



Doing Business in Russia:

2011 Country Commercial Guide for U.S. Companies

INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2010. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

- [Chapter 1: Doing Business In Russia](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations, Customs and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

[Return to table of contents](#)

Chapter 1: Doing Business in Russia

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

Market Overview

[Return to top](#)

- With over 140 million consumers, a growing middle class, and almost unlimited infrastructure needs, Russia remains one of the most promising markets for U.S. exporters.
- Russia is the world's 11th largest economy and has the highest per capita GDP (\$15,900) of the BRIC countries. It is an upper middle income country, with a highly educated workforce and sophisticated, discerning consumers.
- Russia's economy has begun to recover from the economic crisis that started in 2008, with GDP growth at 4.0% for 2010. This growth was slightly less than anticipated due to drought and wildfires, which disrupted agriculture, commerce and industry. Economists forecast real GDP growth of 4.3% in 2011.
- Russia was the U.S.'s 37th largest export market and the 17th largest exporter to the U.S. in 2010. U.S. exports to Russia were \$5.97 billion, a 12% increase from 2009. Russian exports to the U.S. were \$26.5 billion, up 41% from 2009. Russian sources list the country's leading trade partners as: Netherlands, China, Germany, Italy, Ukraine and Turkey.
- U.S. accumulated investment in Russia is approximately \$21.3 billion. According to Russian data, the U.S. is Russia's 10th largest foreign investor.
- Russia anticipates joining the WTO in 2011, which would liberalize trade with the rest of the world and create opportunities for U.S. exports and investments.

Market Challenges

[Return to top](#)

- Russia is a geographically vast market, spanning nine time zones and encompassing over 17 million square miles.
- Seriously underdeveloped infrastructure poses logistical challenges, especially accessing markets outside of major cities.
- An incomplete transition from central planning has led to an insufficiently integrated economy and disparities in wealth distribution, geographically and demographically.
- Conducting business may be impeded by: burdensome regulatory regimes; inadequate IPR protection; extensive corruption and lack of rule of law, inconsistent application of laws and regulations; lack of transparency; and excessive government interference in business matters.

- Recent reforms make it easier for companies to hire expatriate employees, but the Russian immigration and visa system requires time and patience for business travelers to obtain necessary permissions to do business in Russia.
- English is not widely spoken, although knowledge of the language is expanding, especially in the major cities.

Market Opportunities

[Return to top](#)

In alphabetical order:

- Apparel
- Automotive Parts & Service Equipment / Accessories
- Aviation
- Construction / Greenbuild
- Consumer Electronics
- Cosmetics / Toiletries
- Electric Power Generation & Transmission Equipment
- Medical Equipment
- Refinery Equipment
- Safety & Security Equipment
- Travel & Tourism to the U.S.

Market Entry Strategy

[Return to top](#)

- Developing business in Russia is resource intensive, requiring serious commitments of time, personnel and capital.
- Conduct market research, such as with the U.S. Commercial Service's Gold Key or International Partner Search services, to identify opportunities and potential Russian business partners.
- Conduct due diligence, such as with the U.S. Commercial Service's International Company Profile service, to ascertain the reliability of business partners.
- Consult with U.S. companies already in the market, as well as with the U.S. Commercial Service and business organizations, such as the American Chamber of Commerce and U.S. - Russia Business Council.
- Communicate regularly with Russian business partners to ensure common understanding of expectations.
- Frequent travel to Russia is strongly recommended to establish and maintain relationships with business partners and to understand changing market conditions.
- Maintain a long-term timeframe to implement plans and achieve positive results.

- Abide by all Russian laws and regulations (taxes, customs, labor, etc.) – retaining local tax, legal and government relations advisors is strongly recommended.
- Conduct business in accordance with all applicable U.S. laws, as well as standard U.S. and international business practices.
- Utilize letters of credit or other secure financing vehicles, avoid sales on open account.
- Explore use of U.S. government financing, such as the Export-Import Bank (Ex-Im Bank) and Overseas Private Investment Corporation (OPIC), as well as multi-lateral development banks, such as the European Bank for Reconstruction and Development (EBRD).
- Develop working relationships with national, regional and/or local governments and consider implementing corporate social responsibility programs.
- Patience, perseverance and perspective are keys to success in Russia.

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3183.htm>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

Using an Agent or Distributor

[Return to top](#)

Encompassing nine time zones, Russia is the largest country in the world by landmass. Therefore, many businesses tend to approach the Russian market on a regional basis. Most new entrants start in Moscow and then move into the regions either through an existing distributor or by seeking new distributors in those locales. As both Moscow and St. Petersburg are major population and business centers, many Western firms have representatives there. Some companies have successfully entered the Russian market by starting distribution in other key regions first because of market features and industry sector concentrations (e.g., woodworking in northwest Russia, energy projects in Sakhalin and western Siberia) and then expanding elsewhere. Well-organized distribution channels are established in western Russia, especially in Moscow and St. Petersburg, and continue to develop rapidly in southern Russia, the Volga region, Urals, Siberia and Russian Far East. To succeed in Russia, it is important to choose sales targets and distributors carefully.

U.S. companies have four basic options when choosing a distribution channel:

1) Agents

It is not a common practice in Russia for foreign companies to rely solely upon the services of an agent. Distributors and representative offices, however, often employ agents in the Russian regions in order to promote their products.

2) Distributors

The most common market entry strategy is to select a good distributor or several distributors (depending on the product). U.S. companies can consider a variety of national, regional and local distribution alternatives. In some product categories (e.g.,

apparel, cosmetics, packaged foods, alcoholic beverages, consumer electronics, and household appliances), foreign suppliers can choose from a growing number of established distributors. A good distributor will typically sell and deliver foreign suppliers' products to end-users and/or the retail market and provide a wide range of logistical support, i.e., customs clearance, warehousing, inventory management, etc. However, handling promotion and advertising campaigns exclusively through independent distributors can often produce disappointing results. Russian distributors normally handle products from multiple suppliers and are not typically dedicated to promoting a specific company's product unless the supplier provides substantial support for promotion and advertising. Russia's retail law also limits some types of promotional activities.

