



Investors Calm in Face Of a U.S. Default

Most think that the crisis is either unavoidable or unbelievable. **Page 5**

Starbucks to Please Anyone but Smokers

The company draws the line at adapting this particular customer taste in Russia. **Page 4**



Lack of Privacy Won't Hamper Yandex

"It just shows we are doing our job well," founder Volozh says about the leaks. **Page 7**

Coal Miners to Spend Big on Infrastructure

Investment in rail cars and port capacity is needed to satisfy growing demand. **Page 4**

Ex-Yukos Owner Gets Duma Nod

A deputy offers to pay for the trousers that Platon Lebedev was denied parole over. **Page 3**

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EURO	USD	
0.19 39.60	27.59 0.15	0.45% 1,985.11



Dark Clouds Gather Over U.S. Reset

The Kremlin says a U.S. blacklist is worse than the darkest Cold War days, but analysts insist that reasons for optimism remain high.

By **Nikolaus von Twickel**
THE MOSCOW TIMES

Dark storm clouds are collecting over the much-heralded "reset" in U.S.-Russian relations, with both sides working to blacklist the other's officials, new tensions over U.S. missile defense plans,

and a leaked CIA paper supposedly blaming Russia for a bomb blast near the U.S. Embassy in Georgia.

But analysts said it was too early to write off the reset, and that much of this week's disquiet had more to do with both countries' domestic politics than a sharp change in relations.

"The reset will continue, but with irritations, even if the Republicans return to power," said Alexei Malashenko, an analyst with the Carnegie Moscow Center.

This week's cacophony started Tuesday when U.S. media reported that the U.S. State Department had put a number of Russian officials on a visa blacklist

who are thought to be linked to the prison death of lawyer Sergei Magnitsky.

The reports were later confirmed, prompting the Foreign Ministry to announce late Wednesday that Moscow would retaliate to such "hostile steps."

A Kremlin spokeswoman said by telephone Thursday that President Dmitry Medvedev has ordered the Foreign Ministry to prepare measures against U.S. citizens to counter a travel ban against the Russians officials.

The spokeswoman declined further comment but confirmed a statement made by Medvedev's spokeswoman Natalya Timakova to Kommersant, which reported the president's orders Thursday.

Timakova denounced the U.S. blacklist as a step that went beyond the worst days of the Cold War. "We are bewildered by the State Department's position," she said. "No such measures were taken even in the deepest Cold War years."

Medvedev's response might be all the more frustrating for U.S. President Barack Obama because the State Department's authorization of the blacklist was actually a desperate attempt to save the reset with Moscow, which he considers a hallmark of his presidency. His administration had hoped that the blacklist would convince U.S. senators to abandon a bill

See RESET, Page 2



Too hot for flamingoes. This crown-wearing child came to the Moscow Zoo on a family outing, but the heat seems to have sucked out all the fun. He will have less reason to envy the birds' water frolicking this weekend, when rains are to bring cooler temperatures. **Watch a video from the zoo on MT's web site.**

Companies Teach Western Ways to Russians

By **Khristina Narizhnaya**
THE MOSCOW TIMES

Soviet women washed dishes with soda and salt for decades, while men never heard of deodorant and teens scrubbed their pimples with soap and water.

Not anymore. Western consumer goods companies have flooded what remains in many aspects a virgin market, spending tens of millions of dollars to research consumer habits and conduct increasingly elabo-

rate marketing campaigns aimed at selling products that many Russians never imagined needing.

The companies like Reckitt Benckiser, a British consumer goods company that recently rolled out an advertising campaign for Calgonit dishwasher tablets, view their efforts with an educational slant.

"We are launching a comprehensive brand campaign to raise awareness for Reckitt Benckiser in Russia," said Andraea Downs Shepherd, Reckitt Benck-

iser's senior vice president of corporate communications.

Polish consumers, for example, spend six times more on dishwashing tablets, because dishwasher penetration in Russia is very low, according to company research.

Reckitt Benckiser spends about 12 percent of its 300 million euro (\$440 million) revenue from Russia and other former Soviet countries on consumer research, marketing and advertising, said Bruno de Labarre, the company's general manager for the former Soviet Union.

In one of its television commercials, a little girl clutches a "Sleeping Beauty" book as she watches her mother struggle with a sink full of dishes. "She won't read her a bedtime story, she is not a woman, she is a dishwasher," booms an ominous voice, embellished by scary music.

The commercial moves on to women carrying posters proclaiming their desire to be free from washing dishes, "We want to return to our families," the posters read.

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WESTERN WAYS

Continued from Page 1

A package of Calgonit tablets flashes in the end, paired with an offer for a discount to buy a dishwashing machine.

In trying to sell these products, the company has to change consumers' perceptions. In the case of Calgonit, it is changing women's attitude toward washing dishes, which has always been considered a natural part of home life, said Tatyana Komissarova, dean of the Higher School of Economics' School of Business and Marketing.

