
Russia – Economic News

- RUSSIA'S N.OSSETIA WANTS UNIFICATION WITH GEORGIA'S S.OSSETIA

/MAY 20/RIA Novosti/

The president of the south Russian republic of North Ossetia asked foreign ambassadors on Tuesday for their support in uniting the province with South Ossetia, a neighboring breakaway republic in Georgia.

South Ossetia along with Abkhazia, another Georgian breakaway region, are a major source of tension in relations between Georgia and Russia. Georgia accuses Russia of trying to annex the provinces. North Ossetia has close ethnic and historical ties with its southern neighbor.

Taimuraz Mamsurov told foreign envoys at a presentation in the Russian Foreign Ministry: "I am asking you to support the justified intent of the Ossetian people to be united."

South Ossetia, a small territory with a population of less than 100,000, has been seeking international recognition of its de facto independence from Georgia since the breakup of the Soviet Union. However, Tbilisi is only prepared to grant it broad autonomy.

Speaking at a RIA Novosti news conference on Tuesday, Georgian Ambassador to Russia Erosi Kitsmarishvili said the unification of South and North Ossetia's would contravene international law.

"On the subject of unification, there is such a thing as international law, which recognizes the territorial integrity of Georgia and is not subject to revision," the diplomat said.

Ex-Soviet breakaway regions have stepped up their drive for independence since Kosovo's declaration of independence in February. Georgia's Abkhazia and South Ossetia, along with Moldova's Transdnestr, have since asked Russia's parliament, the UN and other organizations to recognize their independence.

- BELGIUM CLEARS GAZPROM FOR INDUSTRIAL GAS SUPPLIES - PAPER

/MAY 20/RIA Novosti/

Russian energy giant Gazprom has received permission from the Belgian authorities to supply natural gas to the European country's major industrial enterprises, the Belgian newspaper De Tijd said on Tuesday. Belgium is the third country after Britain and France to grant Gazprom a license to supply natural gas to major industrial consumers, the paper said.

Belgium has no proven natural gas reserves and is forced to import about 16.4 billion cubic meters of gas for domestic consumption every year.

Gazprom, with its huge gas reserves, could prove serious competition for Belgium's Distrigas and France's Gaz de France on the Belgian market, the paper said.

Gazprom supplied 300 million cubic meters of natural gas to Belgium in 2006.

- SAUDI ARABIA CANCELS TENDER AWARDED TO RUSSIA TO BUILD RAIL LINE

/MAY 21/RIA Novosti/

Saudi Arabia has cancelled an \$800 million tender won by Russian Railways to build a rail line in the country, for political reasons, the head of the company said on Wednesday.

Russian Railways (RZD) announced in January it had won a tender to build a 520-km (323-mile) rail line in Saudi Arabia.

Vladimir Yakunin said: "This was not a problem relating to technology or RZD.

It is a problem in international relations."

The Russian company was to build a line from Al Zabirah to the King Khalid international airport (Riyadh) in central Saudi Arabia, to make up over one

fifth of the North-South rail line in the Mideast state, which will have a total route of 2,400 km (1,500 miles).

The North-South project was launched in Saudi Arabia in 2005 to develop phosphate and bauxite deposits in the country's north and reduce the economy's dependence on oil exports. The entire project was expected to cost over \$2 billion and was expected to be finished in 2010-2011.

- UKRAINE DEMANDS CLOSURE OF RUSSIAN BASE IN CRIMEA IN 2017

/MAY 21/RIA Novosti/

The Ukrainian President has signed a decree ordering the Cabinet to prepare by July 20 a draft law on terminating all international agreements on the presence of Russia's Black Sea Fleet in Ukraine.

Russia's Black Sea Fleet currently uses a range of naval facilities in the Crimea under an agreement signed in 1997, under which Ukraine agreed to lease naval facilities to Russia until 2017.

"The president has instructed the government to make a comprehensive assessment of the consequences of the temporary presence of Russia's Black Sea Fleet in Ukraine within two months," the document says.

The May 16 resolution on measures to ensure Ukraine's status as a naval power, enacted by Viktor Yushchenko on May 20, was posted on his official website Wednesday.

Disputes between Russia and Ukraine over the lease of the base are frequent.

Russia currently pays \$93 million per year to lease the base from its ex-Soviet neighbor, which is paid for with Russian energy supplies.