3) Representative/Branch Offices

Some foreign manufacturers, in addition to using distributors, have established their own representative offices. The major advantage of opening a representative office is that foreign companies have more direct contact with their end-users and control over the promotion and distribution of their products. However, under the Russian Civil Code, such offices cannot be directly involved in commercial activity. Instead, they typically oversee a network of distributors and/or agents that perform commercial functions. This approach affords greater control by the foreign supplier over the distribution process and helps to reduce risks.

As Representative Offices may not take part in commercial activities, Branch Offices have become increasingly more popular. According to a 1999 foreign investment law, foreign companies may engage in commercial activities through their legally established branches. Branches are accredited for five years and must be registered with tax authorities and other state organizations.

Both Representative and Branch Offices can be attractive to foreign businesses wishing to operate in the Russian market because there are fewer tax and other administrative burdens and currency control restrictions may not apply.

4) Foreign Subsidiaries

Some foreign manufacturers, particularly in the cosmetics, pharmaceuticals, consumer appliances, durables and industrial products sectors, have registered their wholly owned subsidiaries in Russia. They then sell directly to their own companies registered in Russia who import for their own account. This approach affords full control of the supplier over distribution and helps to further reduce possible risks from false invoicing and other irregularities sometimes committed by independent importers and distributors. For more information on registering a company in Russia, please refer to the "Establishing an Office" section below.

U.S. exporters are advised to cultivate personal relationships with their Russian representatives and clients, to proceed gradually, and to ensure they have a contingency plan should problems arise. Since it is often difficult to find information on Russian companies, it is strongly recommended that U.S. firms consider using the International Company Profile service to validate potential partners. The U.S. Commercial Service strongly advises against the risky practice of a company representative simply visiting Russia once or twice, selecting a representative, granting exclusive representation, and then moving quickly to consignment or credit sales without first establishing a payment and performance history. In addition, exporters are cautioned to take primary

responsibility for registering their brand names in Russia and not to rely on a partner to do this. Finally, it is important to provide a Russian partner with Russian language product information and marketing materials. These can be prepared in the United States or done jointly with a Russian partner.

The U.S. Commercial Service provides assistance to U.S. companies in finding local partners through the Gold Key Service, Pre-Service Market Assessment, International Partner Search, International Company Profile, Customized Market Research, Platinum Key and other products and services. Information about these services can be found at http://www.buyusa.gov/russia/en/products_services.html.

Establishing an Office

[Return to top](#)

The U.S. Commercial Service can provide basic counseling on registration requirements and procedures. However, it is strongly recommended that interested U.S. companies seek legal advice on business registration. U.S. Commercial staff can provide contact information for U.S. and Russian consulting firms that offer professional legal advice in this area.

Registration Options

The following basic laws and government resolutions regulate business registration in Russia:

- The 1999 Federal Law “On Foreign Investment in the Russian Federation”
- The 1994 Part I of the Civil Code
- The 2001 Federal Law “On State Registration of Legal Entities”
- Russian Government Resolution No. 319 “On Authorized Federal Entity of the Executive Power, Providing State Registration of Legal Entities” of May 17, 2002, and a number of legal acts.

Conducting business without registration is illegal. Although the federal law governing the process is uniform throughout Russia, it is often subject to local interpretation.

Russian law offers several commonly used structures to conduct business:

- Representative or branch office of a foreign company
- Registration as an individual private entrepreneur
- Companies:
 - Limited Liability Company (OOO)
 - Privately held, closed joint stock company (ZAO)
 - Publicly held, open joint stock company (OAO)

Branch offices and accredited representative offices are both legally distinct from Russian corporations, which may be established by foreign firms either as joint stock companies with partial Russian ownership, or as wholly owned subsidiaries of a foreign firm. Foreign ownership can be as high as 100%, with some exceptions. For example, foreign investment is limited in industries defined by the “Strategic Sectors Law” (discussed in this chapter under “Joint Ventures/Licensing”).

Branch Offices

Branches are not considered independent legal entities, though they may negotiate, market or provide other business support on behalf of firms based outside Russia. Setting up a branch may be worthwhile if a foreign company is starting to pursue business in Russia and is exploring opportunities. Many large U.S. firms began their Russian operations as locally established branches.

Branches of foreign firms must register with the State Registration Chamber, which is part of the Ministry of Justice of the Russian Federation. Branches will incur the following fees for accreditation: RR 120,000 (State duty) plus RR 15,000 for one year; RR 30,000 for two years; RR 45,000 for three years; and RR 60,000 for five years.

Accredited Representative Offices

Like branches, accredited representative offices are not independent legal entities; they may not be involved in commercial activities. After accreditation is obtained, the office should register with the local or regional registration chambers, located in many Russian cities. Advantages of an accredited office include annual/quarter (rather than monthly) reporting requirements for some activities (including some tax payments), and the ability to issue invitations for U.S. partners to visit Russia on business visas. Up to five foreign employees may work with an accredited office of a foreign company. Offices are usually accredited for one to three year terms.

Accredited representative offices must register with the State Registration Chamber or the Russian Chamber of Commerce and Industry in order to be included in the State Register of Accredited Representative Offices of Foreign Legal Entities in the Russian Federation. Certain specific businesses must register with appropriate state organizations, depending on their industry. Such agencies include the Central Bank, Ministry of Economic Development Ministry of Finance, Ministry of Transportation, Ministry of Industry and Trade, Ministry of Energy and others. According to internal procedures, accreditation of a representative office or branch should take 21 business days (for registration with the State Registration Chamber) starting from the day the full set of required documents are provided.

