

Russia : Economic News

- RUSSIAN FIRM TO SET UP HELICOPTER MAINTENANCE JV IN INDIA

/OCT 16/RIA Novosti/

The Helicopters of Russia holding will set up a joint venture in India to service Russian-made civil helicopters, a company official said Thursday. India's Vectra Group will be the partner in the JV with about 50% ownership. "The joint company will have a storage facility for spare parts and equipment for repairs to ensure their delivery to any part of the country in less than 48 hours," Dmitry Vypryazhkin, the head of the regional department at Helicopters of Russia, said at the India Aviation 2008 exhibition. The JV will be located in Chandigarh in northern India and will help to ensure the competitiveness of Russian helicopters on the Indian market. "The Indian [helicopter] market is very promising and we should be a part of it," the official said, adding that his company could sell up to 40 civil helicopters in India in the next few years, despite serious competition from foreign makes, especially Eurocopter. India Aviation 2008 is India's first international civil aviation exhibition. The four-day exhibition in Hyderabad was organized by the Civil Aviation Ministry jointly with Federation of Indian Chambers of Commerce and Industry, closes on Saturday.

- RUSSIAN PRESIDENT URGES ANTITRUST ACTION ON AIRCRAFT FUEL PRICES

/OCT 16/RIA Novosti/

GORKI (Moscow Region), October 16 (RIA Novosti) - President Dmitry Medvedev urged the Russian government Thursday to take drastic antitrust measures to curb high aircraft fuel prices.

"I order the government to completely clarify through antitrust regulations what is going on in the sector, what price collusion there is, what the problem is, and take decisive action under antitrust regulations," he said at a meeting with government members and bankers outside Moscow.

"I will give corresponding orders to law enforcement bodies. The situation cannot be tolerated any longer," he said.

Deputy Prime Minister Sergei Ivanov said at the meeting that the government had proposed that air carriers be provided with state loans to buy fuel and be allowed to put off paying import duty on foreign passenger aircraft for six months.

"This is outlined in the Tax Code, this is legal and possible. It will allow airlines to upgrade their fleets of aircraft," he said.

"The measures, as well as a number of others, have been prepared and worked out by the government. If I may, I would ask the measures be supported, because they would reduce the pressure felt by virtually all airlines," he said.

The high cost of aviation fuel has recently hit airlines across Russia, including the AiRUnion alliance, which collapsed under a mountain of debt in September after inflicting delays on thousands of passengers as it struggled to pay for fuel.

- RUSSIAN PM URGES LONG-TERM PLAN FOR NUCLEAR ICE-BREAKER FLEET

/OCT 16/RIA Novosti/

Russia's prime minister has instructed the state nuclear corporation Rosatom to draw up a long-term plan for the development of the country's nuclear-powered ice-breaker fleet, a spokesman said on Thursday.

Vladimir Putin told Rosatom head Sergei Kiriyenko the plan should cover a period of more than 15 years.

He added that the plan should take into account Russia's development program for the Arctic, now that the nuclear ice-breaker fleet has moved under Rosatom's control.

Kiriyenko briefed the prime minister on the implementation of a long-term development plan for the sector, assuring him that all of the 2008 targets would be met.

Russia has undertaken two Arctic expeditions - to the Mendeleev underwater chain in 2005 and to the Lomonosov ridge last summer - to support Russian territorial claims to the region.

Moscow said earlier it would submit documentary evidence to the UN on the external boundaries of the Russian Federation's territorial shelf in 2009. Under international law, the five Arctic Circle countries - the United States, Canada, Denmark, Norway and Russia - each currently have a 322-km (200-mile) economic zone in the Arctic Ocean.

- RUSSIAN MILITARY SPENDING TO HIT \$50 BLN IN 2009

/OCT 16/RIA Novosti/

Russia's military spending will reach 1.3 trillion rubles (\$50 billion) in 2009, Deputy Prime Minister Sergei Ivanov said on Thursday.

Ivanov met with President Dmitry Medvedev ahead of the State Duma's second reading of the 2009-11 draft state budget.

"This is the total aggregate amount (1.3 trillion rubles) for 2009. I hope that the State Duma will approve this sum in its second reading tomorrow," Ivanov said.

He also said that following the events in the Caucasus, the targets had been reviewed and the defense budget for 2009 had been increased by 60 billion rubles (\$2.3 billion), "in addition to the 20 billion rubles allocated for the establishment of two new military bases in South Ossetia and Abkhazia."

Medvedev said that military spending should be maintained, adding that the defense budget been increased in accordance with his instructions.

Russia and Georgia fought a brief war in August after Georgia launched a military offensive against South Ossetia in an attempt to regain control over the republic, which split from Georgia in the early 1990s.

- RUSSIA CONSIDERS EXTRA \$152 MLN FUNDING FOR SUPERJET PROJECT

/OCT 17/RIA Novosti/

Sukhoi Civil Aircraft and NPO Saturn have asked the Russian government to allocate an additional 4 billion rubles (\$152 million) for the production of the Superjet 100 airliner, a Russian business daily said Friday.

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

Kommersant said Russian MP Anatoly Lisitsyn had outlined the need for additional financing for the Superjet 100 project on the eve of Friday's plenary session of the lower house of parliament.

"Without additional financing we will not be able to manufacture 60 Superjet 100s annually as envisioned by the federal program on the development of civil aviation until 2015," Lisitsyn said.

A source at Sukhoi Civil Aircraft told Kommersant that the company needed 3 billion rubles (\$114 million) until 2010 to cover rising interest rates and costs for aircraft construction materials as part of the \$1.4-billion Superjet project.

In addition, NPO Saturn, a leading Russian engine maker, which manufactures the SaM-146 engine for the Superjet 100, has asked for one billion rubles (\$38 mln) for the same purposes.

Sukhoi, which is part of Russia's United Aircraft Corporation, 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.

Sukhoi earlier said it had so far secured at least 100 firm orders for the aircraft.

The airliner made its first test flights in May and Sukhoi is planning to start Superjet 100 deliveries to clients in the second half of 2009.

Russian government's foreign investment commission recently approved the acquisition of 25% plus one share in Sukhoi Civil Aircraft by Switzerland's World's Wing SA.

- RUSSIA TO SHIP EQUIPMENT TO FINISH IRANIAN NUCLEAR PLANT

/OCT 17/RIA Novosti/

Russia will soon ship around 1,000 tons of equipment necessary to complete the construction of the Bushehr nuclear power plant, a top Iranian nuclear official said on Friday.

"There is an agreement that within four months the Russian side will ship around 1,000 tons of equipment needed for the Bushehr nuclear power plant," Ahmad Fayazbakhsh, the deputy head of Iran's Atomic Energy Organization, told Iran's IRNA news agency.

Russia is building the \$1 billion Bushehr facility in the south of Iran under a 1995 contract. The project is subject to UN monitoring following Iran's refusal to halt its uranium enrichment program and Western suspicions that Tehran is seeking to build nuclear weapons.

Russia's nuclear power chief Sergei Kiriyyenko said in early June that preparations for the launch of the Bushehr project, including nuclear fuel operations, would start in the fall. He said with confidence that the safety of nuclear fuel storage was not in doubt.

The Iranian foreign minister said on October 7 that the Bushehr nuclear power plant would be commissioned in the first half of 2009.

- RUSSIA TO HAVE FIVE WEATHER SATELLITES BY 2013

/OCT 17/RIA Novosti/

Russia will have five weather satellites in orbit by 2013, with the first to be launched later this year, the director of the hydrometeorological center said on Friday.

"In accordance with Roscosmos' [Federal Space Agency's] program, there will be five domestic weather satellites by 2013," Roman Vilfand said, adding that the second satellite would be launched in the first half of next year.

He added that up to now Russia's meteorological service has had to rely on U.S., Japanese and Chinese satellites for weather forecasts.

The satellite manufacturer said Russia's first meteorological satellite, Meteor-M1, would be launched by the end of 2008.

The Russian state research and development company VNIIEM said its specialists had assembled the satellite and started "the final stage of complex tests."

The 2.7 ton Meteor-M1 will be put into an 830 km (515 mile) orbit by a Soyuz-2 launch vehicle.

- Gazprom's net profit expected to hit \$30 billion in 2008 - CEO

/OCT 19/RIA Novosti/

Russian energy giant Gazprom expects its net profit to hit \$30 billion in 2008 against 658 billion rubles (\$25 billion) a year earlier, Gazprom CEO Alexei Miller said.

