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BISNIS

SEARCH FOR PARTNERS

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The Business Information Service for the Newly Independent States (BISNIS) is the U.S. Government's clearing-house for trade and investment information on the Newly Independent States of the former Soviet Union.

*BISNIS publishes **SEARCH FOR PARTNERS** to help U.S. companies find investment opportunities in the expanding markets of the former Soviet Union.*

***SEARCH FOR PARTNERS** is also distributed via bi-weekly e-mail broadcast. A limited selection of these leads are published in this monthly newsletter. Previous e-mail broadcasts are available through the BISNIS home page at www.bisnis.doc.gov. To receive the biweekly report, e-mail BISNIS at bisnis@ita.doc.gov or call (202) 482-4655.*

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AZERBAIJAN

Industry: Waste Processing

Company: Vtorresources

Vtorresources was established in 1965 and privatized in 1997. Currently, it employs 52 people. The company owns 14,700 sq. m. of office and production space and 3.4 hectares of land, some of which is leased to other companies. Vtorresources owns an administrative complex (1,820 sq. m.). The company's production space occupies 4,300 sq. m., while a covered warehouse occupies an additional 2,200 sq. m.. The company specializes in processing production waste, including secondary tissue, mackle-paper, chemical waste, glassware, and tires. In addition, the company is involved in repairing and manufacturing wooden and pasteboard packages and selling construction materials. The company processes up to 1,800 - 2,000 tons of waste annually. Its local clients (10 percent) include private companies, government agencies, and foreign companies. Ninety percent of the company's customer base is located in Russia, Ukraine, Georgia, and Turkey. The company has established strong business ties with Kubankrovlya (Russia), The Kiev Paper Factory (Ukraine), Gruzbumprom (Georgia), and with several Turkish companies. Vtorresources has a monopoly on waste processing in Azerbaijan. The company was awarded the "American Grand-Pris" by the Coordinating Council of the Canadian National Institute for Marketing.

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Vtorresources seeks a joint venture with a U.S. company to produce paper and cardboard from recycled materials. The company will contribute its manufacturing and warehousing facilities, office space, guaranteed supply of raw materials, work force, and its established customer base. A U.S. partner would supply equipment and partial financing. A business plan in Russian is available upon request. The company can conduct business in English. Its financial statements were audited by the tax authorities of Azerbaijan.

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Source: BISNIS Representative in Azerbaijan

KAZAKHSTAN

Industry: Agribusiness

Company: Rahat Group

The Kazakhstani-Austrian joint venture Rahat Group (85 percent Kazakhstani, 15 percent Austrian) was established in

1992 with US\$100 million in charter capital. The joint venture was created to build Almaty's first five-star hotel — The Hyatt Rahat Palace. During the past six years, the Rahat Group has grown to include 16 subsidiaries. It employs more than 1,700 people; its annual turnover totals US\$100 million. The firm has very strong government contacts and extensive international business experience. The Rahat Group includes: Rahat Securities (securities services for corporate clients and individuals); Rahat Art (advertising and publishing); Rahat Trade (two trading houses); Rahat Metals (trading in metals and raw materials); Rahat Exchange (currency operations); Rahat TV (television channel); Rahat Invest; Rahat Boutique (clothing); Casino Plaza; Rahat Transservice (transportation services, catering, hotel supplies); Rahat Disco (production and bottling of vodka and mineral water); Rahat Air Company-Gyatzint (charter flights to Turkey, Malaysia, Singapore, U.A.E.); Ersultan (trading and construction); Rahat Travel International; Nusipjeanov and Co Ltd. (pharmacy); and Rahat Telecom. In 1997, Rahat Group acquired a farm, Uchkhoz Aksay located approximately 10 kilometers from Almaty. The farm specializes in growing wheat, fodder-grass, and animal breeding (cows, horses). The farm has 50 workers. It occupies 1,000 hectares of land. In addition, Uchkhoz Aksay has a horse farm with 40 Arabian and English thoroughbreds. The firm plans to expand its business to include a hippodrome.

Rahat seeks a U.S. joint venture partner to develop the farm, establish milk and meat processing plants, and grow and process rice, corn, and other crops. A business plan in Russian and English are available upon request. The firm can conduct business in English.