Representative offices will incur the following fees for accreditation: (1) USD 1,500 for one year, USD 2,500 for two years and USD 3,500 for three years for the accreditation with the Russian Chamber of Commerce and Industry plus RR 3,000 payment or (2) RR 30,000 for one year, RR 60,000 for two years and RR 75,000 for three years for the accreditation with the State Registration Chamber. An additional fee of RR 15,000 may be paid for expedited accreditation within seven days.

Further information is available on the State Registration Chamber website at <http://www.palata.ru>.

Companies and Taxation

Companies are required to register with the local Tax Inspectorate (the tax registration will also include registration with the Russian Social Security Funds). Documents for state registration should be prepared and submitted to the local Tax Inspectorate in accordance with Chapter 12 of the August 8, 2001 Federal Law "On State Registration of Legal Entities." An authorized legal entity, the Moscow Department of the Ministry of Finance of the Russian Federation (15, Tuskaya Street, Moscow) provides counseling to business people on registration procedures and registration documents.

Further information on company registration, including the list of documents to be submitted, as well as contact information for local tax authorities can be obtained from the following website: <http://www.nalog.ru>

Tax Code

Major revisions of Russia's tax code took place from 1999 to 2003. The resulting tax legislation more closely matches the needs of a growing market economy, and many of the provisions of previous legislation that distorted the business environment and kept many businesses in the shadow economy have been removed.

The most fundamental changes were reflected in the new chapters of the Tax Code Part II and affected the value added tax, excise taxes, individual income tax and profits tax. Also affected was the Federal Law "On the Introduction of Amendments and Additions to Part II of the Russian Federation Tax Code and to Separate Russian Federation Legislative Acts." These changes aimed at improving Part II of the Russian Tax Code were passed by the Duma and enacted into law in 2003. The ongoing tax reform has further improved procedural rules and reduced the overall tax burden in the country.

Implementing numerous changes in the Russian Tax Code has resulted in some confusion. A general overview of Russian taxes follows, but companies operating in Russia should consult with a professional tax advisor to learn about the latest developments.

Profits Tax

The profits tax is levied on net profits. Effective January 2009, the profit tax rate was reduced from 24% to 20% (18% of this amount is allocated to Regional Russian authorities and 2% to Federal) to address the economic downturn. The regional authorities may, at their discretion, reduce their regional profits tax rate to as low as 13.5%. Thus, the overall tax rate can vary from 15.5% to 20%. Depreciation provisions were improved with the introduction of a 30% initial lump sum depreciation deduction and revision of non-linear depreciation rules. The tax rate was reduced in tandem with the introduction of more realistic interpretations of deductible expenses, the combined effect of which is to significantly reduce the profit tax burden and support the Russian economy during the financial downturn.

The provisions on profit taxation enable foreign companies operating in Russia to benefit from the reduced withholding tax rates and exemptions under Russia's double taxation treaties (the U.S. and Russia have had a double taxation treaty in place since 1992), which in certain cases could result in advantages to U.S. companies. For example, representative offices are permitted to deduct expenses incurred on their behalf by a parent company located abroad.

Value Added Tax (VAT) and Import Duties

VAT is designed as a tax to be borne ultimately by consumers, but is collected on a basis similar to the European Union model. VAT is calculated on sales value and is applied at a uniform rate of 18%, except for certain foodstuffs, pharmaceuticals and children's clothes, which are taxed at 10%. Some products, such as certain financial services and medical equipment, are entirely exempt from VAT. As of January 1, 2008, in an attempt to bolster R&D and investment in technology, intangibles such as

inventions, software, industrial designs and production know-how are exempt from the VAT.

Imports are also subject to VAT, calculated based on the customs value of the item plus customs duties and fees. In addition, import duties are assessed at specified rates, ranging from 5% to 30% (as of January 1, 2010, import duty rates for some goods increased with the introduction of the Customs Union between Russia, Belarus and Kazakhstan). They are assessed according to classification and are applied to the customs value of the imported goods, including shipping charges and insurance. Goods imported by foreign partners as in-kind contributions to the charter capital of a new enterprise may be exempt from import duties during a period specified in the charter documents and import VAT under certain conditions (e.g., the goods qualify as technological equipment which has no analogues manufactured in Russia).

In general, goods manufactured or assembled in Russia, whether by a Russian or foreign company, and then exported out of Russia, are not subject to VAT. If these goods are exported before payment is received, then no VAT should be collected. On the other hand, if payment is received before shipment, the exporter must pay the applicable VAT and then request a refund from the tax authorities. Changes in the method of VAT collection for certain entities such as diplomatic missions, effective January 1, 2010, have resulted in some confusion as businesses and government offices make the needed adjustments to the revised system.

Social Welfare Taxes

As of January 1, 2010, the Unified Social Tax was replaced by social security (payroll) contributions to the State Pension Fund, Social Security Fund, Federal Medical Insurance Fund and Territorial Medical Insurance Fund. A business is liable for the entire amount of social security contributions and no amount is withheld from employees. The recent implementation of the change in social welfare taxes has resulted in some confusion, as businesses and government offices make the needed adjustments to the new system.

The social security contributions apply at the aggregate rate of 34% on an employee's annual salary of up to RR 415,000 (the threshold may be adjusted in the future by the Russian Government); the portion of an employee's annual salary in excess of this threshold is exempt from the social security contributions. Social security contributions are payable as follows: 26% to the State Pension Fund, 2.9% to the Social Security Fund, 2.1% to the Federal Medical Insurance Fund, and 3% to the Territorial Medical Insurance Fund. The social security contributions apply to all payments to individuals (including individuals applying a simplified system of taxation) even if made from net income. Importantly, salary or other payments to foreign citizens temporarily present in Russia (i.e., not having a permanent resident permit) are not subject to social security contributions. Social security contributions are paid on a monthly basis and the calculations of the social security contributions are filed with the State Pension Fund and the Social Security Fund on a quarterly basis.