Speaking in a live interview with TV program Vesti on Saturday, Miller said that the energy giant's revenues were expected at around \$100 billion in 2008.

Miller said the ongoing global financial crisis was not a disturbing factor for Gazprom.

"We feel absolutely confident. I can say that today Gazprom is operating in price conditions that are very favorable for the company. The era of cheap oil and gas has ended. Even despite the financial crisis, the prices of hydrocarbons will all the same remain high. Moreover, experts say they are expected to rise in the medium term perspective," Miller said.

Miller earlier said that Gazprom saw no risks for itself in spite of problems on global financial markets, adding that the price of natural gas supplied by the energy giant to Europe had hit a historical high of \$500 per 1,000 cubic meters on October 1.

Its service life will be five to seven years.

- RUSSIA HAS OVER \$5 BLN IN FOREIGN NAVAL ORDERS

/OCT 21/RIA Novosti/

Foreign orders for Russian naval hardware for the next three years exceed \$5 billion, a state arms export monopoly senior official said on Tuesday.

"The portfolio of orders, namely contracts signed and in force, is estimated at over \$5 billion, with different deadlines up to 2011," said Ivan Goncharenko, first deputy general director of Rosoboronexport.

In 2007 the share of naval equipment in Rosoboronexport's portfolio of export orders was 9% or \$600 million, the official said, adding that India, China, Algeria, Vietnam and Indonesia remained key buyers of Russia's naval armaments.

India and China have purchased submarines, frigates and destroyers. Vietnam has ordered Svetlyak-class fast attack boats and frigates, while Indonesia will receive corvettes built in Russia in cooperation with Spanish firms. Speaking about the naval orders from Venezuela, Goncharenko said Russia had not signed any contracts with Caracas to supply submarines, as some media sources had speculated.

"We discuss arms deals with many countries, but as of today Rosoboronexport has no submarine contracts signed with that country," he said.

Venezuela's vice president, Ramon Carrizales was earlier quoted as saying that the Latin American state planned to buy Amur-class diesel submarines from Russia.

- RUSSIA OFFERS ENERGY SECTOR, TRANSPORT ASSISTANCE TO CUBA

/OCT 21/RIA Novosti/

Russia has offered Cuba assistance in renovating its transportation system, rebuilding its energy sector and acquiring a fleet of oil tankers, Russia's deputy minister of industry and trade said on Tuesday.

"There are gaps in bilateral relations which need to be bridged, such as aircraft for internal flights," Stanislav Naumov said following the Days of Russia, which were held in Cuba on Saturday through Monday.

He said that besides Russian participation in Cuban oil and gas projects, equipment manufacturers could also be involved.

Naumov said Russia could help Cuba develop a fleet of oil tankers.

"Russia has created a United Ship-Building Corporation to meet its demand for tankers, and we can propose similar projects to the Cuban side," he said.

The official said Russia's participation in modernizing Cuba's energy system also showed good potential for suppliers of energy equipment, which could positively affect the development of Russia's machine-building sector.

"I believe our experts could also be useful to the Cuban side. We actively retrain staff for Russian industry and we could start training staff for Cuba's," Naumov said.

He said further development could include investment in joint ventures in Cuba.

The official said Russia also proposed renovating Cuba's car and bus fleet, which has a large number of Soviet-made vehicles imported during Cuba's years of cooperation with the Soviet Union.

He added that such cooperation programs should last at least 12 years.

- UKRAINE TO SIGN NUCLEAR FUEL DEALS WITH RUSSIA BY YEAREND

/OCT 21/RIA Novosti/

KOLONTAYEVO (Moscow Region), October 21 (RIA Novosti) - Ukraine is set to sign three nuclear fuel deals with Russia by the end of this year, the president of the Ukrainian nuclear power plant operator Energoatom said on Tuesday.

Yuriy Nedashkovskiy said two of the deals involved fuel supplies for Ukrainian nuclear power plants, while the other covers the production and enrichment of nuclear fuel from Ukrainian raw materials.

Nedashkovskiy said Energoatom planned to sign nuclear fuel contracts with the Russian state-controlled nuclear fuel producer TVEL.

"We plan to sign a contract with TVEL on "customer-owned" raw materials by the end of the year. Moreover, we plan to sign it earlier than agreements for nuclear fuel supplies for Ukrainian nuclear power plants," Nedashkovskiy said. Under a contract on "customer-owned" raw materials, Ukraine will supply uranium to Russia for enrichment to be subsequently delivered to Ukrainian nuclear power plants as nuclear fuel.

Ukraine plans to sign a long-term contract with Russia on Russian nuclear fuel supplies for all Ukrainian nuclear power plants from 2010 after the expiry of the current agreement.

Nedashkovskiy said Ukraine could only cover 30% of its uranium requirements at the present time and planned to switch to full supplies of Ukrainian nuclear fuel for its domestic nuclear power plants from 2015.

- RUSSIA TO LEND BELARUS \$2 BLN IN 2008-2009

/OCT 21/RIA Novosti/

Russia will grant Belarus a \$2 billion stabilization loan in 2008-2009, Russian Finance Minister Alexei Kudrin said on Tuesday.

"Last week, Russia decided to issue a \$2 billion loan to Belarus," the minister said, adding that \$1 billion would be lent this year, and the other half in 2009.

Kudrin said the terms of the loan were currently being discussed and would be announced at a later date.

He also said proposals had been made to establish a single currency for Russia and Belarus and to review prospects for bilateral cooperation.

In late 2007, Russia and Belarus signed an intergovernmental agreement to grant Minsk a \$1.5 billion stabilization loan for 15 years. Belarus requested the loan from Russia to pay for energy supplies.

Russia's energy giant Gazprom is planning to switch to market prices for Belarus, one of the leading transit countries for Russian natural gas supplies to Europe.

- RUSSIA TO ESTABLISH NEW LARGE STATE AIRLINE

/OCT 21/Itar-Tass/

A new large state airline will be established in Russia approximately on November 11, Rostekhnologii State Corporation Director Sergei Chemezov said on Tuesday.

In his words, the new company may be called 'Airlines of Russia' and have

First Deputy Director General of the Vnukovo Airport Vitaly Vantsev for Director General.

"The new company's board of directors will hold its first meeting on November 11. I hope we will announce the company registration by that time," Chemezov said.

"We agreed that the Moscow administration would nominate three candidates to the board of directors. Another three will come from Rostekhnologii and one from the Transport Ministry. In all, the board of directors will have seven members," he said.

The new company will unite a number of regional transporters, while Rostekhnologii will have the controlling interest, Moscow Mayor Yuri Luzhkov said on Tuesday. He said the company would be headquartered in Moscow.

"The holding will be headquartered in Moscow. We will provide them with a separate building in the future," Luzhkov said.

- INDIA TO LAUNCH NEXT LUNAR PROBE IN 2010 WITH RUSSIAN HELP

/OCT 22/RIA Novosti/

Following the launch of India's first unmanned mission to the moon on Wednesday, the Indian Space Research Organization (ISRO) said it could launch a second lunar probe in 2010 with Russian participation.

The successful lift-off of the Chandrayaan-1 saw India become the third Asian country to send an unmanned probe to the Earth's largest satellite after Japan and China.

The spacecraft was carried into space by the Indian-built PSLV-C11 rocket, and will take 15 days to reach the moon.

Work on Chandrayaan-2, an Indo-Russian joint venture, is to begin after Chandrayaan-1 starts exploration work on the moon, ISRO Chairman G Madhavan Nair said.

The second mission, for which the ISRO and the Russian federal space agency Roscosmos have already signed an agreement, is to feature a lander and a rover for a soft landing on the moon.

"However, there would be a provision for accommodating payloads from other space agencies, as is the case with Chandrayaan 1," Nair said.

Chandrayaan means "Moon Craft" in ancient Sanskrit.

- RUSSIA MAY DISCUSS BLACK SEA FLEET BASE EXTENSION 'CLOSER TO 2017'

/OCT 22/RIA Novosti/

Moscow will be ready to discuss the extension of its naval presence in Sevastopol, Ukraine 'at a later stage,' the Russian foreign minister said on Wednesday.

Under bilateral agreements, Russia's Black Sea Fleet has the use of the Crimean Sevastopol base until 2017. Ukrainian President Viktor Yushchenko recently announced that Ukraine would not extend the lease beyond that date.