She said Western companies have succeeded in some areas, such as replacing soda and salt with dishwashing detergent.

"If someone doesn't have it, it's like, are you cheap?" she said.

Washing the floor with just water, as Soviet women did, is also now "nonsense," Komissarova said.

The same goes for Clearasil, the anti-acne treatment made by Reckitt Benckiser. Most teenagers now use Clearasil to treat acne, instead of plain soap just a little over a decade ago.

A marketing campaign for another recently launched Reckitt Benckiser brand, Airwick air freshener, aims to convince Russians to perfume their whole home, not just the bathroom. More than 90 percent of Russians who use air freshener use it strictly in the bathroom, the company's research found.

The best marketing campaign, however, doesn't guarantee a product's success. After the Calgonit TV commercial, Reckitt Benckiser rebranded the dishwashing tablets as Finish.

Reckitt Benckiser hopes for 15 percent annual growth in Russia and the Commonwealth of Independent States and to double sales by 2016.

Unilever, the British-Dutch consumer goods giant, found that the amount of deodorant the average Russian uses per year is less than one unit, which is consider-



COURTESY OF KRAFT FOODS

U.S.-based Kraft Foods hired young people to rap about TUC crackers and hand out samples on Moscow streets.

ably less than in Western Europe, said Yegor Yevteyev, senior brand manager for Rexona, a deodorant brand owned by Unilever.

This is a huge opportunity for the company, which has blanketed Russian television airwaves with a Rexona deodorant commercial in which blond and beautiful pop star Vera Brezhneva asks, "What do you do to be perfect?"

Before kicking off the campaign two years ago, Unilever surveyed Russian women on who they believe to be the perfect woman — successful, beautiful and feminine — and they chose Brezhneva.

"When advertising personal care products, we try to educate the consumer on the necessity of following the basic rules of hygiene," Yevteyev said.

U.S.-based Kraft Foods started a new advertising campaign in April to promote TUC crackers, introduced to the Russian market in February. A special salt and pepper flavor was created to cater to Russian tastes. Besides a television commercial and billboards with the slogan "Always tasty, always with you," the company hired young people to rap about the product on the streets of central Moscow and hand out free samples.

The Russian market provides 3 percent of Kraft's annual revenues and is growing fast, it said.

Before releasing products on the market, companies conduct much painstaking research, and often adjust their merchandise to customer tastes. Company representatives watch shoppers in stores, distribute questionnaires, visit consumers' homes and hold forums to study shopper behavior.

Nestle opened an innovation center last year to study customer behavior more closely. The center includes a mock shopping area, a kitchen and special rooms to

make drinks.

The Swiss-based company has put out several products to meet the needs of the Russian consumer looking for healthier food, including Maggi chicken seasoning, ice cream called 48 Kopeks modeled on a Soviet-era brand and Bystrov Prebio instant hot cereals.

Several years ago, after Procter & Gamble research showed that there is no universal cleaner on the market, the U.S. company introduced Mr. Proper, the Russian version of popular American all-purpose floor cleaner Mr. Clean.

The company also found that Russian consumers are very sensitive toward the smell of the products they use. Procter & Gamble adjusts the smell of household products such as laundry detergent, fabric softener and cleanser to make them more attractive.

There is more competition among companies now and a wider range of products, and Russian consumers have become more aware of what they buy, said Dale Clark, a retail and consumer specialist with PricewaterhouseCoopers.

Advertising has grown significantly in the past 10 years but accelerated in the last five, Clark said.

Begemot advertising agency head Yulia Dydichenko said a new trend toward more sophisticated advertising emerged about a year ago.

New products, like flower-scented toilet paper and cosmetic products for men, are filling niches that had never existed in the country.

Today's Russia, in terms of consumerism, is a lot like the post-Reagan United States of the early 1990s, when the vast consumer service industry was in its infancy, Komissarova said. As more products and services are offered, companies will have to continue to innovate or fall behind.

Russia will reach Western consumer standards very quickly, said Denis Shirikov, a retail analyst with Nielsen, which tracks consumer habits in more than 100 countries.

"Russia's young market is maturing. Advertising is changing," Shirikov said.

RESET

Continued from Page 1

that foresees much more sweeping sanctions like asset freezes against a broader number of people.

Obama's administration makes it clear in its comments to the Sergei Magnitsky Rule of Law Accountability Act, better known as the Cardin bill after its main sponsor, Democrat Senator Benjamin Cardin, that it wants the legislation abandoned because it, among other things, could cause the Kremlin to make good on a threat to cancel cooperation on issues like Iran and Afghanistan.

But the furious response from the Kremlin, the Foreign Ministry and numerous State Duma deputies seems to point another way.

"Moscow has not appreciated Washington's generosity," Kommersant wrote Thursday.

Duma deputies already are preparing a bill that would introduce similar sanctions on foreigners deemed to have violated the rights of Russian citizens.