Reduced social security contribution rates apply to certain business categories, including agricultural producers (20.2% in 2011-2012 and 27.1% in 2013-2014), software and high-tech companies (14% in 2011-2017), certain mass media companies (26% in 2011 and 27% in 2012) and companies engaged in special innovation projects (14%).

Workplace accident insurance is paid by the employer in addition to social security contributions. Rates vary from 0.2% to 8.5% depending on the established class of professional risk.

Withholding on Dividends, Interest and Royalties

Foreign legal entities without a business presence in Russia are subject to a withholding tax of 10% on freight services provided in Russia. Dividends are taxed at a rate of 15%, interest and royalties at a rate of 20%. These rates are often reduced pursuant to an applicable relevant double taxation treaty (the U.S.-Russia tax treaty potentially may reduce the dividends rate as low as 5%, depending on whether certain ownership and investment criteria are met, as well as lower the tax on interest and royalties to 0%). Lease payments and other income are subject to a 20% withholding rate.

Land, Property and Personal Income Taxes

Local authorities may impose a tax on land according to its type and location. The rate is higher in Moscow and St. Petersburg than in some other cities and rural areas.

The personal income tax rate for Russian tax residents is a flat 13% imposed on worldwide income (non-residents are taxed at 30% on Russian-source income).

Franchising

[Return to top](#)

Franchising as a business model only came to Russia in the early 1990s. The first foreign franchises were primarily American and Italian restaurant chains. Franchise legislation was formally adopted in 1994 by the Russian Civil Code, specifically in Chapter 54, where franchising is defined as a “commercial concession.” Since then the number of franchise companies has steadily grown. While foreign franchises dominated the market for the first decade, a number of Russian retailers, restaurant and drugstore chains began to expand using the franchise model. Currently, there are more Russian than foreign franchise organizations. It is difficult to estimate the number of franchises currently working in Russia because some are registered under other legal forms, such as through licensing agreements or sales contracts. The franchising business model has developed mainly in the restaurant and fast food, retail, and other consumer-service areas. Most franchisers choose to establish partnerships with franchisees in Moscow or St. Petersburg; however, there are several other cities with million-plus populations, which can provide excellent opportunities for expansion.

There are still some gaps in Russian franchising legislation, but local franchising entrepreneurs, with the help of the Russian Franchise Association, formed in 1997, are actively working to create a more favorable legal and business environment for the expansion of franchising in Russia, and to support and protect the interests of its members.

According to the Russian Civil Code amendments as of January 1, 2008, the subject matter of the franchising agreement currently includes the rights to use a trademark, service mark and any other objects of exclusive rights, in particular commercial designation and know-how, which cannot be granted free-of-charge. Also, for a franchising agreement to be valid, it has to be executed in written form and registered with the Federal Service for Intellectual Property, Patents and Trademarks (Rospatent).

The annual BuyBrand International Franchise Exhibition (www.buybrand.ru), held annually in Moscow in September, is a good way to make contacts and become acquainted with the market.

Direct Marketing

[Return to top](#)

Given the relatively underdeveloped state of some distribution channels in Russia, direct marketing has become an effective and profitable alternative, especially outside of Moscow and St. Petersburg. Telemarketing and fax marketing to business customers is common in Russian cities, but it is not particularly effective. Other direct marketing channels (catalogs and e-commerce) are developing quickly.

Direct selling (for example, for health and beauty products) works well and is cost effective for the distributor, since it develops an effective distribution network. For a large number of under-employed workers and pensioners in Russia, the option of supplementing their income through working in direct sales is quite attractive. World Direct Selling Association statistics revealed that direct sales in Russia in 2010 amounted to \$3.06 billion and that almost 4.9 million salespeople Russia-wide were engaged in direct selling.

Leading direct sales companies such as Amway, Avon, Mary Kay and Tupperware are active in Russia. According to Russian law, companies may not use direct sales for such products as biologically active food additives and vitamins. At present, these products can only be sold through pharmacies, kiosks, and health stores. For more information on the direct selling industry in Russia, visit the Russian Direct Selling Association website at: www.rdsa.ru.

Joint Ventures/Licensing

[Return to top](#)

U.S. companies may become strategic partners with Russian firms by taking an equity position in Russian joint stock companies and thus establishing joint ventures (JV). Establishing a JV in Russia demands meticulous planning and sustained commitment. In most cases, it is advisable for the U.S. partner to retain managerial and voting control. JVs in which foreign partners hold minority stakes are dependent on the good intentions of their Russian majority owners. Experience shows that foreign minority shareholders may face serious difficulty in protecting their interests in Russian courts.

One advantage of a JV is that it helps a U.S. firm gain a measure of Russian identity, which can be useful in a culture where many still view foreigners with suspicion. The May 2008 Strategic Sectors Law identified 42 industry sectors requiring the Russian government's pre-approval of a foreign firm's purchase of controlling interest. Additionally, political pressure is mounting in Russia for domestic content mandates in key sectors or for large-scale procurements. For example, some foreign investments in the oil industry may be required to source 70% of their goods and services from Russian providers. Firms that creatively help oil producers meet these requirements will have an advantage in this industry.

Russian and U.S. partners often view JVs differently. U.S. companies, especially smaller ones, often view JVs as a means of securing a local partner with experience in the Russian market. On the other hand, many Russian managers view a foreign partner chiefly as a source of working capital and these managers may place a low priority on

local market development. While there are many examples of successful JVs, a U.S. investor invites trouble when it cedes oversight of any aspect of a JV to a Russian partner which does not share the same objectives. Before making financial or legal commitments, U.S. firms should thoroughly explore whether a potential partner shares their priorities and expectations. Any firm that forms a JV in Russia should be ready to invest the constant personal attention of U.S. managerial staff to keep the business on course, both before and after the venture has achieved commercial success.

