
Russia : Economic News

- ROSATOM, AREVA MAKE BIDS TO BUILD NUCLEAR REACTOR IN BELARUS

/AUGUST 1/RIA Novosti/

The Belarusian government has received applications from the Russian state nuclear power corporation Rosatom and the French-German firm Areva to participate in a nuclear power plant construction project in the republic. Friday is the closing date for foreign companies to make applications.

"We have received an affirmative response from Rosatom and Areva," said Vladimir Semashko, the ex-Soviet republic's first deputy prime minister. He said the Belarusian government would decide within 10 days what kind of agreement would be signed.

"It will be either an intergovernmental or a tender agreement," he said. Belarus plans to build a nuclear power plant with a capacity of 2,000MW, with the first unit to come online in 2016 and the second in 2018. The plant is expected to have Generation III water-moderated reactors.

Belarus has sent invitations to Rosatom, Areva and the U.S.-Japanese company Westinghouse-Toshiba, the three main producers of the equipment, to participate in the tender.

The ministry previously said it had not received an official response from Westinghouse.

- RUSSIAN GOVT. TO ALLOCATE \$5.42 BILLION TO NUCLEAR TECH PROGRAM

/AUGUST 1/RIA Novosti/

DIVEYEVO (Nizhny Novgorod Region), August 1 (RIA Novosti) - The Russian government plans to allocate 127 billion rubles (\$5.42 billion) to a federal program dedicated to the next generation of nuclear energy technology.

"Financing will start from 2010, and will be about 25 billion rubles [\$1.07 billion] annually," Sergei Kiriyyenko, the head of the Russian state nuclear power corporation Rosatom said on Friday.

He said that the program, which will run to 2015, had been agreed on and prepared in all the relevant governmental ministries and departments,

"It should be approved by the government in November," Kiriyyenko said.

Russian Prime Minister Vladimir Putin said earlier the federal program should be aimed at resolving closed nuclear fuel cycle difficulties and creating a commercial fast neutron reactor.

About 1 trillion rubles (\$42.7 billion) is to be allocated from the state budget to nuclear power and industry development until 2015.

- RUSSIA, CUBA SET TO BOOST TIES

/AUGUST 1/RIA Novosti/

Russia and Cuba are to make efforts to boost bilateral cooperation in all spheres, the Russian Security Council said on Friday.

Council chief Nikolai Patrushev and Russian Deputy Prime Minister Igor Sechin visited Cuba on July 30-31, in a trip focusing on projects to revive economic ties between the former Cold War allies, including Russian companies' participation in developing oil fields in the Latin American state.

"[Cuban President] Raul Castro, Patrushev and Sechin said at a meeting that their countries' were set to make consistent efforts to restore longtime ties in all spheres of cooperation and to expand and strengthen them," the Security Council said in a statement.

Sechin earlier cited oil production, tourism, healthcare, nickel production, telecommunications and nanotechnology as the most promising spheres for cooperation between the two countries.

Russia issued a \$355 million loan for the purchase of vehicles and the financing of energy infrastructure in Cuba in 2006, reviving ties that had been weakened by the breakup of the Soviet Union in 1991.

Havana also committed itself to buying three Il-96-300 planes and three Tu-204 passenger medium-haul aircraft.

The visit of Patrushev, who is also head of the Federal Security Service, and Sechin came after media reports said Russia could place an orbital ballistic missile system in Cuba in response to U.S. missile defense plans for Central Europe.

In October 1962, the Cuban Missile Crisis brought the U.S. and the U.S.S.R. to the brink of war when Soviet missiles were stationed in Cuba.

The crisis was resolved after 12 days when the Soviet leader, Nikita Khrushchev, backed down and ordered the missiles removed.

- RUSSIAN PM APPROVES \$3.8 BLN FEDERAL PROGRAM TO TRAIN SCIENTISTS

/AUGUST 4/RIA Novosti/

Russia's prime minister has approved a 90 billion ruble (\$3.83 billion) federal program to train scientists in Russia from 2009-2013, the government's press service said on Monday.

The government said the program would help train researchers and academic staff.

The program also envisions jobs for young people in the defense industry, energy, aviation and nuclear spheres and other hi-tech sectors.

- RUSSIA'S SEVERSTAL CLOSES \$775MLN DEAL TO BUY U.S.-BASED ESMARK

/AUGUST 5/RIA Novosti/

Russian steel producer Severstal [RTS: CHMF] said on Tuesday it had finalized a \$775 million deal to buy the U.S.-based steelmaker Esmark.