Mikhail Fedotov, chairman of Medvedev's human rights council, criticized the conflict Thursday, saying it was foolish to deny entry in a tit-for-tat manner.

Fedotov said Russian officials should worry less about the U.S. blacklist than about a list that his council is compiling as part of an independent investigation ordered by Medvedev into Magnitsky's death. "Our list is much more fearsome. It does not close the road to America but opens the road to the Butyrskaya prison," he told reporters in comments carried by Interfax.

In a new uncomfortable development, Dmitry Rogozin, Russia's representative to NATO, complained Thursday that influential U.S. lawmakers are opposed to cooperating with Moscow on NATO's planned missile shield in Europe.

"They're practically not hiding the



DENIS SINYAKOV / AP

Medvedev, pictured decorating LDPR leader Vladimir Zhirinovskiy with the Order for Services to the Fatherland on Thursday, has ordered a blacklist.

fact that the system will be directed against Russia, not against some mythical state in the Middle East," Rogozin said after returning to Brussels from talks in Washington, Interfax reported.

Rogozin said an opportunity remained for joint cooperation, touted by NATO officials as a key element in the Western alliance's future strategy, but it all depends on the political will in Washington.

He also warned that if Obama is not re-elected next year and "Russophobes" come to power, this might "destroy the global political stability that has been built with so much effort over the last decade."

Rogozin was bristling after meetings with Senators Jon Kyl and Mark Kirk, both staunchly conservative Republicans.

Kyl, the Senate's Republican whip, also made Russia-related headlines this

week when he was called for a congressional investigation into reports that Russian military intelligence officers were behind a bomb blast next to the U.S. Embassy in Tbilisi last September.

Kyl's comments appeared in a Washington Times report Wednesday that says a highly classified report drafted by the CIA but with input from other U.S. agencies has concluded that the General Staff's intelligence directorate, or GRU, is to blame for the explosion.

No one was hurt in the minor blast outside an embassy wall, but Georgian police later arrested six people whom they accused of being Russian agents responsible for staging a series of explosions, including the one outside the U.S. mission.

Last month, a Tbilisi court found 15 people guilty of terrorism and sentenced them to lengthy prison terms. The court sentenced the suspected ringleader, Rus-

sian Army Major Yevgeny Borisov, to 30 years in prison in absentia.

The Georgian Interior Ministry accuses Borisov of working as a GRU officer in Abkhazia and has put him on an Interpol wanted list.

The Russian Foreign Ministry has denied the allegations. It also says Borisov has not been in Abkhazia since August 2010 and could not have been involved in the explosions, which occurred last fall.

The case has attracted little international attention, partly because Tbilisi, which has poor relations with Moscow, has accused the GRU of spying in a number of cases in recent months.

As evidence of the CIA report, The Washington Times report quotes two unidentified U.S. officials whom it says have read it.

Andrei Soldatov, who tracks the Russian intelligence community with the Agentura.ru think tank, said the GRU has in the past acted "autonomously" in Georgia but he has not seen enough evidence to support its involvement in the blasts. About the Washington Times story, he said: "This report unfortunately does not give us any first-hand information."

Malashenko, of the Carnegie Center, said that many of this week's turbulence in U.S.-Russian ties is linked to domestic policy. Washington is boiling over the failure of Congress and the White House to reach an agreement to avoid a possible default on the country's debt, while the elite in Moscow is on tenterhooks over the failure of Medvedev and Prime Minister Vladimir Putin to provide clarity on whether either will run in the 2012 presidential election.

Wednesday saw the publication of two much-discussed articles: Influential analysts Igor Yurgens and Yevgeny Gontmakher urged Medvedev to run in Vedomosti, while Reuters quoted "senior political sources" as saying Putin was likely to return to the presidency.

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W E A T H E R

	FRIDAY	SATURDAY	SUNDAY
	Thunderstorm High 28, Low 20.	Thunderstorm High 28, Low 18.	Thunderstorm High 26, Low 18.

THE REGION	HIGH	LOW	OUTLOOK
Irkutsk	25	10	sunny
Kiev	28	17	sunny
Minsk	23	14	sunny
Novosibirsk	20	7	partly cloudy
Odessa	31	21	sunny
St. Petersburg	28	18	thunderstorm
Tbilisi	37	22	sunny
Vladivostok	23	17	cloudy

THE WORLD	HIGH	LOW	OUTLOOK
Amsterdam	18	12	partly cloudy
Berlin	17	12	rain
Buenos Aires	15	3	partly cloudy
Geneva	23	13	sunny
Helsinki	25	18	rain
Hong Kong	31	28	thunderstorm
Jerusalem	32	20	sunny
Johannesburg	13	3	sunny
London	20	10	partly cloudy
Madrid	36	19	sunny
Nairobi	25	12	thunderstorm
New York	31	23	thunderstorm
Paris	23	12	sunny
San Francisco	20	14	sunny
Sydney	20	8	sunny
Tokyo	27	23	thunderstorm