U.S. technology is sometimes licensed for Russian production outside the context of a joint venture. Major hurdles that must be overcome include quality levels attainable by Russian facilities in the absence of significant retooling, uncertain intellectual property protection and difficulty in receiving regular and prompt payments. In the opposite direction, Russian companies generally are eager to license their technologies to foreign companies in exchange for the cash infusion.

Selling to the Government

[Return to top](#)

Government procurement has always been a powerful incentive for the development of the SME sector in Russia. Given the amount of post-Soviet government property, the market for state procurement is quite impressive in value. The term “government procurement” includes all state agencies, ministries, state non-budget funds, state-owned plants and factories, high schools, hospitals, companies operating infrastructural facilities such as Mosvodokanal-company operating the water and sewage system of Moscow or GorMost Company, operating all Moscow bridges, parks and lawns. These entities buy a large range of products from stationary to complex road building or construction equipment, and from food to drugs and medical equipment.

The Ministry for Economic Development (MED) and Treasury are responsible for developing Russian procurement policy. All the legal initiatives are developed by this Ministry and sometimes jointly with Ministry of Industry and Trade; however, MED is always the lead in any joint projects.

On the other hand, it has always been a challenging issue for SMEs to apply and start supplying government agencies or affiliated structures. Until 2005 there was no proper legislation regulating procurement operations, which led to some corrupt practices. Companies close to the management of the state-owned public organizations have often pre-negotiated the results of the tenders leaving no place for fair market competition.

Many companies have encountered the problem that, despite being a major producer of the commodity and offering the best price, they still could not win. It is possible that the commission will find a minor fault in the tender application or its specifications and thus reject the bid and give preference to another bidder.

Russian Federal Law N94-ФЗ of July 21, 2005, requires all federal, regional and municipal government customers to publish all information about government tenders, auctions and other purchase procedures on the Internet. Other laws that regulate government procurement in Russia are: Federal Law 218-ФЗ, 53-ФЗ, 142-ФЗ, 207-ФЗ, 229-P (about the ecommerce platform www.zakupki.gov.ru), and 94-ФЗ (anti-corruption act for government procurement). The business community as well as many public organizations admit that the law in its existing form allows for much corruption. Therefore, President Medvedev ordered MED to revise the law and apply anti-corruption

amendments. On November 11, 2010, the new wording of the law was approved by the State Duma (Russian Parliament). These laws stipulate new government procurement policies and are directed at transforming them into transparent business practices with equal rules and opportunities for all participants.

If a US company considers entering the Russian market and becoming a government supplier it must consider whether its equipment or products compete with any similar goods produced in Russia. Federal law states that the preference should be granted to the local manufacturer. The law also states that in case foreign goods outbid the local good for some reason, an additional discount of 10-15% is to be granted by the seller.

The potential for the success of US producers to sell to the government often depends on the US company identifying the right partner in this market. The direct sales model (B2G) does not fit the Russian market first because the government needs the goods that are tendered to be available for a spot deal and this is only possible when the company runs its own operations or has a partner, and second because the bidder must be a Russia-based legal entity. The second key to success is to spot the unique opportunities where Russian companies have no competitive edge or offer solutions that can outbid the local supplier, using either logistical or financial advantages.

The government decree dated December 5, 2008 (№427), states that Russia manufactured goods will enjoy a 15% preference if any foreign manufactured goods are offered for the tender and that, if a company offering foreign goods wins the tender, the contract is to be signed with a 15% discount. This decree is not valid if the sought products or services have no competing analogues in Russia. For these reasons, it is advisable to enter the Russian government procurement market either with a unique portfolio of products or to start operations aimed at launching manufacturing units within Russia.

Federal law 94-ФЗ on government procurement is not valid for natural monopolists such as Gazprom or Russian Railways or Rosneft. However, work is now ongoing to reconsider the current status of procurement policies at these state-owned companies and to make them dependent on federal law to enhance the structure of spending and to cut excessive costs. Such a change in the procurement policies at state-owned corporations will be a step forward toward the elimination of corruption in these companies. The main regulators who consider complaints about companies and agencies infringing on the procurement law are the Federal Antimonopoly Service, MED, and the Ministry of the Interior (when there is a criminal case).

To see the list of tenders, one can enter the government website www.zakupki.gov.ru, which is available only in the Russian language. State-owned companies like Russian Railways or Gazprom have English versions of their websites where they also place information on their tenders.

Distribution and Sales Channels

[Return to top](#)

Well-organized distribution channels have developed significantly over the last few years, particularly in the major population centers, such as Moscow and St. Petersburg, and have begun to expand to the regions. In the consumer sector, some large-scale retail stores have recently emerged in Moscow that are able to buy in bulk and negotiate relatively long-term commitments. Large shopping malls have opened up on the Ring

Road circling the capital and are giving the Moscow retail environment more of the characteristics of other European cities. Shopping malls and big box stores are common sights in St. Petersburg, Moscow and many other Russian cities.

By utilizing these domestic distribution organizations, the task of bringing goods to market in Russia has been greatly eased. However, their geographic coverage can be limited, and accessing markets in some of the regions can still be problematic. In these regions, U.S. firms may encounter erratic distribution, unpredictable and tough competition, and word-of-mouth marketing. Although Russia boasts increasing numbers of western-style stores in major cities, much distribution and retailing still takes place through such informal channels as kiosks and open markets. Those who succeed do so through a combination of improvisation and innovation, combined with a substantial investment of time and a tolerance for early mistakes. U.S. companies with a long-term market development strategy may find regional markets well worth exploring.