Ukraine's intelligence services barred Moscow Mayor Yury Luzhkov on May 12 from entering the former Soviet republic over his 'provocative' statements regarding the ownership of the Black Sea city of Sevastopol.

Moscow's mayor made strong calls for the disputed ownership of a Russian naval base in Sevastopol to be transferred back to Russia.

The head of the State Duma committee on CIS affairs, Alexei Ostrovsky, said in April that Russia could reclaim the Crimea if Ukraine was admitted to NATO.

Media reported that President Vladimir Putin issued a similar threat at a closed-door speech to NATO leaders at the Bucharest summit earlier this month.

Ukraine's Foreign Ministry confirmed last month that Russia had been invited to start talks in June on the withdrawal of its fleet from the Crimea, but said Moscow had yet to reply to the proposal.

- CHINA-RUSSIA BILATERAL TRADE HITS \$48 BLN IN 2007

/MAY 22/RIA Novosti/

Bilateral trade between Russia and

China reached \$48.2 billion in 2007, with Chinese exports to Russia doubling over the last four years as Russian exports fell slightly, Russia's trade mission in Beijing said on Thursday.

Speaking on the eve of Russian President Dmitry Medvedev's May 23-24 visit to China, Sergei Tsyplakov said that Russian exports to China were dominated by raw materials, while the share of Russian machinery and technological products, including military hardware, was declining.

"Exports of Russian machinery tools to China lack large-scale joint projects..

in the short-term it is difficult to count on major sales of Russian technology on the Chinese market," said the trade envoy.

According to Tsyplakov, Russia is currently experiencing an influx of consumer electronic and household goods as well as machine tools from China, the latter amounting to 30% in 2007 of all Chinese exports to Russia.

In 2007, a trade surplus in favor of China was registered for the first time in bilateral relations, the trade envoy said, adding that the trend

was set to continue, "in the long-term."

According to the trade mission, over the period 2003-2007, Chinese exports to Russia doubled from 5.8% to 12.2%, while Russian exports to China fell from 6.2% to 4.5%. Last year Russian exports to China grew 12.1% to \$19.67 billion while Chinese exports to Russia went up 79.9% to \$28.48 billion. Russia and China earlier set a joint goal of increasing bilateral trade to \$60 billion and possibly to \$80 billion by 2010.

- RUSSIA, CHINA CLOSE TO DEAL ON ESPO OIL PIPELINE BRANCH

/MAY 22/RIA Novosti/

State-owned Russian oil firm Rosneft and China's CNPC are in the final stages of talks to build an oil pipeline branch from Russia's Far East to China, Russia's president said Thursday.

"We have a basic agreement on this [branch]... We hope that all the main provisions, the main parameters for future cooperation will be agreed," Dmitry Medvedev said in an interview with Chinese journalists ahead of his visit to China, set for May 23-24.

Under an agreement signed between China National Petroleum Corporation and Transneft, the oil pipeline operator, the construction of the pipeline branch will be funded by China.

The ESPO pipeline is slated to pump up to 1.6 million barrels of crude per day from Siberia to Russia's Far East and then on to China and the Asia-Pacific region.

The pipeline's first leg, estimated at \$11 billion, was expected to be commissioned in December 2008. However, Transneft said in February that the commissioning of the project would be delayed from late 2008 to late 2009. The second leg will stretch for 2,100 kilometers (1,304 miles) from Skovorodino to the Pacific. It will pump 367.5 million barrels of oil annually. The capacity of the Taishet-Skovorodino pipeline, being built as part of the project's first leg, is also expected to increase to 588 million barrels from the initial 220.5 million bbl.

- KAZAKHSTAN SET FOR LONG-TERM COOPERATION DEAL WITH RUSSIA

/MAY 22/RIA Novosti/

Kazakhstan hopes to sign a long-term cooperation and integration deal with Russia, and has proposed that the sides draw up a draft agreement, the Kazakh president said on Thursday.

Nursultan Nazarbayev, speaking at a joint news conference with his Russian counterpart Dmitry Medvedev, said: "We have proposed to Russia the drafting of a long-term agreement on cooperation and integration between our countries."

Medvedev, in Astana on his first foreign visit since taking office on May 7, said the agreement is likely to include aspects of Russia's development until 2020 and Kazakh development until 2030.