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Source: BISNIS Representative in Kazakhstan



Industry: Mining

Company: Alash

Alash, one of the largest private Kazakhstani mining companies, was established in 1994. Alash specializes in developing mineral deposits in Kazakhstan in quartzite, limestone, manganese, and other ore processing. Since 1994, Alash has expanded into a group of companies that includes Centrgeosyemka (Karaganda), UTRU (Karaganda region), Kramds-Quartzit (Karaganda region), Kent (Karaganda), Alash-Sauda (Almaty), Alash-Service (Almaty), Temirtau Chemical Metallurgical Combine (Temirtau), Akmolastroyfaians (Astana), and AlashBank (Almaty). Alash holds more than 20

licenses to explore and develop several large mineral deposits in the country. Alash employs 3,000 people. The company's production volume totaled 1.3 million tons of limestone, 284,000 tons of quartzite concentrate, 50,000 tons of manganese concentrate, 12,000 tons of calcium carbide, and 1,000 tons of slack and burnt lime. According to the company's representative, Alash is the only producer of calcium carbide in Kazakhstan. The largest industrial plants and joint venture companies from Kazakhstan, Russia, Latvia, Lithuania, Uzbekistan, Turkmenistan, and Kyrgyzstan are among the company's clients and business partners. Alash plans to expand its operations to include the production of quality construction materials for Kazakhstan and other CIS countries. The firm is conducting negotiations with equipment suppliers from France, Italy, Germany, Russia, and Byelorussia.

Alash seeks a U.S. partner to produce acetylene soot and soot-based products (ink for printers, toner for cartridges, etc.) from carbide wastes. Alash seeks U.S. technology, production equipment, and financing. The proposed joint venture will be a potential candidate to receive EcoLinks Quick Response Award and Challenge Grant (a new initiative of the U.S. Agency for International Development). The firm will finalize its business plan upon receiving offers from prospective equipment suppliers. The company can conduct business in English.

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Source: BISNIS Representative in Kazakhstan



Industry: Consumer Goods

Company: Aktaza

Established in 1998, Aktaza is a private Kazakhstani commercial and consumer goods manufacturing company that sells metal and metal goods. Aktaza is a subsidiary of Cottony, a Kazakhstani medical cotton wool producer. It also shares its management with Cottony.

Aktaza employs 25 people. In 1999, the firm acquired the Almaty Electrobytpribor (electrical household appliance manufacturing) Plant. According to Aktaza's representative, in Central Asia the plant is the sole manufacturer of electrical household appliances, washing machines, and heaters, all of which are in high demand due to their low prices and simplicity of use, especially in rural and suburban areas of Kazakhstan.

The plant was commissioned in 1987 and reorganized as a joint-stock company in 1994. In 1997, in an effort to attract foreign investors, the plant's economic and financial condition was analyzed by experts with the Technical Assistance to the Commonwealth of Independent States (TACIS) program in Kazakhstan. Several companies from Poland and Malaysia expressed a strong interest in establishing a joint venture but failed to obtain authorization from Kazakhstani authorities. Due to insufficient working capital in 1998, the production volume of the plant fell by 10-12 percent and the number of employees from 120 to 1,500 people.

According to Aktaza's representative, the plant is very well located, has a well-developed infrastructure, and is equipped with unique manufacturing machinery. Aktaza seeks a U.S. long-term joint venture partner to fully rehabilitate and further develop the Almaty Elektropribor Plant, and help Aktaza expand its business to include the production of electrical household appliances in Kazakhstan and neighboring CIS countries. A business plan in Russian and English is available upon request. The company can conduct business in English.

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Source: BISNIS Representative Kazakhstan

CHELYABINSK, RUSSIA

Industry: Food Processing and Packaging Equipment

Company: Agrotechnika

Agrotechnika is a new company that was founded to implement a construction project for a pure-pack packaging production plant. The plant will produce milk packages. Its production volume is projected to be 1 million packs a day. A market study identified Russia's total demand for milk packages to be equal to 1 billion packages a year. The only Russian producer of "tetra-rex" and "tetra-pak" analogs is Lambumiz located in Moscow. The rest is from foreign producers in the Netherlands, Finland, Sweden, and the United States. Most of the domestic dairies will be able to cut their costs by using locally produced packs. The Chelyabinsk Region's annual consumption is 144 million packs. Future customers of the plant's products includes over 100 dairies in the Ural Regions, the Republic of Bashkiria, and Western Siberia.

