to some point for the lack of regular NC

Russia has been roped in to supply anti-tank missiles, ammunition and artillery bullets for the Indian A

- Former Army Chief General VK Singh, before step down, had printed a secret letter to the def hours of darkness blind as they were not unequal to with thermal imaging sensors. The Army C
- Taking stock of the situation, Anthony conduct a series of meeting with senior officials and a government to look elsewhere for the requisite hardware, native tank ammunition affected by D
- India has now conical down its options and is looking to Russia to help complete its ammunitio least 75,000 to 1,00,000 tank and artillery shells. “The first round of talks on the delivery of 3UB state run arms exporter) assistant head Igor Sevastyanov told RIA Novosti. The deal also inclu
- Russia was transferring technology regarding Smerch multi barrel rocket system ammunition t powered by solid fuel engines to distances in the 20-90-km range.

Conclusion and findings.

- The weakness of Russia’s predictable armed forces and their failure to prepare valuable doc restriction forces.
- The times gone by of Russia and its armed military are a series of crises and recovery. We sho

- Will a resurgent Russian army be a force for solidity or a cause of instability? Russian military a
- Russia needs help in reforming its services and "attack international relations" is rightly appropri

Focus on all arms transfers

If the purpose of the small guns debate is to discuss how missiles transfers shape violent co small arms and major artillery are momentous in almost all current conflicts. The current inte group by cutting off their arms provisions

9. AUTOMOTIVE INDUSTRY

Introduction:

Automotive production is a important industry in Russia, straight employing around 600,000 people production. In 2009 the industry produced 595,807 light vehicles, down from 1,469,898 in 2008 due to Eleven foreign carmakers have production operations or are constructing plants in Russia. As of Augu

In recent years, a number of leading international car manufacturers have established assembly fac Federation, given their initially relatively small scale and focus on import substitution. The paper conc component suppliers, despite limited production volumes of individual models, and a further expansion investment plans are implemented.

Structure, Functions and Business Activities of Automotive Industry in RUSSIA:

Structure

The Russian automotive industry can be divided into four types of companies: local brand producers related equipment in Russia. The volume of production and sales amounted to 1,513 billion rubles.

Domestic brands

Lada Priora, made by AvtoVAZ, was the most sold car in Russia in 2009

The four most popular cars in Russia in 2009 were all AvtoVAZ models. The economy car Lada Priora of 57,499. Lada 2105 was expected to considerably increase sales following the car scrap page scher

In the light commercial vehicle sector, the Gazelle van, manufactured by GAZ has been very popular, 2009 in the Russian automotive market.

Business Activities

New projects

Marussia is Russia's first modern sports car.

In recent years, Russian automotive industry companies have launched several new projects, some of

Marussia brand, produced by Marussia Motors, became the first modern sports car and the first supe Marussia Motors show room opened in Moscow. Marussia Motors is led by Nikolay Fomenko, a notab

In 2010, the company acquired a 'significant stake' in the Virgin Racing Formula One team, which was

Another ambitious Russian project is Yo-mobile a city car that can burn both gasoline and natural gas producer of trucks based in St. Petersburg, Russia and the Onexim investment group, headed by Mikh vehicle to "break the stereotype saying Russia can't produce good cars."

Heavy vehicles

KaMAZ military truck mounted withPantsir-S1 air defense system. KaMAZ is the largest truckmaker in

In the heavy vehicle sector, the largest company is the truckmaker KaMAZ. It is also one of the largest

Another very important company is GAZ, which makes vans, trucks and busses, among other prod
launched an improved version, called Gazelle Business. In the bus sector, GAZ occupied a market sha

Russia's largest tractor maker, and one of the largest machine building companies in the world, is Con

Sources:

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Reference: Vahtra, Peter; Zashev (7/2008). "Russian automotive manufacturing sector – an industry s

Image of Russia and Russian companies in India and image of Indian companies

Indian businessmen and consumers do not have adequate information about the current situation in R
not aware of the fact that Russia is one of the fastest growing markets in the world, and an active in
results in problems when they express their interests in investing in India or trading with Indian partner

Similarly, despite the fact that India ranks among the top 4 countries of the world in terms of GDP on
interesting market for their products or investments. There is a lack of information about Indian supp
supplier of high quality products in the international market and Indian diaspora has established itself
companies, which have not been operating in India since the Soviet times, are not adequately aware a

Thus, the negative image of the partner countries vis a vis each other and lack of information about e
both the countries can play a big role in forming positive image about each other's country thus enhan

Source: http://commerce.nic.in/publications/Report_India_Russia_Joint_Study_Group_10_9_2007.pdf

IDENTIFICATION OF POSSIBILITIES/ NEW OPPORTUNITIES OF BUSINESS (TRADE, MANUFAC

Russia mainly exports:

RUSSIA'S IMPORT: -

Generally, if any machinery is exported or imported between an Indian company and any Russian
In order to import machinery into Russia and clear them through customs, an importer has to make
Russia has several special economic zones that offer customs benefits.

1. Customs policy

2. Import restrictions

3. Customs duties

4. Documentation and procedures

5. Warehousing and storage

1. Customs policy

Russia's customs policy has seen several important areas of development:

• Lowering customs duty on technological equipment imports;

• Simplifying the customs clearance process;

• Tighter customs control after the customs clearance of goods;

2. Import restrictions

Certain imports to Russia require permits, certification (e.g., of conformity, sanitation), licences and c
certain goods (e.g., metal pipes from UkRayne).

3. Customs duties

Classification of goods

The Russian tariff classification system is based on the worldwide adopted Harmonized Commodity D

Valuation rules

The customs valuation procedure is established in line with GATT/WTO principles. The customs value

Excise tax

Certain categories of goods are subject to excise tax for import to Russia (e.g., alcoholic beverages, ci

Import VAT

For most goods, the import VAT rate is 18% of the customs value, inclusive of customs duty and excis

4. Documentation and procedures

Registration of importers and exporters

There is no established procedure for registering importers and exporters with customs. However, in p

Documentation

Russian customs regulations establish a comprehensive list of documents required for customs cleara

5.Warehousing and storage

Goods which are subject to customs control (e.g., imported goods which have not yet cleared through an importer can ask the customs authorities to extend it to up to four months. Warehouses for tempora

Conclusion

As different these economies may be, they are bound by one common thing and that is, all these four

of our understanding that the Indian auto market can take from its other BRIC counterparts.

Key Take away for India from the BRC(British Retail Consortium) markets:

5 and more players make up for 80% of the market in Russia. It is likely that India which is curre
China and India had similar competitive pattern early in the decade with their state owned companies

While urbanization has been a key driver for car sales in India it has been relatively insignificant in
1.22% (CAGR 2001-2011), it would take a long time (arithmetically,41 years) to breach the 80% urban

In India, $3000-$5000 income group will continue to be the key segment for car sales. $5,000-$10
(provided it continues to grow at the same pace). Transition to this higher income group ($5000 and a
cars in India (micro and mini segments).

Fuel prices in all of BRIC countries were subsidized in one or the other way and hence have not ha
rise in fuel prices. The long term impact of the recent development, however, is unknown owing to ab
promote the adoption of flex fuels

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