The Kazakh president noted the strategic importance of bilateral energy cooperation, and proposed establishing a joint oil refining venture.

Medvedev highlighted projects to establish a Russian-Kazakh company in peaceful nuclear energy and build a nuclear power plant in Kazakhstan with Russia's participation.

"Our plans include a transition to deeper nuclear energy integration," he told reporters.

The presidents adopted a joint statement on their countries' willingness to develop further good-neighborly relations, friendship and defense cooperation "to support regional and global security."

Russia and Kazakhstan hold "similar positions on key international issues and will enhance international contacts," the statement said.

- RUSSIA'S SUKHOI PREPARED TO COOPERATE WITH CHINA

/MAY 23/RIA Novosti/

Russia's Sukhoi aircraft manufacturer is ready to cooperate with China in civilian aircraft development projects, the company's CEO said on Friday.

Mikhail Pogosyan said China has shown an interest in a new modification of the Superjet 100 medium-haul passenger airliner. "The Chinese market is so vast that [we] have a good chance of finding potential customers without competing with China's ARJ-21 regional airliner program," he said. He said that Sukhoi's products are aimed at the global market. "Cooperation is a promising area, since competition in the world market requires greater integration," the executive said. The Superjet 100 project is a family of medium-range passenger aircraft developed by the Sukhoi Design Bureau in cooperation with major American and European aviation corporations, including Boeing, Snecma, Thales, Messier Dowty, Liebherr Aerospace, and Honeywell. The market for the Superjet 100 is estimated at around \$100 billion for around 5,500 planes, up to 2023.

- SEVERSTAL TO BUY 61.5% STAKE IN IRON ORE DEPOSIT IN WEST AFRICA

/MAY 23/RIA Novosti:

Russian steel producer Severstal [RTS: CHMF] said on Friday it had reached an agreement to purchase a 61.5% stake in the African Iron Ore Group (AIOG) for \$37.5 million.

The share purchase in the company, which owns exploration rights for a deposit in the Liberian Putu Range, and also a 6.29% stake in Mano River Resources Inc., which currently controls AIOG, will be carried out through Severstal's Dutch subsidiary, Lybica Holding B.V., Severstal said.

"According to preliminary data, it is estimated that the Putu Range deposit contains at least 500 million tons of iron ore. This number may substantially increase as a result of a detailed exploration exercise which is planned by Severstal Resurs (which operates Severstal's mining assets)," Severstal said.

Severstal accounts for over 16% of Russian steel output, and has industrial facilities in Russia, the United States, Italy, France, Britain, and Ukraine.

- Putin says Ukraine must repay debt to receive gas directly

/MAY 23/RIA Novosti/

Ukraine must repay its debt from previous years for direct Russian natural gas supplies to be launched without intermediaries, the Russian prime minister said on Friday.

"We are ready to work directly. There are no problems, but the debt from previous years must be settled," Vladimir Putin told reporters after a meeting in Minsk with his Ukrainian counterpart, Yulia Tymoshenko.

Putin did not specify the size of the outstanding debt. Ukraine's premier said in late April that Kiev had paid off all its debts to Russia for its gas imports.

It was earlier reported that Ukraine's debt was estimated at around \$600 million. In late February, Ukraine paid over \$1 billion to Russian energy giant Gazprom to clear its debt for 2007 supplies.

Tymoshenko had repeatedly criticized the convoluted scheme of Russian natural gas supplies to Ukraine, saying it was corrupt and non-transparent. Until recently, the scheme involved monopoly exporter RosUkrEnergo, 50% owned by Russian energy giant Gazprom, and UkrGazEnergo, owned by Ukrainian oil and gas company Naftogaz and Gazprom.

The countries agreed in March to simplify the system by getting rid of trader UkrGazEnergo, but Russia insisted that RosUkrEnergo continue to be involved in the gas supply chain.

Naftogaz and Gazprom signed a contract in March setting the price for Central Asian gas supplies to Ukraine for 2008 at \$179.5 per 1,000 cu m for volumes of 49.8 billion cu m.

The price of natural gas Russia sells to Ukraine, and the transit cost levied by Ukraine on Russian gas pumped to the European Union, have proved

a major source of contention since Russian energy giant Gazprom began hiking prices to the country in 2005 after years of subsidized supplies. Ukraine, which transits about 80% of Russia's Europe-bound gas, threatened to start tapping fuel after Russia halved shipments to the country amid a dispute over Kiev's gas debt and supply scheme earlier this year.