The project has been under development for three years. Thus, the first stages of the project have already been completed, including feasibility studies and development of a business plan in Russian and English. In addition, the construction site has been selected and planned; the Chelyabinsk Ministry of Economy has examined and approved the project; and

relationships with prospective suppliers and customers have been established. Furthermore, the company has received a confirmation letter from Sberbank's branch in Chelyabinsk that specifies the bank's interest in project participation. Finally, TACIS experts have chosen the project for consideration for EBRD financing. Total project costs are estimated to be US\$17.5 million, including US\$15 million for equipment purchases, and US\$2.5 million for construction of the plant, installation, and start-up costs. The company can provide up to US\$2.5 million for project financing. The company seeks a U.S. partner interested in participating in this project.

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Source: BISNIS Representative in Moscow



Industry: Medical

Company: OTAVA

OTAVA was established in 1991 and is a privately held company. The company retails and wholesales pharmaceuticals in Miass city, Chelyabinsk Oblast. Chelyabinsk is a highly developed industrial oblast with a population of 3.6 million. OTAVA owns six drug stores and employs 25 people.

Russia's financial crisis has priced many imports out of the market. As a result, many local companies seek to begin producing quality medical materials in Russia. There is a lack of reasonably priced quality medical products in the market. Pharmaceuticals and other medical equipment imported into Russia are three to five times more expensive than those produced locally. The high price for imported medicines limits this market.

OTAVA seeks a U.S. company to assist in the production of rubber surgical gloves, condoms, and elastic bandages. The company seeks investment or technology and equipment to start production.

The company will invest in its production facilities. The project is supported by the Miass government.

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Source: BISNIS Representative in Yekaterinburg

KRASNOYARSK, RUSSIA

Industry: Furniture Production

Company: Life

Life, a joint-stock company, was established in 1993. The company specializes in furniture production. Its production is

based on the Kozulsky timber processing plant, located in the Krasnoyarsk Krai. The company employs 102 people, and its annual sales of furniture and semi-products for furniture assembly totals US\$240,000. The company exports its products to Finland, Japan, and China. It plans to expand its business to include the production of high-quality kitchen, bedroom, and dining room furniture (up to 4,000 units per year for each type of furniture).

The company seeks a joint venture with a U.S. partner to produce furniture and market it worldwide. A potential partner would contribute modern equipment.

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Source: BISNIS Representative in Novosibirsk

MOSCOW, RUSSIA

Industry: Telecommunications

Company: TeleRoute Communications

TeleRoute Communications was founded in 1998 and privatized in 1999 as a closed joint-stock company with no state participation. It employs six people. TeleRoute is a telecommunications operator that offers national, long distance, and international connection as well as routing and POTS. The company provides its services primarily to local businesses. The company's sales totaled US\$225,000 in 1998. TeleRoute has a strong presence on the Moscow telecom market. The company owns state-of-the-art technology. Its strategy is based on offering customized solutions to its customers. The company owns technology (a router that optimizes signal distribution among the lines) that allows significant cost cuts. TeleRoute is in negotiations with a number of West European international telecom operators. Ericsson and Bosch, the company's business partners, have provided training to TeleRoute employees. Its general director and technical director successfully completed advanced technical/business training programs in Scandinavia under Ericsson supervision and in Los Angeles, California under Dia Vox's program.

The company is considering a VoIP-based interconnection project. TeleRoute wants to establish a partnership with a U.S.-based telecom operator to serve as a termination facility for the Russian market. TeleRoute generates ca.30,000 minutes of international traffic per month, most of which is routed to U.S. recipients. Meanwhile, the company has the capacity to handle up to 1 million minutes of incoming traffic at highly competitive rates. According to a business plan (available in English upon request), the project will require up to US\$500,000 to expand its service network to the regions. The company will provide partial financing, while a U.S. partner is expected to contribute new technology and equipment. According to their business plan, the project has a payback period of 30 months. TeleRoute has a hard currency account and can conduct business in English. Finally, the company is interested in signing a dealership

agreement with telecom equipment manufacturers and distributors.

