

## Northwest Russia: Facts and Events

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### Social and Economic Results of the Year 2003

According to preliminary estimations, the GDP growth in Russia in 2003 constituted 6.6%, with the volume of industrial production increasing by 6.7% as compared to 2002. Gold and foreign currency reserves of the Central Bank went up by USD 70 billion. The salary and pension payments, taking inflation into account, increased by 11% and 7% respectively. The inflation constituted 12%. Over the year 2003 Russia paid off USD 17 billion of its external debt.

*Source: Metro newspaper*

### Well-being of St. Petersburg Inhabitants Has Grown

Such conclusion was drawn by the St. Petersburg Office of the Russian Federal Tax Ministry analyzing the preliminary results of the year 2003. According to estimations, tax revenues to be collected from physical persons will increase by 27% going up to 21 billion roubles, which equals approximately to USD 700 million. Taxes levied upon the incomes of physical persons account for a total of 36% of the St. Petersburg city budget, while formerly such revenues constituted 12-14%. According to the Deputy Head of the St. Petersburg Tax Office Vladimir Krasavin, the growth of the well-being of the St. Petersburg inhabitants is also proved by the 25% increase in the number of real estate transactions.

*Source: Metro newspaper*

### Plans for Merger between St. Petersburg and Leningrad Oblast Cancelled

A joint press conference of the Leningrad Oblast Governor Valery Serdukov and the Chairman of the Leningrad Oblast Legislative Assembly Kirill Polyakov was held on 23 December 2003. In particular, it was announced that the Legislative Assembly of the Leningrad Oblast would not consider the question of merger between Leningrad Oblast and St. Petersburg. According to Kirill

Polyakov, at the recent meeting with the representatives of the regional legislative bodies President Putin explained that it is necessary to merge the smaller subjects of the Russian Federation, firstly, those having a deficit budget, with the donor regions. Both St. Petersburg and the Leningrad Oblast are donor regions and there is no sense in uniting them. Kirill Polyakov also stated that common questions need to be solved jointly and mentioned the plans for establishing a special commission uniting the representatives of the two Legislative Assemblies for solving these common questions.

*Source: Delovoy Peterburg*

### **Committee on Investments and Strategic Projects**

In December 2003 a new committee within the St. Petersburg City administrative structure was established. The Committee on Investments and Strategic Projects will take care of the whole scope of investment issues ranging from preparation of a building site to choice of a general contractor. The Committee will also develop a new strategy towards investors. To the Chairman of the new Committee was appointed Andrey Mikhajlenko, former General Director of Telekominvest, one of the larger telecom enterprises in Russia. According to Mr. Mikhailenko, St. Petersburg needs a united interface for business investors. The internal administrative procedures related to investments should be made transparent and efficient. The City of St. Petersburg should provide information and consulting services to investors in accordance with 'one-window principle' where all the necessary information is made available through one channel. The Chairman of the Committee also mentioned that such a system had already proved to be very successful in Leningrad Oblast.

*Source: Delovoy Peterburg*

### **St. Petersburg Population Register**

The automatic information system *State Register of St. Petersburg Population* was approved by the state interdepartmental committee in the end of December 2003. The operation testing of the system starts in the beginning of 2004.

This unique hardware and software system ordered by the City of St. Petersburg will enable setting up and maintaining the databases of the St. Petersburg inhabitants. In the future, it will become a part of the national system *State Population Register of the Russian Federation*. St. Petersburg is the first subject of the Russian Federation that has got such a system. Its technical solution is based on a powerful server protected from unendorsed access.

Due to the current lack of legal framework regulating the operations of the register, test data arrays will be first used within the system, with few exceptions. Thus, an exception will be made for the part of the system covering the real data from the civilian registry offices.

The primary task now is to back up the new information system with an adequate legal framework.

*Source: Newsletter of the City of St. Petersburg*

### **New Russian Currency Legislation**

A new Federal Law "On Currency Regulation and Currency Control" will take effect in Russia on 18 June 2004.

The methods of the state control of currency transactions performed by Russian residents and non-residents will change. Public and individual permits generally required for most foreign currency transactions will be abolished. At the same time, certain transactions described in the law may be subject to specific procedures as established by the Government and the Central Bank of the Russian Federation. These procedures primarily require using special bank accounts for reservation of a certain percentage of the transaction amount for a certain period of time. Some categories of loans, settlements for goods and services and some other transactions are described as potentially controllable. The control over currency transactions is declared temporary and will terminate on 1 January 2007.

Russian residents (legal entities as well as individuals) will be able to open bank accounts in banks outside Russia on rather liberal conditions.

The new law also stipulates an important principle that protects the rights of persons performing currency transactions: all ambiguities and inconsistencies of currency legislation that cannot be reconciled shall be interpreted to the advantage of these persons.

Contact person: Maxim Pogorelov, PricewaterhouseCoopers CIS Law Offices B.V, e-mail [maxim.pogorelov@ru.pwc.com](mailto:maxim.pogorelov@ru.pwc.com)

### **IKEA Planning to Increase Number of Russian Suppliers**

Hans-Göran Stennert, Chairman of the Board of the INGK Holding B.V. (a structure within the IKEA Group) confirmed IKEA's intention to increase the number of Russian producers supplying goods for IKEA round the world by four times. At present Russia accounts for only 1,5% of IKEA's total purchases, whereas the Concern's management would like to increase this figure up to 10%. Today IKEA works with 50 Russian suppliers, but intends to extend this network to 200 companies. IKEA also plans to open three new stores in Russia annually.