- Russia's Medvedev wants greater energy ties through SCO

/MAY 24/RIA Novosti/

New spheres of cooperation should be developed through the Shanghai Cooperation Organization (SCO), particularly the sphere of energy, Russian President Dmitry Medvedev told Chinese students on Saturday.

The president, on the second day of his official visit to Beijing, told students at Peking University: "Within the framework of this organization we are able to agree on new directions of cooperation, including on the energy issue."

The SCO, a regional bloc comprising Russia, China, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan, primarily addresses security issues, but has recently moved to embrace various economic and social projects.

The Russian president said the economies of both Russia and China are growing rapidly, raising the importance of energy ties.

"We understand that in the future we will need additional sources of energy," he said. "We must develop both our own energy projects and projects connected with processing of various energy sources, including oil and gas."

Peking University, known as Beida, is China's second oldest university and one of the country's most selective. In English, the university retains the old name for Beijing.

Medvedev began the second day of his visit to China by visiting a monument on Tiananmen Square, and later met with the chairman of the National People's Congress.

On Friday, he met with Chinese President Hu Jintao. The sides signed a joint declaration on a range of issues, in particular U.S. plans to establish a global missile defense system, which the leaders said threaten the global strategic balance.

- Russia, China see nuclear power as a priority in economic ties

/MAY 24/RIA Novosti/

Russia and China consider cooperation in nuclear power to be a priority of bilateral economic ties, a communique rounding off President Dmitry Medvedev's two-day visit to the country said on Saturday.

"The heads of state consider cooperation in nuclear power to be a priority area of economic cooperation, and express their satisfaction with the success that has been achieved in this sphere, and the readiness of the two countries to continue mutually beneficial cooperation," the document said.

On Friday, Russia signed a contract with China to build a uranium enrichment plant in the country and to supply uranium. The cost of a fourth uranium enrichment facility to be built near Lanzhou in north China's Gansu province will exceed \$1.5 billion, according to Russian nuclear chief Sergei Kiriyenko.

Russian nuclear equipment and services exporter Atomstroyexport completed the first phase of the Tianwan power plant in eastern China's port city of Lianyungang in September last year, under a 1992 accord.

- Russia stresses close ties with China

/MAY 24/press tv/

Russia's new President Dmitry Medvedev refers to his country's close relations with China as a key factor in international security.

"Russian-Chinese cooperation has today emerged as a key factor in international security, without which it is impossible for the international community to take major decisions," Medvedev said.

He made the remarks at Peking University of China on Saturday, adding that it was symbolic that he picked China as his first destination outside the former Soviet Union.

"Maybe not everybody likes the strategic cooperation between our two countries, but we understand that this cooperation is in the interest of our people and we will boost it whether or not it pleases some people," he said, without naming critics.

China and Russia are veto-wielding permanent members of the UN Security Council, where they have coordinated positions on various controversial issues.

- Gazprom to develop four new sites in Vietnam

/MAY 23/RIA Novosti/

Gazprom has reached an agreement with Vietnam's state oil and gas company Petrovietnam to develop four new deposits on the Vietnamese shelf, the state-controlled Russian natural gas giant said Friday.

"The agreement envisions prospecting work and further development of four new blocks on the Vietnamese shelf. Vietgazprom will be the project operator," the company said.

The agreement also envisions the establishment of a new joint venture, Gazpromviet, to ensure the companies' participation in oil and gas projects in Russia and abroad.

A Gazprom delegation led by CEO Alexei Miller arrived in Vietnam on Friday. Miller met with the Vietnamese president and prime minister, and with Petrovietnam officials to discuss further cooperation and the implementation of Gazprom's projects in Vietnam.

Vietgazprom, a joint venture set up by Gazprom and Petrovietnam, is conducting prospecting work on the country's continental shelf in line with a 2000 contract envisioning the exploration, production and sale of hydrocarbons.

Gazprom and Petrovietnam signed a cooperation agreement in November 2006, in line with which the companies cooperate in prospecting and development of oil and gas fields, as well as transportation and sales, and construction and maintenance of oil and gas pipelines and other infrastructure.

The document also foresees the companies' interaction in projects in third countries.