"At some point we will be ready to ask the Ukrainian side to discuss terms for the further presence [of Russia's Black Sea Fleet], but, needless to say, these issues could be discussed in substance at a later stage, closer to 2017," Sergei Lavrov said.

He added that the most important thing at the current stage was the fulfillment in good faith of the existing agreements on the Black Sea Fleet by both parties.

He reiterated that Russia could ask for the extension of its naval presence in Ukraine after 2017.

Viktor Yanukovich, the leader of Ukraine's largest opposition party, the Party of Regions, said on Wednesday that it was necessary to raise the rent for Russia's naval presence in Ukraine.

"The lease terms for the Black Sea Fleet should be substantially revised upwards," he said.

Russia, which currently pays about \$100 million a year for the lease, insists there are no legal grounds for an increase.

Yushchenko has called for the Russian navy's early withdrawal from the Sevastopol base, as well as tougher deployment requirements and higher fees, demands that have not been backed by his former coalition ally, Prime Minister Yulia Tymoshenko.

Ukraine's Defense Minister Yuriy Yekhanurov has ruled out the possibility of extending the lease.

Russia-Ukraine tensions heightened after several Black Sea Fleet warships dropped anchor off the Georgian coast during and after August's armed conflict with Tbilisi over breakaway South Ossetia.

In a bid to appease Kiev, Russia has said it may submit an array of attractive proposals to Ukraine.

Russia's naval base in the Crimea currently has 50 warships and patrol boats, along with around 80 aircraft, and employs coastal defense troops.

- RUSSIA'S INTERNATIONAL RESERVES TO REACH \$547 BLN IN 2008

/OCT 22/RIA Novosti/

Russia's international reserves, which include foreign currency and gold, are expected to total \$547 billion by the end of the year, representing a 14.8% year-on-year rise, the Central Bank of Russia said on Wednesday.

The reserves reached a highpoint of \$596 billion in July, but had fallen to \$556 billion as of September 30. The prediction for the end-of-year level was included in draft guidelines for 2009-2011 monetary policy posted on the Central Bank's website.

According to the draft, foreign trade conditions for Russia are expected to deteriorate in 2009-2011, compared with the previous three-year period. This environment will restrict Russia's economic growth and curb inflation.

According to the Central Bank, the slowing of growth in the production of goods and services, which began in 2008, will continue in 2009, in accordance with forecasts.

"The slowing of growth in demand expected in 2009 in countries that are the leading importers of Russian goods, the slowing of growth in consumer prices in countries that are the leading suppliers of goods to Russia, and also the possibility of declines in the prices of raw materials in line with world market trends, will affect the Russian economy by restricting economic growth and curbing inflation," the draft said.

In 2010 and 2011 global economic growth will be slower than in 2009-2011, the draft said.

In accordance with the draft, the Russian government and the Central Bank have set the task of cutting inflation to 7.0-8.5% in 2009, 5.5-7.0% in 2010 and 5.0-6.8% in 2011.

At the same time, the government's 11.8% inflation forecast for 2008 will be exceeded, rising to around 13%, the draft said.

Under the draft, the Central Bank has considerably cut its forecast for growth in international reserves to \$543-668 billion in 2009 from the earlier expected increase to \$654-778 billion, in line with trends on world oil markets.

- COORDINATED WORK BY GAS PRODUCERS IS LEGITIMATE - LAVROV

/OCT 22/Itar-Tass/

Concerted action by the three countries that are the world's leading gas producers is a legitimate and absolutely sound phenomenon, Russian Foreign Minister Sergei Lavrov said on Wednesday.

No treaties were signed in Teheran on Monday, but an agreement was reached to go ahead with contacts by the three countries "the world's leading gas producers.

"I believe it is an absolutely legitimate phenomenon, and its purpose is to give us a better understanding of what is happening on the world market of fuels," Lavrov said. "Although there is no such thing as a world gas market, we've got to understand better how the oil market influences gas sales." "The mad oil price fluctuations are an abnormal thing, of course," the Russian foreign minister said. "As everybody knows, they cause effects on gas prices too, so coordinated work by the three leading producers â€" Russia, Iran and Qatar, I believe, will cause a sound influence on the world trade in hydrocarbons in general."

- RUSSIAN GOVERNMENT ADOPTS TRANSPORT DEVELOPMENT STRATEGY TILL 2030

/OCT 22/Itar-Tass/

The Russian government has adopted a strategy for the development of the country's transport system till the year 2030.

The Transport Ministry's draft strategy was discussed at an on-site conference in Novosibirsk under the chairmanship of Prime Minister Vladimir Putin on Wednesday.

"The Transport Ministry's Strategy for the period ending in 2030 is a comprehensive document that puts together plans for the development of individual types of transport and also making it possible to look over the horizon and to get an idea of how the national transport system will look like in the future," Putin said.

"Naturally, the course of life will be making its adjustments, but the fundamental decisions are to be made now," Putin said.

First and foremost, said he, "it is necessary to achieve the solution of the fundamental social task, that of making top quality and reliable transport services to all citizens, irrespective of the place they live. In the meantime, 10 percent of the country's people are resident in rural communities having no stable links with the national highway network.

"I believe that in the foreseeable future we shall be able to get rid of those forsaken corners and to lay hardcover roads to localities that have a development potential," Putin said.

- PUTIN CALLS TO ESTABLISH NEW CORPORATION IN ROCKET AND SPACE INDUSTRY

/OCT 21/Itar-Tass/

Prime Minister Vladimir Putin has issued instructions to study a problem of creating a new state corporation in the rocket and space industry, Vice-premier Sergei Ivanov told journalists after a conference in Zheleznogorsk on Tuesday. Proposals to this effect should be submitted in 2009, Ivanov added. The corporation might be created on the basis of all profile federal state enterprises, Ivanov said.

- GAZPROM TO BECOME RUSSIA-VENEZUELA ENERGY CONSORTIUM OPERATOR

/OCT 22/RIA Novosti/

Gazprom is set to become the operator for a Russia-Venezuela oil and gas consortium, the head of the Russian energy giant's external economic activities department said Wednesday.

"Gazprom will at least receive the operator status in the first stage. This was the request of the Venezuelan partners," Stanislav Tsygankov told journalists.

Russia's energy minister, Sergei Shmatko, said earlier the consortium, to be set up next spring, will include Russian producers Gazprom, Rosneft, TNK-BP, Surgutneftegaz and LUKoil, and that investment from the Russian companies would total "tens of billions of dollars."

Venezuela's state oil and natural gas company PDVSA will hold a controlling stake in the consortium.

Venezuela is one of the world's largest oil producing states, with about

87 billion barrels of proven conventional oil reserves. In addition, it has huge non-conventional oil deposits (heavy oil). Most of these deposits are located in the Orinoco oil belt.

- RUSSIA SAYS MEDIA REPORTS ON POSSIBLE ARCTIC CONFLICT 'ALARMIST'

/OCT 22/RIA Novosti/

Russia's Foreign Ministry believes media speculation about the possibility of a war over the Arctic are ungrounded and "alarmist," an ambassador at large said Wednesday.

"Media assessments of possible aggression in the Arctic, even a third world war, are seen as extremely alarmist and provocative. In my opinion, there are no grounds for such alarmism," Anton Vasilyev, who is also a high-ranking official on the Arctic Council, said.

"We are following the situation in the region, this also includes the military activity of other countries, but we hope cooperation will be the main feature," he said.

Russian President Dmitry Medvedev said in September at a Russian Security Council session that the external frontier of the Russian continental shelf in the Arctic should be defined as soon as possible.

"We have to reliably ensure Russia's national interests in the Arctic in the long term," he said then.

Medvedev also said the Arctic shelf is a guarantee of Russia's energy security and that the Arctic should become the resource base for Russia this century, adding that "about 20% of Russia's GDP and 22% of Russian exports are produced" in the area.

Russia has undertaken two Arctic expeditions - to the Mendeleev underwater chain in 2005 and to the Lomonosov ridge in the summer of 2007 - to support its claims to the region. Moscow pledged to submit documentary evidence to the UN on the external boundaries of Russia's territorial shelf in 2009.

The move irritated a number of Western countries, particularly the U.S. and Canada. Under international law, these Arctic Circle countries, as well as Denmark, Norway and Russia, each currently have a 322-km (200-mile) economic zone in the Arctic Ocean.

Vasilyev said Russia still needed to carry out in-depth scientific studies to achieve success in its border claim on the continental shelf. "Much has been done, which gives grounds for certain optimism and the basis to believe the process is not endless," he said.