The offering period for Severstal's tender offer for all outstanding shares in Esmark expired on Monday, with almost 39 million Esmark shares tendered in the offer and not withdrawn, representing around 94.17% of the outstanding shares of Esmark's common stock, Severstal said.

Esmark, which is headquartered in Wheeling, West Virginia and produces about 750,000 metric tons of steel products a year, is now a wholly-owned subsidiary of Severstal and has been renamed Severstal Wheeling Holding Company, the Russian steelmaker said.

Severstal has recently been pursuing a strategy aimed at buying U.S.-based steel assets to strengthen its North American position in the high-quality flat-rolled steel segment for the automotive, appliance, furniture, construction and energy markets.

In early July, Severstal finalized a deal to buy 100% of U.S.-based WCI Steel's shares for \$140 million. In May, the company closed a deal to purchase the U.S.-based Sparrows Point steel mill from ArcelorMittal for \$810 million.

- RUSSIAN ARMS EXPORTS TO EXCEED \$8.5 BLN IN 2008

/AUGUST 5/RIA Novosti/

Russia's military exports will exceed \$8.5 billion in 2008, a senior government official said on Tuesday.

Russia has doubled annual arms exports since 2000 to \$7 billion last year, becoming the world's second-largest exporter of conventional arms after the United States.

Military exports "are planned at \$8.5 billion this year [2008], and I think we will fully meet the plan, and even exceed it," Mikhail Dmitriyev, head of the

Federal Service for Military-Technical Cooperation, told a RIA Novosti news conference.

Russia exports weapons to about 80 countries. Among key buyers of Russian-made weaponry are China, India, Algeria, Venezuela, Iran, Malaysia and Serbia.

"Our foreign customers are queuing up for new Russian-made weaponry," Dmitriyev said. "Among our main 10-15 customers are China, India, almost all Middle East countries, Algeria, Morocco and Venezuela."

The most popular types of weaponry bought from Russia are Sukhoi and MiG fighters, air defense systems, helicopters, main battle tanks, armored personnel carriers and infantry fighting vehicles.

Russia also maintains traditionally strong positions in sales of small arms, and anti-tank and air-defense missile systems.

Dmitriyev said Russia's defense companies were overloaded with orders and urgently needed to increase capacity to meet existing orders and ensure future growth in national arms exports.

"I think our defense industry can handle this situation," he said.

- PROKHOROV TO SELL 16.6% STAKE IN NORILSK NICKEL FOR \$10 BLN

/AUGUST 5/RIA Novosti/

Russian billionaire Mikhail Prokhorov's investment vehicle Onexim will sell its 16.6% stake in metals giant Norilsk Nickel to Interros chief Vladimir Potanin for around \$10 billion, Onexim said on Tuesday.

Potanin will pay \$6.5 billion in cash and transfer his 35.2% stake in Polyus Gold, worth \$3.5 billion at the current share price, in exchange for the stake in Norilsk Nickel. The deal is to be finalized before November 15, Onexim said.

Interros earlier said that Potanin held about 30% of shares in Polyus Gold while Prokhorov's stake in Russia's largest gold miner was also estimated at around 30%.

In April, Russia's United Company RusAl, the world's largest aluminum producer, finalized a deal to buy a blocking interest of 25% plus one share in Norilsk Nickel from Prokhorov.

The Russian market has reacted swiftly to the news.

Norilsk Nickel's shares closed more than 6% up in the Russian Trading System on Tuesday compared with a 2% drop in the RTS overall index on Monday.

On the London Stock Exchange, Norilsk Nickel's stock went up almost 6% on Monday's close and Polyus Gold appreciated 2.7%.

- SCIENTISTS EXAMINE HOW LAKE BAIKAL 'EATS' OIL

/AUGUST 5/RIA Novosti/

Russian scientists exploring the depths of Siberia's Lake Baikal are studying the processes through which the lake's organisms digest crude oil that seeps from cracks in the bedrock, an expedition member said.

Dr. Mikhail Grachyov, an authority on the molecular evolution of the unique flora and fauna of the world's deepest lake, said the research team began on Monday a search for cracks in the rock that release around four metric tons of oil into the lake each year.

"Baikal has microbes that absorb this oil, so it does not spread through the lake, but is localized. It is important that we study these processes more thoroughly," he told RIA Novosti.

Monday's descent in the Mir-1 and Mir-2 mini-submarines, part of a series of deep-water dives that began last week, failed to locate an oil source, known to be at a depth of around 800 meters, he said.

"We haven't managed to locate the actual oil source, it's not easy to do this," Grachyov said. However, the submersibles did discover an old fissure that had previously released oil.

Crude oil is formed by decayed plant matter accumulating on the bed of a body of water and being subjected to heat and compression under heavy sediment over a period of millions of years.