- RUSSIA DELIVERS NUCLEAR FUEL FOR INDIA'S KUDANKULAM PLANT

/MAY 26/RIA Novosti/

Russia has delivered the first batch of nuclear fuel to India for the country's Kudankulam nuclear power plant, the Nuclear Power Corporation of India Ltd. said on Monday.

Atomstroyexport, Russia's nuclear power equipment and service export monopoly, has been building two reactors for the Kudankulam plant in the southern province of Tamil Nadu since 2002 in line with a 1988 deal between India and the Soviet Union.

In February this year Russia and India initialed a new agreement to construct four more reactors for the Kudankulam plant.

Russia is obliged to supply nuclear fuel for the reactors and re-export the spent fuel.

Last year Russia proposed that India invest in the construction of a uranium enrichment center in Angarsk, east Siberia.

The nuclear center, part of Moscow's non-proliferation initiative to create a network of enrichment centers under the supervision of the International Atomic Energy Agency, will be based at a chemical plant in Angarsk. The center, co-founded by Russia and Kazakhstan, will also be responsible for the disposal of nuclear waste.

- MONGOLIAN PM REAFFIRMS INTEREST IN RUSSIAN-BUILT NUCLEAR PLANT

/MAY 27/RIA Novosti/

Mongolia wants to cooperate with Russia in uranium production and

enrichment, as well as the construction of small nuclear power plants, the country's prime minister said on Tuesday.

"We can say that Russia has no rivals in this sphere," Sanjaa Bayar told reporters after visiting Russia's largest uranium ore mining site in Krasnokamensk, Siberia.

The head of Russia's Rosatom state nuclear corporation, Sergei Kiriyyenko, said at a meeting with Bayar in Moscow in April that Russia was ready to start working on a feasibility study for a small- or medium-capacity nuclear power plant in Mongolia.

However, Bayar said on Tuesday that a final deal cannot be signed until the country sets out a clear nuclear energy policy and passes a law on uranium production. He said the law was being drafted and could be approved after parliament reopens in fall.

Russia, which is stepping up uranium production at home and seeks mining contracts abroad as part of its strategy to build more nuclear plants and ensure nuclear energy security, is also interested in joint uranium production in Mongolia.

Mongolia estimates its uranium reserves at 60,000 metric tons. Russian experts have assessed the country's reserves at 120,000-150,000 tons.

In April, the two countries agreed to start training Mongolian personnel for a nuclear power plant in advance. Russia agreed to start courses in September.

In Krasnokamensk on Tuesday, Kiriyyenko and Bayar went 700 meters (2,297 feet) below ground into a mine to see uranium ore production.

- RUSSIAN COMPANIES TO TAKE PART IN DAMASCUS INDUSTRIAL FAIR

/MAY 27/RIA Novosti/

More than 20 Russian companies from various sectors will participate in an international industrial exhibition opening in Syria's capital, Damascus, on Tuesday.

SIMA Industrial Expo, which will run until May 30, brings together hundreds of local and foreign industrial companies. The main foreign companies at the exhibition will be from Russia, Turkey, China, Iran, Ukraine, Belgium and Egypt.

Last year, more than 980 companies from 39 countries took part in the event, with around 40,000 businessmen and specialists.

Among the Russian companies participating will be Russia's largest truck manufacturer KamAZ, the Vorovsky machinery plant based in Yekaterinburg, and Uralgidromash, a hydraulic machinery, power, chemical and oil-extracting equipment producer based in the Sverdlovsk Region.

Representatives of Russian industrial committees from Yekaterinburg and St. Petersburg, and officials from the Moscow Chamber of Commerce and Industry will attend a session of the Russian-Syrian Business Council on May 29.

The Russian delegation is also scheduled to visit several Syrian industrial enterprises.

- RUSSIA'S 2008 BUDGET REVENUE TO REACH ALMOST \$382 BLN

/MAY 28/RIA Novosti/

Russia's government has raised planned budget revenue for 2008 by \$38.2 billion to nearly \$382 billion, Prime Minister Vladimir Putin said on Wednesday.

"According to updated estimates, federal budget revenue will increase by more than 900 billion rubles (\$38.2 billion) to almost 9 trillion rubles (\$382 billion)," Putin told a government budgetary commission.

