

WHEN YOU NEED TO BE SURE

SGS

SGS GOST Newsletter

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Dear Reader

In this issue of the SGS GOST Newsletter you will find as before the latest regulatory and market news, update on SGS activities as well as business practices with regard to Russian / CIS certification.

Sincerely Yours,
SGS Team for Russian / CIS Certification

1. In focus: laws & regulations

New GOST R standards came into force

The Russian Federal Agency for Technical Regulation and Metrology (Rostekhnregulirovaniye) approved of new GOST R standards coming into force on July 1, 2006 for such products as electric hand-tools, glass containers, functional foodstuff, make-up, milk products, instant noodles, medical electrical equipment and some other.

Russian Customs product list updated

As per the Letter №01-06/19028 dated on June 2, 2006, the Federal Customs Service of Russia updated the list of products requiring mandatory GOST R certification for customs clearance. In particular, the following items have been excluded from the list: fur skins not intended for retail; fabrics containing over 50% of natural fibers and intended for retail; devices for measuring or control of heat level; manual holdfast.

As per the Letter №01-06/29166 dated on August 21, 2006, the Federal Customs Service of Russia updated the list of products requiring Sanitary-Epidemiological Conclusions for customs clearance. The following items have been excluded from the list: napkins for automobile care; paper bags and other gift packaging accessories; artificial flowers; chemicals used as laboratory reagents; rubber stretch expanders for fitness; laminated wooden panels; umbrellas, pens, bags, belts, flags and some other.

Effecting the Law on Technical Regulation

On June 2, the Russian Prime-Minister Mikhail Fradkov signed the Decree amending the program for developing technical regulations in 2006-2008. According to the Decree, each Ministry has been assigned personal responsibility for development of technical regulations for relevant industry. The period allocated to preparation of one regulation has been extended up to 1.5-2 years. The number of technical regulations to be developed by 2010 increased up to 181.

All new technical regulations will be grouped by industry or type of activity within a certain regulat-

ing system. As anticipated by Marina Glazatova, Head of Department for Technical Regulation and Metrology at the Russian Ministry for Industry and Energy, about 30 regulating systems will be formed. So far, 5 systems have been approved by Governmental Commission for Technical Regulation as follows: electrical energy, aerospace, construction, railway transportation and fire safety.

So far, just 1 regulation has been approved (regarding automobile emissions of harmful substances), and over 40 are currently being considered by the Russian Government.

CCI to work over recognition of certificates

On August 4, cooperation agreement was signed between the Russian Chamber of Commerce and Industry and Rostekhnregulirovaniye. The agreement specifies key joint activities as follows: development of laboratory infrastructure; improvement of voluntary certification system; achievement of Russian certificates recognition worldwide.

New standards in Ukraine

As declared on July 22 by the State Committee on Technical Regulation and Consumer Policy of Ukraine (Gospotrebstandard), by the end of 2006, 1500 national standards will have been harmonized with international norms. Since July 1st, new standards for the following food products have taken effect in Ukraine: cereals, processed meat, butter, spreads, cheese. The Ukrainian Cabinet charged Gospotrebstandard with developing 1800 harmonized standards in 2007. Right now there are 3,322 standards in Ukraine harmonized with international norms.

Declaration to be launched in Ukraine

Gospotrebstandard intends to revise the list of products liable to mandatory certification by excluding low-risk product categories from the list. As a consequence, the low-risk products will be subject to mandatory Declaration of Conformity.

2. On market track: trade & investments

Strengthening of the Ruble boosts imports

According to the Russian Federal Customs Service, in January-August 2006, imports from non-CIS countries to Russia accounted for 67,31 bln \$ and increased by 40,5% vs same period in 2005. In August 2006, imports from non-CIS reached 10,25 bln \$.

Market experts notice that Russian goods are being pressed by imports due to strengthening of the ruble: during 8 first months of 2006 its exchange rate against USD has increased by 11.3%, against Euro – by 5.5%. One of the key reasons for ruble's strengthening are high oil prices. The

Ministry for Finance has drafted a number of proposals to restrain the ruble's growth.

G8 held in St. Petersburg

On July 15-17, the G8 summit took place in St. Petersburg. For the first time in G8 history Russia has presided over the summit. The main items on its agenda have been energy safety, infectious diseases and education.

As a result of the meeting, over 15 documents have been adopted, including "Fight against high level corruption" and "Fight against intellectual property fraud and counterfeit products".

3. What's new with SGS

Integrated offer to Oil & Gas

In June, SGS took part in the largest Russian Oil & Gas trade fair in Moscow NEFTEGAZ-2006. Visitors had the opportunity to get to know the unique SGS solutions to Oil & Gas industry at each stage of the supply chain: procurement, production, refining, logistics and trade. [More](#)

Belgian Economic Mission to Russia

SGS participated to a large Belgian Economic Mission to Russia, regrouping 213 entrepreneurs and managers from Belgium developing business with Russia and 43 officials. The Mission was headed by His Royal Highness Prince Philippe of Belgium. A number of Russian-Belgian investment projects have been discussed in the course of the visit.

Food laboratory re-accredited in Hungary

In August, SGS Hungarian laboratory has been successfully audited for the purpose of GOST R re-accreditation. The SGS laboratory in Hungary (located in Nyíregyháza and in Budapest) has been working in the framework of GOST R system since 1993. The scope of its accreditation includes foodstuff and agricultural raw materials.

France to host seminar on investing in Russia

On October 17, SGS France will deliver a seminar focused on industrial investment and exports of equipment to Russia in partnership with the French Industrial Mechanical Federation (FIM). [More](#)

4. Customer's point of view

Brand owners to assume certification function

Lately, a number of European luxury brand owners present in Russia for many years have cancelled agreements with their Russian distributors and started independent operations in the Russian market.

The key reasons for that are achievement by local business of a sufficient maturity level and evidence of the high profitability, so far enjoyed by importers. In fact, de luxe market in Russia is estimated at 2,4 bln Euro and anticipated to double by 2008 (*Source: Bain & Co*).

As a consequence, brand owners tend to control product certification process on their own, not

delegating this function to their Russian partners any more.

The same trend has been observed in market segments other than de luxe. At first, agents used to handle any regulatory requirements for imported goods. But after gaining some experience of selling in Russia, exporters realize that the company being "Holder" of Russian certificates actually decides on the whole marketing strategy in Russia. This means control over margins, control over distribution and control over product quality in the Russian territory. Hence, gradually, more exporters to Russia start getting statutory certificates and permits in their company's name.