Baikal is the world's oldest lake, with an age estimated at 25 million years. Scientists taking part in the current expedition, during which 60 deep-water dives are planned over the next two years, have stressed that research is not aimed at exploiting possible oil and gas reserves, but at protecting Baikal's unique ecosystem.

The lake has been the focus of major environmental scares in recent years, with a last-minute change to an oil pipeline route that was set to pass near Baikal's shores, and environmental regulators' claims against a pulp mill accused of pumping large volumes of toxic waste into the lake.

Baikal, a UNESCO World Heritage site, holds around 20% of the planet's freshwater.

- RUSSIA'S OIL OUTPUT EXPECTED TO GROW SLOWLY UNTIL 2020 - MINISTRY

/AUGUST 6/RIA Novosti/

Russia's economics ministry said on Wednesday that a best case scenario would see oil output grow slowly until 2020, with a projected 9% growth for 12 years to 535 mln metric tons (3.9 billion bbls) a year.

Russia's Economic Development and Trade Ministry has prepared a report on the country's economic development until 2020, envisaging a range of scenarios for oil output. All the scenarios project slower oil production growth until 2020 compared with previous years when oil output grew at an annual rate of 10%. According to the ministry, the forecast for Russia's development in the next 12 years predicts that in the best case scenario, "oil output will peak at 535 million metric tons by 2020, stabilize at this level until 2025 and fall to 530 million metric tons (3.88 billion barrels) by the end of the projected period."

The inertial, or worst-case, scenario projects a minimal growth in oil output to 500 million tons (3.67 billion barrels) by 2010 and a fall to 490 million tons by 2030 (3.59 billion barrels).

- MOSCOW SAYS NO NUCLEAR WEAPONS IN BELARUS TO COUNTER U.S. SHIELD

/AUGUST 6/RIA Novosti/

Russia may review military cooperation with Belarus in response to U.S. missile defense plans in Central Europe, but will not return nuclear weapons to the country, the Russian ambassador to Minsk said Wednesday.

The U.S. plans to deploy 10 interceptor missiles in northern Poland and a radar station in the Czech Republic as part of a missile shield for Europe and North America against possible attacks from "rogue states," including Iran.

"When Poland signs a treaty with the United States on the deployment of missile defense elements, then we will be in a position to discuss some additional aspects of military cooperation with Belarus," Ambassador Alexander Surikov said.

He added that an array of counter measures would be devised, but there would be "no return of nuclear weapons to Belarus."

The envoy said, however, that Russia could deploy Iskander missile-defense systems and strategic bombers in Belarus.

Moscow strongly opposes the possible deployment of the U.S. missile shield, viewing it as a threat to its national security. Russia's Foreign Ministry has said that if U.S. strategic missile defense elements are deployed near Russia's borders, Moscow would be forced to respond with a "military-technical approach" rather than a diplomatic one.

- OIL FOUND IN BOTTOM OF LAKE BAIKAL

/AUGUST 7/Itar-Tass/

Scientists of the Limnology Institute of the Siberian branch of the Russian Academy of Sciences have found oil mixtures in the bottom of Lake Baikal during dives of deepwater submersibles Mir-1 and Mir-2, the institute's director Academician Mikhail Grachev told ITAR-TASS on Thursday. He said "we knew earlier that oil comes to the surface at Cape Gorevoi Utyos near the Barguzinsky Bay, we even took samples of bottom rock mixed with hydrocarbons, but our scientists for the first time could see them at a 850-meter depth".

The institute's four associates — a geologist, chemist and two female biologists — dived in submersibles to the bottom of the world's deepest and largest body of the fresh water.

They obtained numerous samples of the water, rock and microorganisms.

"The release of oil from faults of the earth crust struck their imagination: these are some bitumen formations of a different size and configuration," Grachev said.

Limnologist will continue studies using the Mir submersibles.

They are going to move on their research ship The Vereshchagin to other areas of the release of natural oil, gas and gas hydrates.

- INDIA SAYS \$1BLN HELICOPTER DEAL TO BE SIGNED WITH RUSSIA SOON

/AUGUST 7/RIA Novosti/

The Indian Air Force said on Thursday that India will soon sign a contract with Russia to receive 80 Mi-17 Hip-H multirole helicopters.

Air Chief Marshal Fali Homi Major said preparations for signing the contract are now in their final stages. The deal is estimated at \$1 billion.

Indian media earlier reported that the contract was under threat over Russia's attempt to significantly raise the delivery price, and that negotiations were stalling.

A preliminary agreement to sell Mi-17 helicopters to India was reached in March 2007 at a meeting of the Russian-Indian intergovernmental commission on military cooperation.