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Source: BISNIS Representative in Moscow

NOVGOROD REGION, RUSSIA

Industry: Xylitol Production

Company: Ksilit Corporation

The Ksilit Corporation, located in the Novgorod region (150 miles south of St. Petersburg), along with its partner, New England Enterprises, is seeking a U.S. company to conduct a feasibility study and to submit a formal feasibility study application to the U.S. Trade and Development Agency (TDA) for project financing. Ksilit Corporation has a source of the raw material needed to make polyol sweeteners, particularly xylitol, from birch wood (bark, chips, pulp). It also has a large chemical hydrolysis/Furfural plant which can be adapted for xylitol production. Preliminary marketing research has been conducted by New England Enterprises.

These two companies seek a third company to assist in developing and submitting a feasibility study to submit to TDA.

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Source: New England Enterprises



Industry: Construction

Company: Yekaterinburg Gypsum Plant

Yekaterinburg Gypsum Plant was established in 1957 and is totally privatized. It is one of the largest manufacturers of gypsum in the Sverdlovsk Oblast. The plant occupies about 12 hectares of land and owns its own manufacturing facilities and equipment. The gypsum plant is part of a large construction holding company, Atompromkompleks. Atompromkompleks owns shares in over 40 local companies, specializing in manufacturing, distribution, and construction. Yekaterinburg Gypsum Plant's total sales in 1998 were about US\$1 million. The plant manufactures gypsum, drywall, sidewalk slabs, dry plaster mixtures and other construction materials made of gypsum. The plant began to produce water-soluble interior and exterior paints in 1998, utilizing German components and technology. The firm has previously worked with foreign investors and recently signed a letter of intent with a

Dutch company to manufacture high-quality sidewalk slabs which will conform to European standards.

The Gypsum plant seeks a partner to expand its extraction capabilities. Currently, the plant purchases gypsum, thus making finished products more expensive.

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Source: BISNIS Representative in Yekaterinburg

NOVOSIBIRSK, RUSSIA

Industry: Machinery

Company: Stankosib

Stankosib, an open-stock company, was established in 1934 and privatized in 1990. The company specializes in producing metal-cutting (for 50 years) and wood-working machines (for 8 years), consumer goods made of plastic (for 10 years), gasoline pumps (for 4 years), and technical servicing and sales of Mercedes cars (for 2 years). The company leases its land with a total area of 50,000 sq. m. on a long-term basis, and owns the buildings and equipment located on its land. The company has production space of 32,000 sq. m. and office space of 5,000 sq. m. Its annual sales total US\$1.65 million. The company has international business experience with Tankanlagen Zalskotten (Germany), one of the main European producers of gasoline pumps, and the Mercedes company. The company has strong contacts with the local government.

Stankosib seeks a joint venture with a U.S. partner to produce high-quality gasoline pumps. The planned annual volume of production is 1,100 units. Stankosib will contribute its production, warehousing and office space, other facilities, existing equipment, and qualified work force. The U.S. partner would provide financial investment, other equipment needed to produce the pumps, and modern technology.

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Source: BISNIS Representative in Novosibirsk

PSKOV, RUSSIA

Industry: Timber Processing

Company: Block-Service

Block-Service is a new small company headquartered in Pskov, Russia. The company is planning to satisfy manufacturers' needs for natural quality wood materials and, in the process, build and strengthen its own production of finished furniture for sale to the end consumer. According to the company's business plan, the annual volume sales for all types

of products made from wood will total 13,000 cu. m. The company will have the following scope of work: logging, carriage to timber processing, sawing, drying, and intensive processing of dried board. The company will specialize in producing joined constructions made from wood for the furniture, joiner, and building industries. Product quality will meet DIN standards.

Block-Service is looking for a U.S. partner to start joint production and timber processing. The manufacturing site is located in Novgorod, Russia. According to the company's management, the project has the support of the local government. A detailed business plan is available upon request.