St. Petersburg remains the main port of entry for a variety of consumer and industrial products for European Russia (Russia west of the Urals). Vladivostok is the main port of entry for the Russian Far East. In general, the transportation infrastructure in this vast country is still underdeveloped and in need of major upgrades. The majority of cargo moves by rail and the road network is in need of expansion. Major western freight forwarders and express couriers are active in Russia.

Selling Factors/Techniques

[Return to top](#)

As with any country, successfully marketing and selling goods and services in Russia requires adaptation to its commercial climate and business practices. Market research is required to identify opportunities and potential Russian business partners. The choice of a partner is key and should be done only after conducting sufficient due diligence to determine its reputation and reliability. The U.S. Commercial Service has services to assist with market research, identifying partners and conducting due diligence (http://www.buyusa.gov/russia/en/products_services.html).

Both before and after launching operations, travel to Russia is strongly recommended to establish and maintain relationships with business partners and to understand market attributes. Marketing in Russia requires patience: exporters should maintain a long-term perspective and not expect immediate results. It can be helpful to network with companies already in the market, as well as business organizations, such as the American Chamber of Commerce in Russia and the U.S.-Russia Business Council.

Business planning should include advertising, market promotion and regular visits to Russia. When recruiting personnel or identifying business partners, local talent should be utilized, especially for government relations, which can be of critical importance, and professional services of all kinds, whether law, accounting or engineering, etc. Absentee management should be avoided; it is important to communicate regularly with Russian business partners to ensure common understanding of expectations. Partners can assist with required testing and certification, after-sales service, customs clearance, warehousing and preparation of Russian-language marketing and instruction materials.

Business should always be conducted in compliance with all Russian laws and regulations (taxes, customs, labor, etc.), as well as applicable U.S. laws and standard business practices, including corporate governance and accounting practices.

Companies that undertake corporate social responsibility programs in the U.S. should consider developing a similar approach for the Russian market.

Exporters should avoid selling on open account until they have developed a well-established track record with buyers; letters of credit and other secure financing vehicles are available. Another option may be U.S. government or multilateral development bank financing, such as the U.S. Export-Import Bank (Ex-Im Bank), the U.S. Overseas Private Investment Corporation (OPIC) or the European Bank for Reconstruction and Development (EBRD). Exporters should be prepared to adjust prices according to currency fluctuations.

Russian purchasers are generally sophisticated and highly educated. They are likely to be internet users and receptive to imported goods. Russian purchasers may be price sensitive, but are frequently willing to pay for quality, especially for recognized and reliable imported brands – another reason to invest in advertising.

Electronic Commerce

[Return to top](#)

In 2010, e-commerce in Russia reached the \$9 billion mark in sales. The business-to-business segment increased to \$3 billion. The Internet advertising market reached \$400 million in 2010, with Yandex Direct, Google Adwords and Rambler Begun among the key players.

The number of Russian Internet users has increased dramatically over the past five years, and varies from 32 to 50 million people according to different sources or 30-40% of the population nationwide. Internet penetration is estimated at 43.6% with an installed base of 69.1 million personal computers. Over 75% of these users are consolidated in the European part of the country. Future growth in Internet usage is expected to be significant.

Payment mechanisms are developing quickly and offer a wide range of payment methods - SMS, credit card, payment aggregators, web-money and cash payments. The number of online shops in the Russian market has reached 20,000, selling almost \$4 billion worth of goods in 2010. Home appliances and electronics accounted for 50% of sales, with the fastest growing subsectors being electronics and household goods. Many companies buy products from foreign E-commerce platforms, such as Yahoo Auctions, Ebay and Alibaba, and resell them in Russia, offering escrow services like PayPal.

Although the number of consumers with credit and debit cards is increasing rapidly, many Internet businesses in Russia still do not accept online payments but rather use their websites as a front end for the buyer to select goods and place an order to be delivered. Businesses offering goods or services that can be accessed immediately (electronic downloads and service account top-ups, for instance) offer credit card payment options most frequently. E-currency payments are also an option. The number of consumers with credit cards who are willing to use them online is constantly increasing and banks have begun offering various E-commerce payment products. Sales through these channels are sustaining a current rapid growth.

The Russian government's "E-Russia" program is intended to stimulate the growth of E-commerce throughout the country, using federal and local E-government initiatives as a

catalyst. Another government initiative is the launch of the E-commerce platform www.zakupki.gov.ru and accreditation of several private e-commerce platforms such as Sberbank Ast, MMVB Information technologies and RTS Tender, which is aimed at centralizing government and municipal purchases and making them transparent. These sites consolidate all procurement inquiries from government agencies, thus providing qualified suppliers the opportunity to sell products and services directly to the government.

Trade Promotion and Advertising

[Return to top](#)

Television, radio, print, and billboard media are ubiquitous in the Russian market. Most international advertising agencies are active in Russia; domestic agencies are present in the market as well. Strong economic growth and increasing incomes have resulted in growth in the advertising industry, although enforcement of some advertising laws has been inconsistent, leading to situations where already purchased advertising is then disallowed by local government officials. Advertising clients include successful Russian manufacturers of consumer goods, particularly of processed foods and beverages, as well as foreign producers.

In response to the economic crisis, many companies cut their advertising budgets. However, in 2010 the market started to recover rapidly and companies are now actively increasing their media and marketing budgets. Though traditional forms of advertising are still prominent in Russia, in the context of the crisis, advertising agencies reconsidered their approach to the communication mix and increased their share of non-standard communication methods, including “below the line” (BTL), trade programs, ambient media, and flash mobs (publicity stunts). Advertising on the internet continues to be a growth industry.