- THAILAND SPURNS U.S., BUYS RUSSIAN HELICOPTERS

/OCT 23/RIA Novosti/

In a break with tradition, the Thai government has decided to buy several transport helicopters from Russia, a Russian business daily reported on Thursday.

Until now the largest Southeast Asian country has only bought arms and military equipment from the United States, but according to Kommersant, Thai Prime Minister Somchai Wongsawat, who is also defense minister, has signed off on a \$27.5 million deal to buy three Mi-17 (Hip) transport helicopters.

"It is a civilian modification, but the helicopter is a dual purpose machine," a source in the defense industry was quoted as saying.

The Thai armed forces currently have over 200 U.S.-built helicopters, but almost half of them are more than 20 years old and not operational. In the past year there have been seven accidents involving military helicopters involving casualties.

This is the first time that the Southeast Asian country has let down its military ally, the U.S., and chosen Russia, according to Alexei Kirichenko, an associate professor at the Institute of Asian and African Studies.

"Moscow has repeatedly tried to sell military equipment to Thailand, but all of those deals were invariably blocked, mainly for political reasons," he said.

- VIETNAM SEEKS CLOSER TIES WITH RUSSIA

/OCT 23/RIA Novosti/

Vietnam is seeking to expand cooperation with Russia in all spheres, the country's president has said ahead of a visit to Moscow and St. Petersburg. Nguyen Minh Triet will arrive on an official visit to Russia on October 26-29. This will be his first visit to the country since he took office in June 2006. "We intend to discuss with the Russian leadership the expansion of cooperation in all spheres, including political, defense and security, as well as economic," Triet told RIA Novosti.

He said the sides would sign a joint statement, which would have "a strategic significance for the development of bilateral ties," and a number of documents on bilateral cooperation.

Trade between Russia and Vietnam in the first seven months of the year exceeded \$1 billion, and may rise by 40% to reach a record \$1.6 billion by the end of 2008.

Vietnam is currently implementing 58 domestic projects with Russian investment worth \$370 million.

Nguyen Minh Triet said Vietnam would do everything possible to attract more investment from Russia.

"Vietnam is ready to grant Russian investors the most favorable status," he said.

Russian Foreign Minister Sergei Lavrov said on October 20: "Our partnership with Vietnam is of a strategic nature and has very good prospects, as well as traditions of friendship and mutual assistance going back many years."

- RUSSIA'S ROSNEFT, CHINA'S CNPC TO SIGN OIL SUPPLY DEAL SOON

/OCT 23/RIA Novosti/

Russia's state-controlled oil producer Rosneft and China National Petroleum Corporation will sign a contract in the next six weeks on crude deliveries to China, the Russian energy minister said on Thursday.

Sergei Shmatko said the two companies reached the agreement on Thursday at a meeting of the energy sub-commission of the Russia-China intergovernmental commission.

The minister said the contract would be signed for a term of no less than 15 years and the fuel supplies did not concern the construction of a pipeline spur to China as part of the East Siberia - Pacific Ocean (ESPO) oil pipeline. 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 onto energy-hungry China and the Asia-Pacific region. A 1,100 km leg of the pipeline was opened in early October in Russia's Far Eastern republic of Yakutia.

Shmatko said the Chinese side had carried out significant work on the design of the ESPO pipeline spur and has started construction on its territory. At the same time, he said the spur to China would not go into service next year.

- RUSSIA'S TOP SECURITY OFFICIAL DISCUSSES COOPERATION WITH INDIA

/OCT 23/RIA Novosti/

Russia's Security Council chief, Nikolai Patrushev, said in New Delhi on Thursday that Russia is India's most important strategic partner.

"India has once again stressed that it enjoys strategic partnership [with Russia] as with no other country," Patrushev said following his meeting with Indian National Security Adviser Shri M.K. Narayanan.

Patrushev, who arrived in India on Tuesday for a four-day official visit, and

Narayanan discussed issues of bilateral cooperation, security, energy and fight against terrorism.

He said India is interested in exchanging information on Afghanistan and Pakistan, as well as other forms of cooperation within the framework of the fight against terrorism and drug trafficking.

The official also discussed the forthcoming visit of Russian President Dmitry Medvedev, who will pay his first trip to India as Russia's head of state in early December.

"It will be a very busy visit and we must use it to give a new impetus to the development of relations," Patrushev said.

The Russian security chief also said he discussed with Narayanan an intergovernmental agreement on cooperation in the nuclear energy sphere, which is planned to be signed during Medvedev's visit.

Russia and India are currently preparing to sign a bilateral nuclear agreement initialed in February 2008. Under the agreement, Russia will help to build four more reactors at India's Kudankulam nuclear power plant. Further nuclear cooperation is also envisaged.

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 and an addendum signed 10 years later.

India, a major purchaser of Russian arms, has moved closer to the United States since the end of the Cold War and recently agreed a deal on nuclear cooperation with Washington.

- MEDVEDEV SAYS RUSSIA MAY AVOID FINANCIAL CRISIS, EMERGE STRONGER

/OCT 23/RIA Novosti/

Russian President Dmitry Medvedev said on Thursday that Russia has not been fully affected by the global financial crisis, which may help the country to develop a stronger economy and speed up reforms.

"I will say frankly that Russia has not yet fallen into this difficult turmoil and has chances to avoid it. It must avoid it," Medvedev said in a video blog posted on his website.

He said that the country had resorted to a number of measures, which would soon restore trust in the financial sector and ensure a stable situation for lenders and borrowers.

"The gold and currency reserves as well as the Stabilization Fund have been formed particularly for such difficult periods. We have a chance to avoid the currency, banking and debt crisis, to overcome today's difficulties without losing the potential that has been developed," the president said.

Medvedev said it was important not only to overcome the difficulties, but to use them for modernization of various sectors, suggesting that the crisis could accelerate reforms in the social and judicial sectors.

"First of all, it is inevitable that new competitive companies will emerge, including by means of consolidation of assets in various sectors of the economy. We will be ready to take the necessary measures and provide additional financing for these purposes. The stable development in these sectors will also create new jobs," he said.

The current global credit crunch started in the United States and quickly spread to Asia and Europe, leading to record losses on global financial markets and a liquidity shortage.

On November 15, Washington will host an international summit on the global financial crisis, bringing together leaders from the world's top economies.

- RUBLE HITS 2-YEAR LOW VS. DOLLAR

/OCT 24/The Moscow Times/

The ruble fell to the lowest level in more than two years against the dollar

as oil stayed below the average price needed to balance the country's budget next year.

Nine of 10 banks surveyed forecast that the ruble will weaken next year as lower prices for crude push the current account into deficit.

"People seem to be pricing in a devaluation, the market is a bit too panicked," said Tatyana Orlova, an economist in Moscow at ING Group, which predicts that the ruble may depreciate next year. "The oil price has a big impact on Russian asset prices."

The ruble, which the Central Bank manages against a basket of 55 cents and 45 euro cents, fell as much as 0.5 percent to 27.07 per dollar, the lowest since July 2006. The ruble was 0.2 percent lower at 26.97 by 5:50 p.m. in Moscow.

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Trading in derivatives shows the ruble at a five-year low versus the dollar in three months time. It rose 0.2 percent to 34.54 per euro.

The Central Bank buys and sells foreign currency reserves to keep the ruble within a trading band against the basket and limit the effect of its swings on the competitiveness of Russian exports.

Against the basket, the ruble was at 30.388, from 30.392 on Wednesday. The 30.40 level is regarded by most analysts to be the weakest end of the trading band.

Citigroup and Goldman Sachs predict that the ruble will lose as much as 5 percent versus the basket in the next 12 months. Danske Bank, one of the top five traders of the ruble via its Finnish unit Sampo Bank, sees it at 28.90 per dollar and 31.20 versus the basket in the next year.

Concern that the Central Bank may allow a devaluation of the ruble is making banks reluctant to exchange the currency for dollars and is driving the rate at foreign-exchange kiosks to near 28 per dollar, said Vladimir Tikhomirov, chief economist in Moscow at UralSib. "There is growing demand for dollars both from institutional players like banks and the population."