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Source: BISNIS Representative in St. Petersburg

SARATOV, RUSSIA

Industry: Oil and Gas

Company: COMBIN

COMBIN is a small private company founded in 1993 with 32 employees. The company sells liquefied hydro-carbonated gas and converts cars to gas-powered types. The company's annual gas sales total 1,700-2,000 tons. In addition, the company equips approximately 1,000 -1,300 cars with gas-fueled systems per year. The company has reported its annual sales at US\$200,000. It owns office space with 80 sq. m., conversion premises of 1,000 sq. m., and 7 gas filling stations. The company occupies a total area of 10,000 sq. m. COMBIN's primary customers are local companies and individuals. There are 15 other firms in the Saratov Region selling liquefied gas and seven companies equipping vehicles with gas-fueled system. COMBIN, in collaboration with the Saratov Chamber of Commerce, has established the Association of Gas Sellers in the region. The company is an official dealer of the Novogrudsky Plant of Gas Machinery (Belarus). In addition, the company has won a tender from the regional administration and has been assigned the municipal order to convert the municipal transportation to gas-powered vehicles. According to its business plan, COMBIN plans to set up 10-15 new conversion sites and a new depot close to the railway station for shipping, handling, storing, and supplying gas to the existing and planned gas stations. The network will be expanded to cover the rest of the Saratov Region, and the adjacent Tambov and Penza Regions.

The company seeks U.S. partners for this project. The company will contribute its well-developed infrastructure and gas stations, and provide feasibility studies and the construction of new sites. COMBIN is interested in being contacted by U.S. manufacturers and distributors of gas-fueled conversion equipment and equipment for gas stations. The company has strong support from the regional and municipal administrations. It can conduct business in English, and its management has

attended a training program in the U.K. Commercial University's Open School of Business.

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Source: BISNIS Representative in Moscow

ST. PETERSBURG

Industry: Optics

Company: Fokus

Fokus, a joint-stock company, is a small private company located in St. Petersburg, Russia. The company was founded in 1992 and has a staff of 46 employees. Fokus manufactures a broad range of optical details and products, including spherical lenses, colored optical filters, color-dividers, as well as several types of specialized mirrors used in the automotive industry. Over 90 percent of the company's products are exported to Europe, Australia, and North and South America. The company has exported its products overseas for over seven years. The remaining 10 percent of the products are distributed throughout Russia. According to Fokus' management, its sales in 1998 reached US\$650,000.

Fokus is interested in setting up joint production with a similar U.S. company to increase the volume and spectrum of manufactured products on the basis of Fokus' existing facilities and technologies.

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Source: BISNIS Representative in St. Petersburg



Industry: Gas Stations

Company: Phaeton

Phaeton is a medium-sized company located in St. Petersburg, Russia. The company constructed and operates a number of gas service stations in St. Petersburg. Phaeton is planning to build 50 additional gas service stations in St. Petersburg in 1999-2000.

Phaeton is interested in finding a U.S. manufacturer of gasoline pump service stations to provide over 500 gasoline pumps in 1999-2000.

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Source: BISNIS Representative in St. Petersburg

TULA, RUSSIA

Industry: Woodworking/Consumer Goods/ Furniture

Company: Micron; Micretal

Micron and Micretal are two small Tula-based companies that employ 10 and 18 people respectively. Both companies were founded in 1987 with no state participation. Micron specializes in producing wigs and other natural hair-based products. Micretal is an offspring of the Etalon Clock Plant and is the only full-cycle manufacturer of clocks in Russia. Clock-making composes 80 percent of the company's output. In addition, the company assembles and repairs furniture, which is 20 percent of its output. Sales totaled US\$70,000 for each company in 1998. The total work space owned by the two companies totals 450 sq. m. The primary consumers of Micretal's products are regional state and private companies. Micretal is selling clocks at US\$4,000-6,000 a piece to the federal and regional administrations. The company enjoys several tax breaks.

The companies have joined their efforts to attract foreign investors. They are looking for American companies to set up a joint venture to produce high-quality wooden construction materials. A U.S. partner would supply equipment, while the Russian companies will supply their existing production facilities, skilled work force, and technology. In addition, the companies plan to purchase a controlling stake in the Etalon Clock Plant. Finally, Micretal seeks to establish joint clock production with a U.S. clock manufacturer.

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Source: BISNIS Representative in Moscow

TVER REGION, RUSSIA

Industry: Machinery

Company: Stromgeomash

The open joint-stock company Stromgeomash is located off the Moscow-St. Petersburg highway in the city of Tver. Stromgeomash was established in 1993 as a result of the privatization of the Tver Project and Design Bureau. Seventy-six percent of the company's shares belong to the large enterprise Elektrosvyaz.

