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Moscow Gives Foreign Business a Say

By Anatoly Medetsky

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A new City Hall council seeking to support businesses convened for the first time Friday, giving membership to the president of the American Chamber of Commerce and lending an ear to concerns he raised on behalf of PepsiCo, Coca-Cola and the like.

AmCham suggestions reviewed at the meeting included preventing damage to sales by the two beverage giants and softening the city's stance on English-language signs.

The Council for the Protection of Rights and Legitimate Interests of Business Entities, which aims to deal with both Russian and foreign concerns, spent half of the meeting on the issue of connections to the electrical grid — a pitfall that bogs down many a local entrepreneur.

But then, officials moved on to hear the voice of the foreign investor.

"It's an effort to include foreign business" in shaping the city's investment policy, said Andrew Somers, president of the American Chamber of Commerce in Moscow, who was invited to sit on the council.

Led by Alexei Komissarov, chief of City Hall's department for science, industrial policy and entrepreneurship, the council session opened with a speech by Deputy Mayor Andrei Sharonov.

Somers proposed a transition period for kiosks that sell Pepsi and Coca-Cola from standalone refrigerators on the sidewalk. City rules that went into effect in January order the placement of these refrigerators inside kiosks — a move that Somers said gave vendors little time to prepare.

PepsiCo and Coca-Cola could lose 1.1 billion rubles ($37 million) in potential beverage sales this year if these kiosks — as a rule too small to accommodate a large piece of equipment — don't comply, he said.

Somers also drew attention to the difficult time that U.S. operator of fast-food restaurants Yum! had with signs for its Kentucky Fried Chicken outlets — because of a city rule that, he said, runs counter to federal legislation.

The city requires that signage bearing a name in English and hanging on the front of a building also contain a translation into Russian using letters that are three times as big, a Yum! spokesman said Friday. Additionally, the Russian text should define the establishment as a "fast-food company," he said.

"This defies the purpose," said the spokesman, Ilya Politkovsky. "We are internationally known under the English name."

City Hall had previously turned down requests to approve the English-only signs, he said. Friday was the first time that the issue was brought before the city government with an investment-policy angle, he said.

The company's earlier appeals to the Economic Development Ministry and a presidential investment ombudsman proved futile.

At the council meeting, Somers also encouraged the city government to continue making its procurement system more transparent. That should include guidelines to officials who award contracts to be mindful of conflicts of interest, like in the United States, where the law prohibits public officials from dealing with former employers for one or two years.

Sharonov said earlier this month that the city earmarked 650 billion rubles, or more than a third of its spending, on municipal contracts last year. It was able to save about 18 percent of that thanks to competitive tenders and closer scrutiny.

In another concern, Somers said some Western companies felt disappointed after they heeded the city's calls to invest in local production, but ended up without city contracts anyway. He declined to name the companies.

General Electric equipped a local facility last year to produce body scanners. It hasn't reported any purchases by the city government since then.

Somers said the meeting yielded no immediate promises.

"There were no answers. This was to initiate dialog," he said.

A spokesman for Sharonov said he had no comment on the council session Friday. Sergei Cheryomin, head of City Hall's department for foreign economic relations, was in a meeting and unavailable for comment Friday afternoon.

One more group that brings together foreign investors — and usually works with the federal government — sent a delegate to the session. Alexander Ivlev, a partner at Ernst & Young in Moscow, represented the Foreign Investment Advisory Council, a high-level group of senior executives from multinational companies. He said the next step for the council was to tell businesses how they could use the new channel of communication with the city government.

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