- RUSSIA'S SUPERJET 100 PLANE STARTS CERTIFICATION FLIGHTS

/OCT 24/RIA Novosti/

KHABAROVSK, October 24 (RIA Novosti) - A Sukhoi Superjet 100, Russia's new passenger airliner, flew from the aircraft manufacturing plant to Khabarovsk in Russia's Far East to undergo certification flight tests, the aircraft maker has said. (Sukhoi SuperJet 100 - Image gallery)

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

Sukhoi's Mikhail Pogosyan said certification flights would be completed in the second half of 2009, after which "airplane deliveries will begin."

He added that the first Superjet 100 aircraft had made 40 test flights, clocking a total of 100 hours flying. A total of four planes will take part in the certification program.

Sukhoi said previously it planned to complete the certification in the first half of 2009 and roll out the new aircraft at the International Paris Air Show in Le Bourget next year.

Sukhoi, which is part of Russia's United Aircraft Corporation, 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.

Sukhoi earlier said it had so far secured at least 100 firm orders for the aircraft.

The airliner made its first test flights in May and Sukhoi is planning to start Superjet 100 deliveries to clients in the second half of 2009.

Russian government's foreign investment commission recently approved the

acquisition of 25% plus one share in Sukhoi Civil Aircraft by Switzerland's World's Wing SA.

- SOYUZ CAPSULE SAFELY LANDS IN KAZAKHSTAN

/OCT 24/RIA Novosti/

MISSION CONTROL (Moscow Region), October 24 (RIA Novosti) - A Soyuz-TMA-12 space capsule carrying two Russian cosmonauts and an American space tourist landed in north-central Kazakhstan at 9.37 a.m. (03:37 GMT) on Friday.

(IMAGES)

Sergei Volkov and Oleg Kononenko, along with space tourist Richard Garriott, returned to Earth from the International Space Station (ISS) in what Russia's Space Agency head, Anatoly Perminov, described as an "ideal" landing.

"The landing was carried out right on schedule. I can not recall such an ideal landing as this one. All the cosmonauts are in great shape," he told reporters in Moscow.

Two previous landings - in October last year and in April - experienced a steeper-than-normal reentry, raising concerns among Russian and American space experts over the safety of the Soyuz capsules.

"This mission was very successful. The crew conducted extensive work on docking the Japanese module Kibo to the ISS, carried out an unscheduled spacewalk, and accomplished a number of other tasks," Perminov said.

Richard Garriott, the sixth space tourist to travel to the ISS, conducted a variety of scientific experiments during his 10-day stay on the orbiting station.

Volkov and Garriott became the first children of astronauts to meet in space. The Russian's father, Alexander, was orbiting the Earth when the U.S.S.R. collapsed in 1991, while Owen Garriott flew a mission to the U.S. space station Skylab in 1973.

Both fathers greeted their sons at the landing site on Friday.

The cosmonauts and the U.S. space tourist were taken to the Baikonur space center in Kazakhstan by helicopter. They will then fly to Zvezdny Gorodok (Star City) in Russia's Moscow Region.

The current ISS crew comprises U.S. astronaut Mike Fincke, Russian cosmonaut Yury Lonchakov, and U.S. astronaut Greg Chamitoff. The latter remained onboard from the previous expedition and will be replaced by U.S. astronaut Sandra Magnus in November.

The 18th Expedition crew will spend about six months in space and will carry out over 50 scientific experiments under the Russian space program, and a number of joint experiments with the European Space Agency.

In addition, the astronauts will conduct at least two spacewalks, unload two Progress M cargo spacecraft, test a new, fully-computerized Orlan-MK space suit, and receive the crews of two U.S. space shuttles.

The 18th Expedition may become the last three-man crew on board the ISS due to plans to increase the number of astronauts manning the station to six starting from spring 2009.

- U.K. business secretary to discuss global crisis, trade in Moscow

/OCT 26/RIA Novosti/

Britain's Business Secretary Peter Mandelson arrives in Moscow on Sunday to discuss measures to fight the global financial crisis and broader trade with Russia, the U.K. Department for Business, Enterprise and Regulatory Reform said.

"The four day visit ... is designed to underline the importance of economic links between the two countries as well as being an opportunity for dialogue about the international response to the global financial crisis, the Department said.

The global credit crunch, sparked by the subprime mortgage crisis in the United States, quickly spread to Asia and Europe leading to record losses on global financial markets and a worldwide liquidity shortage.

Lord Mandelson arrives in Moscow with a business delegation led by General Director of the Confederation of British Industry Richard Lambert. The delegation includes representatives from major British and international companies, such as Aviva; BP Russia; Ernst &Young; JCB, Hambro Mining; and Whitbread.

"We are the largest investors in Russia and so U.K. business has a significant stake in the Russian economy and significant interests in its success," Lord Mandelson said.

The British business secretary is expected to meet in Moscow with Russian Finance Minister Alexei Kudrin, other government members and representatives of Russian business.

Russia-U.K. trade increased 42% in the first six months of 2008, year-on-year, to \$11.1 billion compared with \$16.6 billion for the whole of 2007.

- RUSSIA, VIETNAM SIGN HOST OF DEALS, INCLUDING IN ENERGY SECTOR

/OCT 27/RIA Novosti/

Russia and Vietnam have signed 12 cooperation documents, including joint ventures for oil and gas exploration, a statement said on Monday.

Russian energy giant Gazprom and its subsidiary Zarubezhneftgaz signed a 30-year contract with PetroVietnam and its subsidiary PVEP on prospecting and development of Vietnam's continental shelf.

Under the product sharing agreement, a Gazprom and PetroVietnam joint venture, Vietgazprom, will be the project operator. Gazprom will provide funding during the project's prospecting phase.

Gazprom and PetroVietnam also agreed some of the main conditions for another joint venture, Gazpromviet, which will examine prospects for exploration in third countries.

The new company's charter capital will be divided 51% and 49% between Gazprom and Petrovietnam respectively.

The documents were signed in the presence of the countries' presidents, and Russia's Dmitry Medvedev said: "We are planning the construction of new and the modernization of existing energy facilities in Vietnam."

The parties also signed agreements on cooperation in countering illegal migration, the protection of intellectual property, labor supply, as well as an agreement on readmission.

The parties signed a mid-term plan on trade and investment until 2012, a deal on investment in the construction of a fertilizer plant in the south Russian Republic of Kalmykia as well as a memorandum of understanding on building an integrated bauxite-alumina works in Vietnam.

Speaking at a press conference following his talks with Nguyen Minh Triet, Medvedev said trade turnover between Russia and Vietnam was \$1 billion last year and is expected to reach \$1.5 billion in 2008. He said he had agreed with his Vietnamese counterpart that the indicator should be raised initially to \$3 billion and then to \$10 billion in the future.

- UKRAINE PM SAYS GAS DEAL WITH RUSSIA COULD BE SIGNED IN NOV.

/OCT 27/RIA Novosti/

Ukraine's prime minister said on Monday that a contract with Russia for natural gas supplies in 2009 could be signed in November.

"I think we could sign it in November," Yulia Tymoshenko was quoted by UNIAN news agency as saying. "I am certain that we will reach an understanding and sign the necessary documents with the Russian Federation."

The head of Ukraine's national oil and gas company Naftogaz, Oleh Dubyna, said earlier the deal would be signed in late October.

Tymoshenko met with her Russian counterpart, Vladimir Putin, in Moscow in early October. The sides agreed to remove intermediary traders from the supply scheme and switch to European-level prices for gas within three years. The price for Russian-supplied gas in 2009 has not been disclosed. Kiev has repeatedly said it hoped the price will not exceed \$300 per 1,000 sq m. This year, Ukraine pays \$179.5.

- PUTIN WARNS AGAINST ECONOMIC ISOLATION AS RESPONSE TO CRISIS

/OCT 27/RIA Novosti/

Russian Prime Minister Vladimir Putin spoke out on Monday against the "tempting" policies of "aggressive protectionism" and restricting the movement of capital during the ongoing financial crisis.

"As the entire world is affected by the financial crisis, simple solutions look tempting," Putin said. "There is often talk of closing off national economies, aggressive protectionism, and restrictions on the movement of capital."

"Strategically, isolationism is not our choice," Putin told a cabinet session, adding that he was in favor of "building Russia further into the global economy."

He also said Russia's economy relied excessively on the export of hydrocarbons and other raw materials.

Putin added that in the past eight years, Russia's foreign trade had grown 120%, but the structure of trade remained "unsatisfactory."

"Russia is still over-dependent on the export of hydrocarbons and other raw materials, and therefore, on world prices," he said.

Light, sweet crude was down \$2.24 to \$61.91 a barrel on Monday. Oil prices have fallen more than 57% from a record \$147.3 in July.