Putin said the Russian government was able to increase the 2008 budget largely due to economic growth in the country, in addition to the high global price of oil.

Net capital inflow into Russia reached a record \$82.3 billion in 2007, almost double the previous year's figure, Russia's Central Bank earlier said.

Net capital inflow into Russia hit \$19 billion in April and is expected to reach \$18 billion in May, the finance ministry earlier said. Russia's GDP grew 8.4% year-on-year in April and 8.3% in the first four months of 2008, the economics ministry earlier said.

- RUSSIA TO START YAK-130 TRAINER DELIVERIES TO ALGERIA IN 2009

/MAY 28/RIA Novosti

Russia will begin deliveries of new Yak-130 combat trainers to Algeria in January 2009, the plane's manufacturer said on Wednesday.

"We have a contract with Algeria to supply 16 aircraft," Oleg Demchenko, head of Russia's Irkut aircraft-manufacturing corporation, said at the Berlin Air Show ILA2008. "We are planning to start deliveries in January 2009."

He said Irkut had secured orders for a total of 150 Yak-130s from other countries and the company planned to gain 50% of the global market for combat trainers after 2010.

"This market has great potential because many countries are due to start a complete overhaul of their fleets of combat trainers and the demand for new planes may be as high as 2,500 aircraft," Demchenko said.

"I am sure that we will be able to secure half of this market because our plane is superior to any modern aircraft of its type," the official said. The Yak-130 single-seat aircraft is a trainer for fourth and fifth generation fighters that can be also used as a light strike aircraft. With a production line launched in May 2003, the plane is also marketed for export.

It is a highly maneuverable plane with an extended range of about 2,000 kilometers (1,250 miles) and a maximum speed of 1,060 km/h (600 m/h) in level flight. It can carry a payload of up to 3,000 kg (6,600 pounds), consisting of a variety of Russian and Western developed weapons.

Russia's Air Force is planning to commission about 200 Yak-130s to equip four air regiments in the future.

- RUSSIAN SUPERJET 100 CONTINUES FLIGHT TESTS

/MAY 28/RIA Novosti/

Russia's new Superjet 100 medium-haul passenger airliner made its second test flight on May 24, the head of the Sukhoi Civil Aircraft company announced on Wednesday.

The Superjet 100 project is a family of medium-range passenger aircraft developed by the Sukhoi Design Bureau in cooperation with major American and European aviation corporations, including Boeing, Snecma, Thales, Messier Dowty, Liebherr Aerospace, and Honeywell.

"On Saturday, the Sukhoi Superjet 100 plane conducted a second test flight, which lasted for two and a half hours," Viktor Subbotin said at the Berlin Air Show ILA2008.

"It increased its altitude from 1,200 meters (4,000 feet) to 3,000 meters (10,000 ft) and reached a horizontal velocity of 250 mph," the official said.

Prior to certification testing, the plane has to undergo a series of preliminary flight tests at the aircraft manufacturing plant in Komsomolsk-on-Amur in Russia's Far East.

A total of four planes will be used in the certification program. Three additional planes are being assembled at the Komsomolsk-on-Amur plant. Sukhoi plans to manufacture at least 700 Superjet 100s, and intends to sell 35% of them to North America, 25% to Europe, 10% to Latin America, and 7% to Russia and China.

So far the company had secured 73 solid orders for the aircraft.

The list price of a 95-seat base model is \$28 million, but the company is currently working on both smaller and larger capacity modifications.

The market for the Superjet 100 is estimated at around \$100 billion for around 5,500 planes, up to 2023.

- RUSSIA READY TO OFFER ALGERIA MIG 35 FIGHTERS

/MAY 28/RIA Novosti/

Russia is prepared to offer Algeria new MiG-35 Fulcrum fighter aircraft to replace the MiG-29 Fulcrum aircraft due to be supplied under a contract terminated earlier this year, the MiG Corp. CEO said Wednesday.

"We are currently in negotiations on delivering our fighter aircraft, including MiG-35s, to Algeria," Anatoly Belov said.

Algeria has requested that Russia deliver between 14 and 16 additional Su-30 Flanker fighters in exchange for the MiG-29s.

Russian arms export monopoly Rosoboronexport signed a \$1.3-bln contract to deliver 29 single-seater MiG-29SMT fighters and six two-seater MiG-29UB fighters to Algeria in March 2006 as part of an \$8 billion military-technical cooperation agreement.