Source: *Delovoy Petersburg*

### **Financing for the Southeastern Wastewater Treatment Plant Acquired**

European Investment Bank and the St. Petersburg water supply company Vodokanal signed an agreement on loan allocation in amount of Euro 25 million to finance the construction of Southeastern wastewater treatment facilities. This agreement marked the final stage in the process of forming the complete package for the project financing. A substantial financial input into the project was also made by the Governments of Finland and Sweden that contributed with Euro 10 million and Euro 10,8 million respectively.

Source: *Metro newspaper*

### **Petmol Invested \$15 million in Tetra Pak Equipment**

Petmol, one of the largest dairy food enterprises in Northwest Russia, will by summer 2004 launch three new technology lines based on Tetra Pak equipment. 15 new products are scheduled to be running by the end of the year. According to Valentin Polyakov, General Director, Petmol's contract with Tetra Pak is considered to be the biggest one for the Swedish enterprise. Equipment for \$15.5 million is being leased to Petmol, which will pay for it by monthly installments during the next 5 years. The first payment comprised from 10 to 15% of total contract value. Apart from Tetra Pak equipment, Petmol is also planning to install a French bottling plant. By 2005, when all three new lines have started working at full capacity, Petmol forecasts increase in the turnover by 40% compared to 2003.

Source: *Delovoy Peterburg*

### **Jewelry Trade Fair Junwex 2004 in St. Petersburg**

The XII International jewelry fair *Junwex* organized by the exhibition company Restec is taking place at Lenexpo center in St. Petersburg on 11-15 February 2004. At the 70<sup>th</sup> congress of the International Trade Fair Association UFI, held in October 2003, this fair was awarded the UFI sign, which is an internationally established quality mark for trade fairs.

The fair organizer invites exhibitors and visitors to take part in the oncoming event.

Contact person: Elena Chetyrkina, Restec company, e-mail [market@restec.ru](mailto:market@restec.ru)

### **Staraya Ladoga Ranks Highest in Leningrad Oblast Incoming Sector**

The meeting of the Leningrad oblast Tourism Council was held on 22 December 2003. Vice-Governor Nikolay Pustotin mentioned in his speech that the primary task faced by the Leningrad Oblast in the field of tourism development is to attract investments into the region's incoming sector and promote the specific projects for this purpose.

The number of travel companies registered in Leningrad oblast annually grows. A total of 106 travel businesses operated in Leningrad oblast in 2003, with 70 companies involved in outgoing travel activities, and 73 – in incoming tourism and destination management.

Staraya Ladoga was mentioned as the focal destination of the year 2003 with its profits being the highest in the incoming sector of the region. The number of tourists visiting Staraya Ladoga in 2003 increased by several times as compared to the previous year. As a result, tax revenues from tourism in the municipal budget equaled the amount of funding allocated to the town by the Government of the Leningrad oblast.

*Source: RATANEWS, Russian electronic newsletter for the travel branch*

### **Staraya Ladoga Archeological Exhibition**

The museum *700 Years: Landskrona, Neva Mouth, Nyenskans* seeks partners for arranging a new archeological exhibition *Staraya Ladoga Antiquities*.

One thousand years ago Staraya Ladoga, which is considered to be the first state capital of historical Russia, was a prosperous town, harbour and hub for international trade fleets. It was in Staraya Ladoga that, according to the annalistic sources, Viking Rurik landed at in 862 and became the founder of the dynasty ruling in Russia for centuries to follow.

The archeological exhibition is supposed to cover such themes as international trade relations, interethnic settlements, the conflict between paganism and Christianity, as well as arms, wars and everyday life of people. The exhibition is planned to be open in February 2004.

*Contact person: Sophia Kasym, Nyenskans Museum, [sophia\\_kasim@spb700.som](mailto:sophia_kasim@spb700.som)*

### **Biggest of Currently Operating Bells in Russia Left for Moscow Region**

On 10 January 2004 a bell from St. Petersburg started its journey towards the monastery Saint Trinity Lavra in Sergiev Posad, one of the Moscow suburbs. The biggest (4.5 m high, 4.55 m in diameter, and 72 tons in weight) of all the operating bells in Russia was cast on 10 September 2003 at Baltiysky factory in St. Petersburg. Local specialists made it especially tuneful and shockproof, so that it is possible to ring the bell even in hard frosts. At Eastertide it will be raised to the bell tower, and on Whitsunday the bell will make its first F –sharp sound. Together with two other bells in Lavra it will form a wonderful major triad: B – D-sharp – F-sharp.

*Source: Komsomolskaya Pravda*

*The archive of the newsletters can be found at <http://www.stockholmregion.org/tpl/topic.asp?ID=457>*

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*Stockholm Region Office in St. Petersburg*  
 Visiting address: Nevsky 1  
 Postal address: BOX 1005, 190000, St. Petersburg  
 tel.: +7-812-314 68 18, fax: +7-812-314 68 53  
 e-mail: [stockholm.office@stockholm.spb.ru](mailto:stockholm.office@stockholm.spb.ru)