Stromgeomash is a machine-building and metal processing enterprise that occupies 4,500 sq. m. of production facilities, 648 sq.m. of warehouses, 6,275 sq.m. of office space. The company employs 70 people.

Stromgeomash Director Yuriy Chesalov heads the company's business development. A member of the Russian

Union of Manufacturers, Mr. Chesalov maintains strong relationships with local officials. In addition, Mr. Chesalov works closely with foreign companies. The company has been aggressively pursuing new business opportunities. For example, while making prefabricated houses and press-form, Stromgeomash has constructed a special kiln-drier for decreasing the humidity of exported wood. Currently, Stromgeomash has been chosen as a subcontractor for manufacturing kegs for a well-known Tver brewing company. Eighty to 90 percent of the beer produced in Russia is sold in bottles, but kegs are becoming increasingly popular. Furthermore, Stromgeomash has conducted negotiations with a large Western consumer goods manufacturer to launch the processing of recycled plastic.

The Russian company seeks a U.S. partner to launch production of industrial products in Tver. Stromgeomash can offer its premises, expertise, and favorable location. It can secure credit guarantees from the regional administration. The company can conduct business in English.

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Source: BISNIS Representative of Moscow

VORONEZH REGION, RUSSIA

Industry: Machinery
Company: Borkhimmash

Borkhimmash, a joint-stock company, was established in 1893 and is one of the oldest company in the heat exchange industry. The company was privatized in 1993 and has no state ownership. It employs 1,300 people. The company specializes in producing heat exchange machinery. The machinery it produces has the following technical characteristics: tube casing with fixed lattice, a diameter varying from 159 mm to 1,800 mm, a flexible head, u-shape pipes with diameters varying from 325 mm to 1,200 mm, and allowed pressure of up to 4 Mpa and modifications. Borkhimmash produces heat exchangers, different types of refrigerators, and other commercial equipment, particularly for the oil and gas industry. The company is ISO-90 certified (ISO-9001-94, ASME). Russia's largest enterprises – Gazprom, UES of Russia, NORSI, and Lukoil – account for up to 80 percent of the company's sales. Local oil/gas and, chemical and metallurgical refineries and plants account for 5 percent of sales, while the remaining 15 percent of production output has been exported to Cuba, the Baltic countries, Mongolia, China, and Turkey since 1968. Since it was privatized, the company has generated US\$7 million in revenues with a profit margin of 23 percent. The company's financial statements were audited by a Russian auditing company.

Borkhimmash is looking for an American partner/equity investor to expand its current business.

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Source: BISNIS Representative in Moscow

UKRAINE

Industry: Banking Equipment and Supplies

Company: Ecoproduct

Ecoproduct, established in 1992, specializes in procurement and supplies of packaging and counting equipment for commercial banks and printers and publishers. The company rents 300 sq. m. of space. Its annual sales total approximately US\$700,000. The company's subsidiary Ecoproduct-2 has experience with negotiating a joint organic fertilizer production agreement with a Canadian company, Allied Environmental Modalities Inc., and a Polish company, Zielony Dom.

The company seeks to arrange a distribution agreement and/or start a joint venture to import packaging and equipment supplies for commercial bank operations from U.S. companies.

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Source: BISNIS Representative in Ukraine



Industry: Food Processing
Company: VEHA Ltd.

VEHA Ltd. was established in 1995. The company specializes in wholesale supplies of canned food. It owns 25,000 sq. m. of industrial facilities. Its annual sales total US\$2 million. The company has three years of international business experience in importing processed food with TEC International (Italy), SUCAFINA (Switzerland), Bonduelle (France), Corpora Tresmantes (Chili), and PepsiCo (Poland). The company plans to expand its business to include processing and canning of food locally (tomato paste, canned fruits, juices, etc.). VEHA Ltd. has a food processing plant, built in 1995, which has not started operations yet. The plant is fully equipped but needs some renovation.

VEHA Ltd. seeks a U.S. investor to start production of tomato paste, ketchup, canned fruits, and concentrated juices. A business plan in English is available upon request.

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