After receiving 15 MiG fighters, Algeria refused further deliveries in May 2007 and froze all payments with Russia in October 2007. Algeria claimed the MiG-29s were of "inferior quality" and demanded that Moscow take back all the fighters delivered.

The aircraft were eventually returned to Russia in April this year and following additional tests could go in service with the Russian Air Force. Under a 2006 contract, worth about \$2.5 billion, the Irkut corporation is supposed to deliver a total of 28 Su-30MKAs fighters to Algeria until 2010. The company has supplied six aircraft so far.

The Irkut Corporation, part of Russia's United Aircraft Corporation (UAC), created in 2006, manufactures variants of the famed Su-30MK for India, Algeria, and Malaysia.

- RUSSIA TO START TRAINING INDIAN PILOTS FOR AIRCRAFT CARRIER

/MAY 28/RIA Novosti/

Russia will start training Indian pilots on MiG-29 carrier fighters to be deployed on the Admiral Gorshkov aircraft carrier sold to India for \$1.5 billion in 2004, the head of the MiG corporation said Wednesday.

Under a contract, signed in January 2004, Russia is to deliver 12 single-seater MiG-29Ks and four two-seater MiG-29KUBs by 2009, to be later deployed on board the Vikramaditya, formerly named the Admiral Gorshkov, currently undergoing a major refit in Russia for the Indian Navy.

"In June, we are starting a theoretical course for Indian navy pilots, using the manufactured fighters," Anatoly Belov said. "And in August we will begin the flight training."

Some media sources circulated in May reports that the Indian Navy had asked Boeing to supply its F/A-18E/F Super Hornet supersonic carrier-based fighter aircraft for use on board the Vikramaditya.

However, Russian military experts have said using F-18 Super Hornets on the Admiral Gorshkov would pose difficulties.

After long-running delays and disputes, Russia and India agreed in February to raise refit costs for the aircraft carrier, berthed at the Sevmash shipyard in north Russia for the past 12 years.

Moscow has reportedly demanded an additional \$1.2 billion, a sum New Delhi has called exorbitant.

The carrier is to replace India's INS Viraat, which although still operational is 50 years old.

- RUSSIA'S KD AVIA ORDERS 25 AIRBUS A319 PLANES WORTH \$1.7 BLN

/MAY 29/RIA Novosti/

Russian air company KD Avia ordered on Thursday 25 new Airbus A319 airliners worth \$1.7 billion at an air show in Berlin.

"We are glad that we have chosen the A319 airliner for the development of our medium-range aircraft fleet. This airliner fully complies with our requirements for fuel efficiency and passenger comfort and is an ideal option for us," Chairman of KD Avia Board of Directors Sergei Grishchenko said.

The Airbus A319 is a medium-haul airliner with a passenger capacity of up to 120 and an average flight range of about 4,000 miles. Airbus Commercial Director John Leahy said the contract with KD Avia stipulates that the delivery of the airliners will begin in 2014.

- GAZPROM, KOGAZ PLAN WORKING GROUP FOR GAS SUPPLIES TO S. KOREA

/MAY 29/RIA Novosti/

Russian energy giant Gazprom and South Korea's gas corporation Kogas have agreed to set up a working group on gas supplies to South Korea, the head of Russia's industrial safety watchdog said on Thursday.

"Gazprom and Kogaz will set up a working group to address issues concerning natural gas supplies to South Korea through a gas pipeline before signing a [gas cooperation] agreement," Konstantin Pulikovskiy, the Rostekhnadzor chief, who also heads a bilateral intergovernmental commission, told the ninth Russian-Korean forum in Moscow.

A Gazprom official confirmed that the parties had been negotiating the issue.

South Korea relies almost entirely on imports for its liquefied natural gas (LNG) needs. It has a diversified gas transportation network, linking coastal liquefied natural gas terminals to key consumption centers across the country, which makes it possible to use natural gas not only in electricity generation but also in the industrial and the utility sectors. In the fall of 2006, an intergovernmental agreement on natural gas supplies to Korea was signed in Seoul.

In October 2006, Gazprom Marketing and Trading Ltd., part of the Gazprom group, delivered the first LNG shipment to Korea. The second was made in January 2007.

Gazprom has previously said that Russia would be able to start supplying up to 10 billion cubic meters of natural gas a year to South Korea from 2012-13.