The Mi-17 is a version of the Mi-8 airframe. The helicopter has a takeoff weight of 13 metric tons and can carry up to 36 people or a payload of 4 metric tons within the cargo compartment, or 4.5 tons externally. The helicopters have been supplied to 80 countries.

- Russia to help South Ossetia restoration

/AUGUST 10/Itar-Tass/

Russian President Dmitry Medvedev said at his meeting with Prime Minister Vladimir Putin that all necessary decisions must be made on aid to South Ossetia.

"As regards South Ossetia, the housing in Tskhinvali and border residential areas, practically everything has been destroyed there, to put it softly. I believe that we should help people return to their homes, help them restore their houses and apartments," Putin said reporting to Medvedev results of his trip to Vladikavkaz.

He said the Russian government had developed a program of assistance to restoration of housing in South Ossetia.

"We should understand the scale of destruction. It is already clear that it is colossal, but at the first stage I consider it possible, and we have made the decision with the Finance Ministry to appropriate for these needs not less than 10 billion roubles. We are ready to increase this sum, but this can be done only after a serious analysis of the real situation by the moment of restoration," Putin said.

"Let us make all necessary decisions," Medvedev replied.

- MEDVEDEV SAYS RUSSIA WILL CONTINUE ACTIVE ROLE IN S.CAUCASUS

/AUGUST 11/RIA Novosti/

Russia's president said on Monday that Russia will continue its active role in the South Caucasus after the current conflict, and pledged to see through the operation in South Ossetia until all Russians in the region are safe.

President Dmitry Medvedev said earlier on Monday that Russia had almost completed its operation to force Georgia to accept peace in breakaway South Ossetia. He said Russian forces had now taken control of Tskhinvali, the regional capital, three days after the start of Georgia's ground and air offensive.

"We have never been and will never be passive observers in the region," the president said at a meeting with the leaders of parliamentary factions. He stressed Russia's historical role as "a guarantor of security" in the Caucasus.

Medvedev said the country would see the current peace enforcement operation through "to its logical conclusion," ensuring that all Russian citizens in Georgia's breakaway provinces are free of danger.

He also pledged higher wages for Russian peacekeepers involved in the ongoing operation in South Ossetia, and said relevant government instructions would be issued soon. Russia says more than 10 of its peacekeepers have been killed by Georgian forces since Friday morning.

Discussing the conflict with Georgia in a phone conversation with Finnish President Tarja Halonen, Medvedev said the OSCE should send its representatives to South Ossetia, due to the humanitarian catastrophe developing in the province.

Finnish Foreign Minister Alexander Stubb and his French counterpart Bernard Kouchner will hold talks with the Russian leadership in Moscow, bringing with them a ceasefire document signed by Georgian President Mikheil Saakashvili.

- RUSSIA TO PROVIDE \$200 MLN IN URGENT AID FOR S. OSSETIA

/AUGUST 11/RIA Novosti/

Russia's government has allocated \$200 million in urgent aid for South Ossetia, to tackle a growing humanitarian catastrophe in the violence-torn separatist Georgian province, Russia's envoy to NATO said on Monday.

The breakaway republic will next year receive \$400 million from Russia in reconstruction aid. Provincial capital Tskhinvali has been left in ruins by Georgia's military offensive, while Russia says more than 2,000 civilians have been killed, and over 34,000 have fled.

"Russia's government has urgently earmarked more than \$200 million to prevent the humanitarian catastrophe from worsening," Dmitry Rogozin told a briefing. Russia's finance minister had earlier said urgent humanitarian aid could be added to reconstruction allocations, which will be taken from Russia's 2009 budget.

"We have reserved 10 billion for 2009. But of course reconstruction should be started this year. Whether it will take a billion, two, or three will be determined, and then we will make adjustments in the 2008 budget," Alexei Kudrin said.

Most of South Ossetia's 80,000 residents are Russian citizens.

- PUTIN: US IMPEDES GEORGIA MILITARY OPS

/AUGUST 11/press tv/

Russian Premier Vladimir Putin slams the US for what he termed as Washington's disruption of Moscow's military operation in Georgia.

"I regret that some of our partners are not helping us but in fact are trying to impede us. I am referring to the US transfer, aboard its military transport

planes and directly into the conflict zone, of the Georgian military contingent from Iraq," Putin was quoted by AFP as saying on Monday. Russia sent tanks into South Ossetia Saturday, two days after Georgia launched a military assault on the independence-seeking region.

US President George W. Bush on Monday condemned Russia for taking military action against Georgia.