The following is a list of media outlets and print publications listed from highest to lowest penetration in Moscow¹:

TV Channels

ORT <http://www.1tv.ru>
NTV <http://www.ntv.ru>
Russia 1 <http://www.rutv.ru>
TNT <http://tnt-online.ru>
STS <http://www.ctc-tv.ru>

Radio stations

Avtoradio <http://www.avtoradio.ru>
Russian Radio <http://www.rusradio.ru>
Shanson <http://www.chanson.ru>
Europa Plus <http://www.europaplus.ru>
Retro FM <http://www.retrofm.ru>
Yumor FM <http://www.veseloeradio.ru>

¹ Source: TNS statistics

Press

Daily newspapers

Metro <http://www.metronews.ru/msk>

Moskovsky komsomolets <http://www.mk.ru>

Iz ruk v ruki <http://www.irr.ru>

Sovetskiy Sport <http://www.sovsport.ru>

Rossiskaya Gazeta ("Russian newspaper") <http://www.rg.ru>

Weekly newspapers

Teleprogramma <http://www.kp.ru/daily/tv>

Arguments and facts <http://www.aif.ru>

Extra M <http://www.extra-m.ru>

Komsomolskaya Pravda Tolstushka <http://kp.ru/daily/friday>

Weekly magazines

7 Days <http://www.7days.ru>

Antenna – Telesem <http://www.antenna-telesem.ru>

Teleweek <http://teleweek.ru>

Teshin Yazik <http://trisemerki.ru/izdaniya/jurnaly/Teschin-Yazyk/index.htm>

TV – 7 <http://www.tv7.ru>

Monthly magazines

Caravan of stories <http://www.karavan.ru>

Za rulem <http://www.zr.ru>

Vokrug Sveta <http://www.vokrugveta.ru>

Cosmopolitan <http://www.cosmo.ru>

Lyubimaya Dacha <http://ldacha.ru>

Pricing

[Return to top](#)

Russian consumers are attracted to bargains, but are increasingly able and willing to pay for quality merchandise. U.S. companies exporting to Russia should be prepared to offer competitive prices for their goods, knowing that in many areas they face inexpensive Russian, Asian and strong European and other third-country competition. With a few exceptions, all goods and services sold in Russia are subject to a value-added tax (VAT) of 18%. Imports into Russia are subject to VAT, which is assessed on the CIF value of an imported shipment plus applicable duty. In addition, in many sectors with strong local and third-country competition, it will be necessary to spend money on advertising and brand promotion. All these costs should be figured into the U.S. exporter's pricing structure and become part of a long-term marketing and sales program.

Sales Service/Customer Support

[Return to top](#)

Good after-sales service, training and customer support can be a major competitive advantage for U.S. firms entering the Russian market, as Russian manufacturers are

known for inadequate post-sale service. Similarly, buyers of sophisticated equipment of all types - from computers and process controls to medical and mining equipment - are keenly interested in training, as their employees may never have used particular products or brands. U.S. firms able and willing to offer training and support for products, particularly in remote sites, can gain a significant advantage over competitors. Conversely, companies unwilling to make this commitment may find themselves at a distinct disadvantage to European or Asian companies, whose proximity facilitates training and service. After-sales service is also often an important component in leasing arrangements in Russia, and will play a larger role in the decision process as leasing continues to develop. Leasing in Russia is covered in Chapter 7.

Protecting Your Intellectual Property

[Return to top](#)

IPR Climate in Russia

Several general principles are important for effective management of intellectual property rights in Russia. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Russia than in the United States. Third, rights must be registered and enforced in Russia, under local laws.

U.S. firms should proactively take steps to protect their intellectual property in Russia, including registering their trademarks with the Federal Service for Intellectual Property, Patents and Trademarks (Rospatent) and the Russian Federal Customs Service. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights on behalf of private individuals in Russia. While the U.S. government is willing to assist, there is little it can do if the rights holder has not taken the fundamental steps necessary to secure and enforce his IPR in a timely fashion. The U.S. Commercial Service can provide a list of law firms based in Russia, which can provide advice on registering intellectual property and enforcing rights.

A good business partner is an important ally in protecting intellectual property rights. Legal counsel familiar with Russian laws can assist to reinforce the partners' IPR obligations by drafting a contract that includes non-compete clauses and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-sized companies work with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Russia- and U.S.-based. These include:

- American Chamber of Commerce in Russia (AmCham)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Coalition for Intellectual Property Rights (offices in the United States and Moscow)

- Russian Anti-Piracy Organization (RAPO) (represents the Motion Picture Association of America)
- Business Software Alliance (represented by Baltic Law Offices in Russia)
- Association of Branded Goods Manufacturers in Russia (RusBrand)
- Federal Service for Intellectual Property, Patents and Trademarks (Rospatent)
- Russian Federal Customs Service
- Russian Ministry of the Interior, Economic Security Department

More detailed information on IPR issues in Russia is provided in Chapter 6 (Investment Climate). Contact information is provided in Chapter 9.

IP Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the United States as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**; www.uspto.gov
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**; www.copyright.gov.
- For U.S. small and medium-size companies, the Department of Commerce offers an "International SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the United States as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
 - o For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
 - o For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free **Online IPR Training Module on** www.stopfakes.gov
- The U.S. Commerce Department has positioned IP Attachés in key markets around the world. Contact information for the IP Attaché who covers Russia is available at: <http://www.buyusa.gov/russia/en/pto.html> or by emailing RussiaUSPTO@trade.gov.

Due Diligence

[Return to top](#)

As previously noted, Russia can be a challenging market fraught with obstacles for the U.S. company that does not take the time to learn about the business environment and choose local partners wisely. Taking shortcuts in evaluating business opportunities and in selecting local partners is not advisable. Complicating these efforts is the fact that the Russian economy continues the transition from a closed, centrally planned economy to a more open, market economy. This means that basic business information about regulations, company ownership and credit worthiness are not always easy to find, and the regulatory framework continues to evolve requiring companies to stay up-to-date with changes. The U.S. Commercial Service offers the International Company Profile service as a way to evaluate potential partners. For more information on this and other services, visit <https://www.buyusa.gov/russia/en>. Noted below are additional resources.