- RUSSIA SUPPLIES FUEL CLUSTERS TO INDIA NUCLEAR POWER PLANT

/JUNE 2/Itar-Tass/

Russia has supplied three initial batches of fuel clusters for the Kudankulam nuclear power plant in India, an official of the company Atomenergoprom told Itar-Tass on Monday.

The nuclear fuel is delivered to the Kudankulam construction site "in the form of fuel clusters with uranium content not higher than 4.1 percent," he said.

- Russian railroad troops enter Abkhazia to help rebuild roads

/MAY 31/RIA Novosti/

Units of Russia's Railroad Troops have started rebuilding railroad infrastructure on the territory of Georgia's breakaway region of Abkhazia under a presidential decree on humanitarian aid to the self-proclaimed republic, the Defense Ministry said on Saturday.

"In accordance with the Russian president's decree on humanitarian aid to Abkhazia and a request by the Abkhazian authorities, units from the Russian Railroad Troops and special non-military equipment have been dispatched to rebuild railroads and infrastructure [in Abkhazia]," the ministry said in a statement.

Abkhazia and South Ossetia, another breakaway region in Georgia, have been a source of tensions between Russia and Georgia, with Tbilisi accusing Moscow of backing separatism on its sovereign territory.

Relations between Moscow and Tbilisi have drastically deteriorated since Russia's former president Vladimir Putin called for closer ties between Moscow and the two breakaway republics in mid-April.

Georgia has accused Russia of trying to annex Abkhazia and South Ossetia, while Moscow says Tbilisi is planning to invade Abkhazia.

Bilateral relations saw a new low this week when the Georgian Foreign Ministry demanded that Russia give an official apology and pay compensation

following the alleged shooting down of an unmanned reconnaissance drone by a Russian aircraft in April.

Ex-Soviet breakaway regions have stepped up their drive for independence since Kosovo's declaration of independence on February 17. Abkhazia and South Ossetia, along with Moldova's Transdnestr, have since asked Russia's parliament, the United Nations and other organizations to recognize their independence.

- Gasprom in Another Talks With Tehran

/JUNE 1/Alalam News Network, Iran/

Iran and Russia will launch another round of talks on energy cooperation in Tehran on June 9-13.

According to PIN, representatives of Russia's Gasprom will travel to Tehran to hold talks with Iran's oil industry officials.

On this basis, the talks will mainly cover the joint participation in the development of blocs 19, 20 and 21 in the giant South Pars gas field and formation of a joint company with the participation of a third country as well as joint cooperation in gas export.

The energy giant's Chief Executive Officer Alexey Miller headed a delegation comprising senior Russian oil and gas managers last February to the talks which also discussed construction of an oil refinery in Armenia with the joint cooperation of Iran and Russia, participation in development of South and North Pars gas fields, development of Kish gas field, cooperation in implementation of gas storage projects in Iran as well as Russia's cooperation in new exploration projects in Iran. Gazprom had already voiced interest in cooperating with Tehran to develop Iran-Pakistan-India pipeline project also titled "Peace Pipeline."

- RUSSIA DELIVERS THREE SHIPMENTS OF NUCLEAR FUEL TO INDIAN NPP

/JUNE 2/RIA Novosti/

Russia has supplied the first three batches of nuclear fuel for India's Kudankulam nuclear power plant, the state nuclear corporation, Atomenergoprom, said on Monday.

Russia is contracted to supply nuclear fuel for two reactors at the nuclear power plant it has been building in the southern Indian province of Tamil Nadu since 2002. The spent fuel will then be re-exported for processing.

"The fuel is being supplied in fuel rod assemblies, with uranium-235 enriched to no more than 4.1%," Atomenergoprom said in a statement.

"The total amount of fuel will be sufficient to load one reactor and reload it after a year of operation," the statement said, without disclosing how much fuel Kudankulam had received so far.

Atomstroyexport, Russia's nuclear power equipment and service export monopoly, is building the nuclear power plant in line with a 1988 deal between India and the former Soviet Union.

The company has already supplied over 83% of equipment specified in the contract to Kudankulam, including two VVER-1000 pressurized water reactors with a capacity of 1,000 MWe each.

There are currently 17 operating nuclear reactors in India and the country has announced plans to build six more in the future.

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