The Russian prime minister said, however, that hundreds of investment projects had been implemented to strengthen Russia's position in the global market.

"We need to consolidate these trends and use the system of state support for the export oriented sectors of industry as an effective development instrument for domestic producers," he said.

The prime minister said that his words applied, in particular, to such sectors as aircraft and ship building, space, and the nuclear power complex.

- RUSSIAN PRESIDENT SIGNS LAW TO BRING STABILITY TO BANKING SYSTEM

/OCT 27/RIA Novosti/

Russian President Dmitry Medvedev has signed into law an array of measures aimed at ensuring stability in the banking system through December 31, 2011, the Kremlin press service said on Monday.

Russian banks have been hit hard by the ongoing global financial squeeze sparked by the mortgage crisis in the United States. The Russian government has recently taken unprecedented measures to pump billions of U.S. dollars into the domestic banking system to shore up its liquidity.

The bill was approved by the lower house of parliament on October 23 and by the upper house four days later.

The law establishes a legal framework for prompt and effective measures to stave off bankruptcy in the banking sector.

It empowers the Central Bank to intervene to help ailing banks, in particular, to provide additional funding to bail them out, put them into receivership, forcibly reduce their equity capital, and a host of other measures designed primarily to protect depositors.

Russian President Dmitry Medvedev recently signed a bank deposit insurance law, increasing the amount guaranteed to 700,000 rubles (\$26,800) from 200,000 rubles.

The Central Bank previously granted \$50 billion in subordinated loans to Russian companies and banks through the country's national development vehicle, Vnesheconombank, to help them refinance their foreign loans. Starting from October 20, the Central Bank has been holding unsecured loan auctions for a large group of Russian banks to help the domestic banking system handle a cash shortage.

- PM PUTIN SUGGESTS RUSSIA, CHINA DITCH DOLLAR IN TRADE DEALS

/OCT 28/RIA Novosti/

Russian Prime Minister Vladimir Putin proposed on Tuesday that Russia and China gradually switch over to national currency payments in bilateral trade, expected to total \$50 billion in 2008.

"We should consider improving the payment system for bilateral trade, including by gradually adopting a broader use of national currencies," Putin told a bilateral economic forum.

He admitted the task would be tough, but said it was necessary amid the current problems with the dollar-based global economy.

Chinese Prime Minister Wen Jiabao described strengthening bilateral relations as "strategic."

"Mutual investment by Russia and China has already exceeded \$2 billion, this is a very good index," Jiabao said.

He praised the success of numerous projects, including additional construction of China's Tianwan nuclear power plant and the opening of a joint pharmaceuticals center in Moscow.

A number of large Russian companies, including state-run oil producer Rosneft and aluminum champion RusAl, are seeking to develop investment projects in China, Jiabao said.

The Chinese premier said bilateral cooperation in the helicopter industry, mechanical engineering, the energy sector, timber production and innovation sector was also showing signs of progress.

"China is a staunch supporter of Russia's accession to the WTO, but is categorically against politicizing the issue," Jiabao said.

The Russian premier invited Chinese investors to join Russian timber projects.

"We welcome both domestic and foreign investment in Russia's timber sector," Putin said. "As one of the largest consumers of our products, China could be a source of such investment."

He also offered Beijing Russia's assistance in developing a large passenger plane on the basis of Russia's experience with its wide-bodied Il-96 aircraft.

- MEDVEDEV SAYS 'U.S. SANCTIONS WILL NOT HURT RUSSIA'

/OCT 28/RIA Novosti/

Russian President Dmitry Medvedev said on Tuesday that sanctions imposed by the U.S. on Russia's state-run arms exporter are shortsighted, and will not have any negative impact on Russia.

The economic sanctions were imposed on Rosoboronexport by Washington over the alleged sale of military technology to Iran in breach of non-proliferation agreements.

"We have stated on many occasions that we consider these sanctions to be shortsighted," Medvedev told a meeting of the Commission on Military-Technical Cooperation.

"It is an example of unfair competition and an attempt to cut off suppliers. More importantly, though, this decision will have virtually no effect, and those who imposed them, must keep this in mind," Medvedev said.

The commission met to review the preliminary results of Russia's military-technical cooperation with foreign countries in 2008.

Medvedev said Russia's military export orders are currently in excess of \$30 billion and the total volume of arms exports as of October 1 were higher than

the same period last year.

"The portfolio of orders has expanded appreciably and is now worth over \$30 billion," the president said.

Russia sold \$7.4 billion worth of weaponry in 2007 and is expecting to increase its arms exports to \$8 billion in 2008.

Russia exports arms to about 80 countries. Among the key buyers are China, India, Algeria, Venezuela, Iran, Malaysia and Serbia.

Medvedev urged Russian defense contractors to fully meet their contractual commitments and ensure the high quality of military equipment deliveries.

"Russian weaponry has been traditionally known for its reliability and [Russia's] defense industry companies must maintain their reputations - any failure to maintain these high standards [of the sold equipment] must be thoroughly investigated," the president said.

- MOSCOW, BEIJING SIGN DEAL TO BUILD OIL PIPELINE LEG TO CHINA

/OCT 28/RIA Novosti/

Russia and China signed on Tuesday an agreement for the construction of a pipeline branch to China as part of the East Siberia-Pacific Ocean (ESPO) oil pipeline.

It was earlier reported that construction could start later this year. The branch, which runs from Skovorodino to the Chinese border, will have a capacity of 15 million tons of oil a year.

The ESPO pipeline is designed to pump up to 1.6 million barrels of crude per day from Siberia to Russia's Far East and then onto energy-hungry China and the Asia-Pacific region. A 1,100 km stretch of the pipeline was opened in early October in Russia's Far Eastern republic of Yakutia.

ESPO's first stage envisages the construction of a 2,757-kilometer (1,713-mile) section with a capacity of 30 million tons (220.5 million bbl) of oil per year.

It will link Taishet, in East Siberia's Irkutsk Region, to Skovorodino, in the Amur Region, in Russia's Far East.

The second stretch will run 2,100 kilometers (1,304 miles) from Skovorodino to the Pacific. It will pump 367.5 million barrels of oil annually. The Taishet-Skovorodino capacity will later be raised to 588 million barrels.

- RUSSIAN, CHINESE METALS GIANTS SIGN DEAL FOR URALS STEEL MILL

/OCT 29/RIA Novosti/

Russia's largest mining and metals company, Mechel, has signed a \$300 million deal with China's Minmetals to build a steel mill at its plant in Chelyabinsk, the company said on Wednesday.

The agreement is the largest steel-industry contract ever concluded between Russian and Chinese companies. The construction of the plant is scheduled for completion in the last quarter of 2010.

The plant's primary function will be producing railroad rails up to 100 meters long. Mechel is committed to delivering 400,000 tons of rails a year under a contract signed with Russian Railways in February.

"Mechel will be the first [in Russia] to supply 100-meter rails," Mechel CEO Vladimir Polin said.

Mechel is one of the leading Russian companies, uniting producers of coal, iron ore concentrate, nickel, steel, rolled products, hardware, heat and electric power. The company sells its product both on domestic and international market.

Founded in 1950, Minmetals is one of China's largest state-owned industrial corporations. The company, listed among China's 44 "key enterprises," has metals and minerals operations worldwide, as well as finance, real estate and logistics businesses.

- RUSSIA-CHINA: OIL FOR LOANS

/OCT 30/RIA Novosti/Oleg Mityayev/

On October 28, when China's Premier Wen Jiabao was visiting Moscow, he signed an agreement calling for the construction of an oil pipeline to China as part of the prospective Eastern Siberia-Pacific Ocean (ESPO) pipeline.

The agreement is expected to be followed by a contract for oil supplies to China for many years to come, against which Russian oil companies will be loaned between \$20 billion to \$25 billion. The loan will assist in repaying other previous loans to Western banks and in securing investments for new projects.

The ESPO system will transport Russian oil from Eastern Siberia to the Asia-Pacific region. The first stage, with an annual capacity of 30 million metric tons, is expected to be completed by the end of 2009. This section runs from Taishet in the Irkutsk Region to Skovorodino in the Amur Region, only 70 kilometers from China. The project provides for a divergence of the line, with one section to China and the other to the Pacific coast at the Kozmino oil terminal.