"I said this violence is unacceptable," Bush said, adding that he had strongly voiced his disapproval of Russian military operations in a meeting with Putin during last Friday's Olympic Games opening ceremony.

"I expressed my grave concern about the disproportionate response of Russia and that we strongly condemn bombing outside of South Ossetia.

"I was very firm with Vladimir Putin... just like I was firm with the Russian President (Dmitry Medvedev)," Bush said in a live interview with NBC in Beijing.

The harsh words exchanged between the Russian premier and the US president come as the Russian and US envoys to the UN engaged in a war of words on Monday over the latter's remark that Moscow seeks 'regime change' in Georgia. The latest figures suggest that the conflict has so far claimed the lives of over 2,000 Ossetians and forced another 3,000 to flee to Russia. An estimated 130 Georgians have also been killed.

- SYRIA'S PRESIDENT TO VISIT RUSSIA ON AUGUST 20

/AUGUST 11/RIA Novosti/

Syrian President Bashar Assad will arrive in Russia on August 20 for a working visit, a spokesman for the Syrian information ministry said on Monday.

During his two-day visit, Assad will meet with Russian leaders to discuss bilateral relations and regional and world developments, in particular the peace process in the Middle East and the situation in Iraq.

Assad last visited Moscow in late 2006.

- RUSSIA WILL NOT ACCEPT CEASEFIRE

/AUGUST 11/press tv/

Separatist fighters in the town of Dzhava, South Ossetia.

Russia has announced it will not accept any ceasefire until Georgia has stopped its aggression in the breakaway region of south Ossetia.

"According to information from peacekeepers in South Ossetia, Georgia continues to use military force and in this regard we cannot consider this document," a Kremlin spokesman told reporters on Monday.

Together with French Foreign Minister Bernard Kouchner and his Finnish counterpart, Alexander Stubb, Georgian President Mikheil Saakashvili signed the European Union-backed peace proposal on Monday.

The French President Nicolas Sarkozy is to travel to Moscow on Tuesday to discuss the ceasefire plan with the Russian President Dmitry Medvedev.

Despite having declared a ceasefire, Georgia shelled Tshkhinvali on Monday, claiming that Russian jets had once again bombed Georgian targets overnight. The Russians, however, brushed off reports suggesting that 50 of their planes had bombed Georgia overnight.

"Fifty? Is that what they said? How do they count them at night?," Colonel-General Anatoly Nogovitsyn, Deputy Head of Russia's General Staff told reporters in Moscow. "We don't do that. We don't have 50 planes flying at night."

- RUSSIA'S SEVERSTAL BUYS GOLD FIELD IN E. KAZAKHSTAN

/AUGUST 11/RIA Novosti/

Russian steel producer Severstal has bought a gold mining enterprise in east Kazakhstan, the company said on Monday.

It said a 100% stake in the Balazkhal field was acquired by a Severstal subsidiary, Severstal Resurs.

No other details of the deal are currently available.

Balazhal has an estimated 20 metric tons of recoverable reserves with probable reserves of 30-40 tons. Production was halted in late 2006 over funding problems.

Severstal Resurs plans to resume mining operations by 2009 and eventually produce up to 1.5-2 tons of gold a year.

- RUSSIA'S NOVOLIPETSK STEEL TO BUY U.S. JOHN MANEELY FOR \$3.5 BLN

/AUGUST 13/RIA Novosti

Novolipetsk Steel [LSE: NLMK], one of Russia's largest steel producers, said on Wednesday it had signed a final agreement to acquire the U.S.-based pipe manufacturer John Maneely Company (JMC) for \$3.53 billion.

Under the deal, Novolipetsk Steel will acquire the U.S. steel pipe and tube producer from a group of shareholders, including global private equity firm Carlyle Group and the Zekelman family, on a debt free, cash free basis. The deal is subject to regulatory approvals and is expected to be closed in the fourth quarter.

"The acquisition of JMC fits with NLMK's stated strategy of portfolio diversification and downstream integration in the core markets of the company. It strengthens NLMK's position in North America and provides an entry point into an important and high-margin end market," Novolipetsk Steel said in a statement.

Established through the merger of John Maneely Company and Atlas Tube in 2006 and headquartered in Ohio, JMC operates eleven plants in five U.S. states and one Canadian province. The company has annual production capacity of over 3 million metric tons of steel pipe and tube, Novolipetsk Steel said.

In the 12-month period ending on June 30, 2008, JMC shipped 2.1 million metric tons of pipes and generated revenue of \$2.4 billion, Novolipetsk Steel said. Novolipetsk Steel currently has two production assets in the U.S.: Dufenco Farrell Corp. and Sharon Coating, LLC.

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