A decision on the branch to China was up in the air until the last minute. On October 25, Russia's Deputy Prime Minister Igor Sechin, who oversees fuel and energy, said state-controlled Transneft had already designed the branch. The agreement was signed by Transneft and by China's state-owned oil company CNPC. In addition, on October 28, Russia and China signed a memorandum of understanding on oil cooperation. Press leaks say this agreement provides 15 million metric tons of Russian oil to China annually (for up to 20 years). At the same time, negotiators are discussing a loan (to be used as a prepayment for oil supplies) of \$20 billion to \$25 billion, which China will issue to Russian oil companies. Rosneft, which will deliver the oil to China, plans to receive \$12 billion to \$15 billion, while Transneft, which will build the line, will get \$8 billion to \$10 billion.

China issued a similar loan to Rosneft before. In 2004, the Russian company agreed to supply 48.4 million metric tons of oil (9.7 million metric tons a year), currently being shipped to China by rail, for five years. The CNPC paid Rosneft \$6 billion in advance. This contract expires in 2010, and China needs to extend it, but also needs to contract more oil from Russia.

For the Russian companies, a new contract will be very timely amid a global financial crisis. Rosneft alone requires at least \$800 million to repay its loan to the Western banks (plus another \$13.4 billion to be paid before the summer of 2009). Transneft, on the other hand, will be able to secure funds for new projects, including the construction of the second leg of the ESPO (toward the Pacific coast), with an estimated cost of \$11 billion.

The opinions expressed in this article are the author's and do not necessarily represent those of RIA Novosti.

- RUSSIA TESTS NEW DIESEL-ELECTRIC ICEBREAKER

/OCT 29/RIA Novosti/

ST. PETERSBURG, October 29 (RIA Novosti) - St. Petersburg shipyard Baltiysky Zavod has started sea trials of a new diesel-electric icebreaker in the Baltic Sea, the company said on Wednesday.

The Moskva icebreaker is the first ship in a new generation of multipurpose icebreakers built by Baltiysky Zavod under a \$185 million contract with Rosmoport, Russia's state-run port management company. The ship was floated out in May 2007.

"For two weeks specialists from the shipyard will tests the vessel's maneuverability and the operation of all mechanisms under normal seafaring conditions. The trials will be carried out in the Gulf of Finland," the shipyard said in a statement.

The Moskva-class icebreakers are designed to escort large-capacity tankers,

to salvage and rescue ships caught in ice floe, to clean up oil and chemicals spillage in open sea and to fight fires on board ships in the Arctic. The vessel's hull can break up 1-meter-thick ice formations. The Moskva is the first icebreaker with a diesel-electric power plant to be built at a Russian shipyard in 32 years. During that time, all Russia's non-nuclear icebreakers were built abroad.

- RUSSIA FOR CHANGING GLOBAL FINANCIAL ARCHITECTURE - PUTIN

/OCT 30/Itar-Tass/

Russia proposes changing the global financial architecture to cope with the existing problems, Russian Prime Minister Vladimir Putin said at the meeting of the Council of Heads of Government of member states of the Shanghai Cooperation Organization (SCO).

"In order to cope with the existing problems Russia offers its participation in changing the global financial architecture so that it should be capable of ensuring stability and prosperity in the world, ensuring progress," he said.

"The present turmoil in the global economy and on the world financial markets points to tectonic shifts in the structure of international relations; the flawed nature of monopolism has been manifested clearly in world finances and in the policy of economic egoism," Putin added. "In these conditions the collective structures of global management will have to act as arbiters, ensuring compatibility of their economic strategies," the premier stressed. He said, "The time has come when the solution of world problems must become part of national development strategies." "This will require a fresh outlook, fresh approaches, the ability to take into consideration and integrate the interests of all groups of countries," he added. This precisely, Putin believes, "is the earnest of building a more stable democratic and equitable basis for international relations."

"A qualitatively new geopolitical situation shapes right before our eyes, when new centres of economic growth and political influence are rapidly consolidated," the premier noted. "Our meeting takes place against a complicated international background, when the world has embarked on a very important period of development whose main content is the formation of a multi-polar financial system," he stressed.

- RUSSIA'S VEB TO INVEST \$185 MLN DAILY IN RUSSIAN STOCK MARKET

/OCT 30/RIA Novosti/

Russia's state-controlled Vnesheconombank (VEB) will invest up to 5 billion rubles (\$184.5 million) daily on the Russian stock market to ease the effects of the ongoing global financial crisis, VEB chairman Vladimir Dmitriyev said. The global credit crunch, sparked by the subprime mortgage crisis in the United States, quickly spread to Asia and Europe leading to record losses on global financial markets and a worldwide liquidity shortage.

The Russian government has allocated 175 billion rubles (\$6.5 billion) from the National Prosperity Fund to national development bank VEB to buy the stocks of leading Russian companies with strong credit ratings to shore up the liquidity of domestic businesses.

"We have spent around 20 billion rubles [\$740 million] on shares and around 5 billion rubles [\$185 million] on bonds of highly reliable Russian issuers. Our plans are about the same: to use resources from the National Prosperity Fund to diversify it and support the Russian financial market. The volume of investment will depend on the behavior of our bourses and share prices," Dmitriyev said.

VEB managers say they coordinate stock market investment with the Russian Finance Ministry in terms of the expediency of the operations, their volume, and the list of eligible companies and investment instruments.

- IRAN PLANS TO BUILD RUSSIAN KA-32 HELICOPTERS UNDER LICENSE

/OCT 29/RIA Novosti/

Iran is planning to manufacture over 50 Russian-designed Ka-32 helicopters under a production license, an Iranian aircraft industry official said on Wednesday.

Ka-32 is a civilian version of the Russian Ka-27 military helicopter developed by the Kamov design bureau.

"We have long been considering the Kamov helicopter manufacturer as our partner...and we are planning to sign a contract on the licensed production of at least 50 Ka-32 helicopters [in Iran]," the managing director of Iran Aviation Industries Organization (IAIO), Majid Hedayat, said at the Iran Air Show 2008.

Ka-32 is a 12-ton aircraft that can carry up to four tons of payload. It can stay in the air about four hours per sortie and cruises at 205 kilometers an hour. The Ka-27 has been used by the Russian navy since the 1970s.

There are fears in the West that with the ability to manufacture the Ka-32, Iran could easily convert them back to their original Ka-27 military configuration.

IAIO will also manufacture 100 advanced Tu-214 and Tu-204 airliners with a 210-passenger capacity in cooperation with Russia within the next 10 years.

- KAZAKH LEADER EXPECTS SURGE IN INVESTMENT WITH RUSSIA

/OCT 30/RIA Novosti/

Kazakhstan's president told Russia's prime minister on Thursday that under current plans, two-way investment between the countries will rise to \$40 billion.

President Nursultan Nazarbayev met with Prime Minister Vladimir Putin on the sidelines of a meeting in Astana between the heads of government of Shanghai Cooperation Organization (SCO) member states, comprising Russia, China, and four Central Asian countries.

"The investment program between Kazakhstan and Russia will in the future reach \$40 billion," Nazarbayev said.

Among major new cooperation deals between the countries, the Kazakh leader singled out a newly signed memorandum of interaction between Russian rail equipment manufacturer Transmashholding and Kazakh national rail company Temir Zholi, on building cargo and passenger railroad cars.

He also noted Russian mining and metals company Mechel's role in Kazakhstan, and mineral and chemical company Eurochem's fertilizer production in the Central Asian country as key projects.

Putin also highlighted progress in trade and cooperation between the countries.

Despite the ongoing financial crisis, "our interaction has been developing progressively. This year we reached new levels - trade is at around \$14 billion, and growth this year has exceeded 28%. This is a very good result," he said.

"On the whole, we consider the cooperation prospects between Kazakhstan and Russia to be very positive," Putin said.

The SCO, widely seen as a counterweight to NATO's influence in Eurasia, comprises Russia, China, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan. The group primarily addresses security issues, but has recently moved to embrace economic and energy projects.

- GAZPROM, ENI, ENEL AGREE TO DEVELOP RUSSIAN ASSETS

/OCT 30/RIA Novosti/

Gazprom, Italian electricity company Eni, and oil and gas giant Enel have agreed to develop Italian assets in Russia, the Russian energy giant said on Thursday.

Eni CEO Paolo Scaroni, Enel CEO Fulvio Conti and Gazprom chief Alexei Miller met in Rome to agree on further implementation of the partnership between the three companies.

The parties signed agreements to develop the Russian assets of Arctic Gas and Urengoil.

Eni and Enel acquired the northwest Siberian deposits in 2007 through liquidation auctions of the now defunct Russian oil company Yukos. For this purpose, the Italian companies invested \$852 million in April 2007 in setting up a joint venture, SeverEnergia (formerly Enineftegaz), 60% owned by Eni and 40% by Enel.

Moreover, Gazprom signed further agreements undertaking commitments to acquire a stake in SeverEnergia, as established by the 2006 strategic agreement.

"Eni, Enel and Gazprom will immediately work towards having the asset development plans approved together with the consequent adjustment of the mineral licenses," the Italian companies said in their news releases.

Italy's natural gas market is the third largest in Europe after the United Kingdom and Germany. Natural gas accounts for more than 30% of the Italian energy balance. Russia and Algeria are the main gas suppliers to the country. Italy is the second largest importer of Russian gas in Europe. The country received almost 22 billion cubic meters of gas from Gazprom in 2007.

Italian Prime Minister Silvio Berlusconi and Russian President Dmitry Medvedev will meet in Moscow on November 6 during bilateral intergovernmental consultations.

- ITALY'S ALENIA COULD CLINCH DEAL FOR STAKE IN SUKHOI BY YEAREND

/OCT 30/RIA Novosti/

Italy's Alenia Aeronautica could conclude its deal to buy a 25%-plus-one-share stake in Sukhoi Civil Aircraft by yearend, the Russian industry and trade minister said in Italy on Thursday.

"This will be another important demonstration of the expansion of our investment cooperation, which has become a two-way street," Viktor Khristenko said after talks with Italian Economic Development Minister Claudio Scajola. Sukhoi Civil Aircraft is a subsidiary of Russian aircraft manufacturer Sukhoi, founded in 2000 to implement Sukhoi's civilian projects.

Khristenko noted that several years ago the two countries started working together on the ambitious project to build a completely new passenger airliner.

The Superjet 100 project is a family of medium-haul passenger aircraft developed by the Sukhoi Design Bureau in cooperation with major U.S. and European aviation corporations.

Sukhoi has said there are at least 100 firm orders for the aircraft, which should complete certification flights in the second half of 2009.

- PUTIN SEEKS TO FURTHER BUILD TIES WITH IRAN

/OCT 30/RIA Novosti/

Prime Minister Vladimir Putin said on Thursday that Russia and Iran must continue to develop bilateral and multilateral projects, and welcomed Iran's contribution to the Shanghai Cooperation Organization (SCO).

Putin met with Iranian First Vice President Parviz Davoodi on the sidelines of a meeting in Kazakhstan between the heads of government of SCO member states, comprising Russia, China, and four Central Asian countries.

"Our relations are developing in a diversified manner in many directions," Putin said.

He noted the countries' strong political ties, growing trade, which has reached \$3.5 billion, and the large number of "perspective projects in bilateral as well as multilateral formats".

On Iran's observer role in the SCO, Putin said: "we have welcomed Iran's

participation in this international organization from the outset."

The SCO, widely seen as a counterweight to NATO's influence in Eurasia, comprises Russia, China, Kazakhstan, Tajikistan, Kyrgyzstan, and Uzbekistan. The group primarily addresses security issues, but has recently moved to embrace economic and energy projects.

Iran and Pakistan, who have held observer status in the SCO since 2005, previously announced their desire to become permanent members of the organization, but their request was not considered at a SCO foreign ministers meeting in Tajikistan on July 25.

Russia and China have been cautious over admitting Iran, embroiled in a long-running dispute with the West and Israel over its nuclear program and alleged support for radical groups in Lebanon and other countries.

Both China and Russia have major commercial interests in Iran. China wants Iranian oil and gas, and to sell weapons and other goods to the country, while Moscow hopes to sell more weapons and nuclear energy technology to Tehran. The Kremlin also needs Iran's endorsement for a multinational arrangement to exploit the Caspian Sea's energy resources.

The other observers in the group are India and Mongolia.

- CHINA LEG OF SIBERIA OIL PIPELINE TO COST \$600 MLN - TRANSNEFT

/OCT 30/RIA Novosti/

The construction cost of a branch of the East Siberia-Pacific Ocean (ESPO) pipeline to pump oil to China is estimated at \$600 million in current prices, the pipeline operator Transneft said on Thursday.

Russia and China signed on Tuesday an agreement for the construction of a pipeline branch to the energy-hungry Asian giant. The construction could start later this year. The branch, to run from Skovorodino to the Chinese border, would have a capacity of 15 million tons (110 million barrels) of oil a year. The ESPO pipeline is designed to pump up to 1.6 million barrels (220,000 tons) of crude per day from Siberia to Russia's Far East and then on to China and the Asia-Pacific region. A 1,100-km (680-mile) stretch of the pipeline was opened in early October in Russia's Far Eastern republic of Yakutia.

ESPO's first stage envisages the construction of a 2,757-kilometer (1,713-mile) section with a capacity of 30 million tons (220 million barrels) of oil per year. It will link Taishet, in East Siberia's Irkutsk Region, to Skovorodino, in the Amur Region, in Russia's Far East.

The second stretch will run 2,100 kilometers (1,304 miles) from Skovorodino to the Pacific. It will pump 50 million tons (367.5 million barrels) of oil annually. The Taishet-Skovorodino capacity will later be raised to 80 million tons (588 million barrels).

- RUSSIA STARTS DRILLING FOR VENEZUELAN GAS

/OCT 31/RIA Novosti/

A Russian drilling platform has started extracting natural gas in the Gulf of Venezuela, the Latin American country's communications ministry said on Friday.

The work is being carried out by Russia's state-owned gas giant Gazprom, which won a tender for the development of Urumaco 1 and Urumaco 2 gas fields under the Rafael Urdaneta project.

The ministry quoted President Hugo Chavez as saying; "The gas will be used for the development of western Venezuela. We also have plans to build a natural gas liquefying plant."

To develop the fields, with 100 million cubic meters of proven gas reserves, Gazprom has established two joint ventures - UrdanetaGazprom-1 S.A. and UrdanetaGazprom-2 S.A. - with Venezuelan gas monopoly Petroleos de Venezuela S.A.

Chavez also said that a few Russian military vessels, including a cruiser and

several submarines, would soon arrive in the region for a joint exercise with the Venezuelan Navy.

- RUSSIA STARTS PREPARATIONS TO LAUNCH U.S. TELECOMS SATELLITE

/OCT 31/RIA Novosti/

Russian space technicians have started preparations for the launch of a Zenit carrier rocket with a U.S. Telstar telecom satellite on board, Russia's space agency said on Friday.

A Zenith-3SLB carrier rocket equipped with a DM-SLB booster is scheduled to lift off from the Baikonur space center in Kazakhstan at the end of December. "A preliminary assessment of the launch facilities at Baikonur was carried out this week in preparation for the launch of the Telstar 11N satellite," the agency said in a statement.

The Telstar 11N, built by Space Systems/Loral for Loral Skynet telecoms company, will provide services from 39 high-power Ku-band transponders spread across four different geographic beams in each of North and Central America, Europe, Africa and the maritime Atlantic Ocean Region.

The Zenit-3SLB is a modernized three-stage version of the Zenit-3SL, which was previously used at Sea Launch's floating platform in the Pacific Ocean.

- RUSSIA OFFERS BRAZIL NEW URANIUM PRODUCTION TECHNOLOGIES

/OCT 31/RIA Novosti/

Russia has offered Brazil modern methods for the production of uranium, new nuclear power plants and superconducting technologies, the CEO of the Rosatom state nuclear corporation said Friday.

"The first direction of cooperation is the prospecting and production of natural uranium," said Sergei Kiriyyenko, who is in Brazil to lead the Russia Days events.

Kiriyyenko said 25-30% of Brazil's territory had been surveyed at shallow depths for uranium deposits, and even such a limited search showed reserves of 350,000 tons, putting Brazil sixth globally.

"We have a firm conviction that if modern technologies were used here [and Russia has deep prospecting technologies], then natural uranium reserves in Brazil could be increased by many times, at least threefold but possibly five- or tenfold," he said.

Kiriyyenko also said the two countries could cooperate in the nuclear sphere. Touching upon the power transmission problem, he said Brazil has "a very big interest in low-temperature conductors," while Russia is a world leader in superconducting technologies and is ready to share its experience.

Kiriyyenko said Russian-Brazilian trade would soon exceed \$10 billion annually.