Local Professional Services

[Return to top](#)

While professional services in Russia are expensive, attempts to avoid such expenditures could be perilous. In Russia's unsettled commercial environment, early and ongoing advice on tax and legal issues will ultimately save both aggravation and money. Russian commercial regulations are contained in thousands of presidential, governmental and ministerial decrees. Often, these decrees and laws overlap or conflict. Determining tax obligations is a complex task. Furthermore, Russian accounting practices differ markedly from Western standards. Although the Russian government has officially stated that conversion to international accounting standards is a priority, the process is still far from complete.

In Moscow and St. Petersburg, there are many offices of major western accounting, legal and consulting firms blending the skills of Russian and foreign professionals. Competent smaller firms also operate under Russian or western management. U.S. firms should avail themselves of locally based specialists familiar with issues confronting western firms in Russia. The U.S. Commercial Service offices throughout Russia maintain lists of local attorneys and accounting firms. The American Chamber of Commerce in Russia is also a good source.

Web Resources

[Return to top](#)

U.S. Commercial Service in Russia: <http://www.buyusa.gov/russia/en>

U.S. Department of Agriculture: <http://www.fas.usda.gov>; <http://eng.usda.ru>

U.S. Embassy in Russia: <http://moscow.usembassy.gov>

State Registration Chamber: <http://www.palata.ru/en>

Company Registration: <http://www.nalog.ru>

Russian Direct Selling Association: <http://eng.rdsa.ru>

American Chamber of Commerce in Russia: <http://www.amcham.ru>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- [Apparel](#)
- [Auto Parts & Service Equipment / Accessories](#)
- [Aviation](#)
- [Construction / Greenbuild](#)
- [Consumer Electronics](#)
- [Cosmetics/Toiletries](#)
- [Electric Power Generation & Transmission Equipment](#)
- [Medical Equipment](#)
- [Refinery Equipment](#)
- [Safety & Security Equipment](#)
- [Travel & Tourism to U.S.](#)

[Agricultural Sector](#)

Apparel

Overview

[Return to top](#)

Unit: USD thousands

	2009	2010	2011 (estimate)	2012 (estimate)
Total Market Size	49,320,000	51,790,000	55,410,000	59,460,000
Total Local Production	3,350,000	3,640,000	3,910,000	4,090,000
Total Exports	1,380,000	1,500,000	1,530,000	1,550,000
Total Imports	47,350,000	49,640,000	53,030,000	56,910,000
Imports from the U.S.	189,000	159,000	202,000	244,000

Note: Estimates from Esper Group and Russian Ministry of Industry and Commerce.

Overall, experts believe the Russian apparel market to be untapped and low risk, making it an attractive growth area for companies. According to research conducted by the Esper Group, a fashion industry consulting organization, the Russian apparel market grew by 57% in the first quarter of 2010 compared to the same period in 2009. However, since some segments of the market are close to saturation, experts predict the total annual market growth at the level of about 10% for 2010.

The apparel market had been booming for the last few years but was slowed down by the economic crisis in late 2008. In 2009, the market experienced only a 5% growth rate. Many consumers switched to the lower priced segment which allowed mass market retailers like Zara and H&M to actually grow (Zara's sales grew by 20% and H&M's by 24%; GAP sales in Moscow, however, have not fared as well and fell by over 5% in the first nine months of 2010.)² The first quarter of 2010 appeared promising and indicated a recovery with sales exceeding the previous year's first quarter by 57%.

Women's apparel is the largest segment of the market. Its share is about 60% while men's clothes hold 24% of the market. According to the Esper Group, men's apparel will stagnate with 2010 growth only at 1-2%. Meanwhile, women's and children's apparel are expected to grow by approximately 10%.

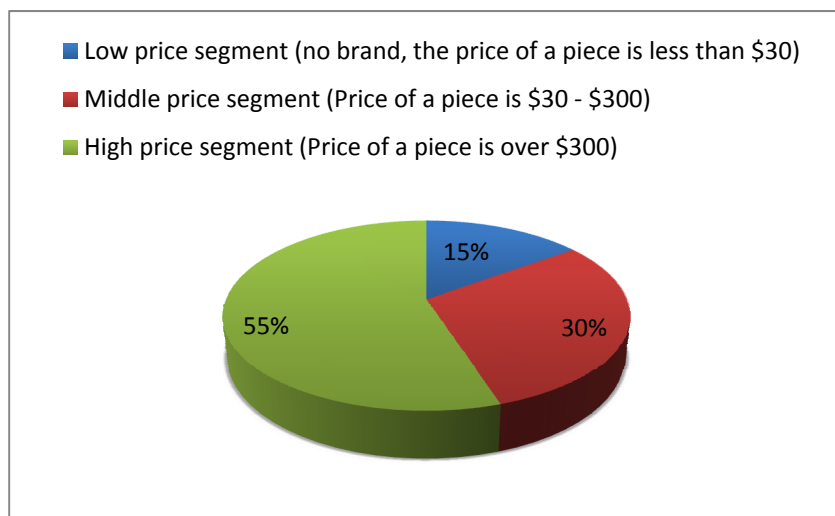
Analysts also expected the Russian luxury market to grow by 12 % in 2010. This would be the first signs of growth after the serious economic downturn in 2008-2009 when a number of luxury distributors went out of business and some companies including Diesel, Alexander McQueen and Stella McCartney left the market. With improvements in the economy, such international brands are now planning to return to the market (Diesel has already signed a contract with a Russian show room that is planning to open thirty Diesel shops all over Russia by 2014. It has been reported that Alexander McQueen and Stella McCartney are also negotiating the opening of their boutique shops). U.S. brands such as Ralph Lauren, Coach and others are also present in the market and operate through local distributors and licensing agreements.

² Source: www.bsmarket.ru and www.rbcdaily.ru; GAP information from Esper Group

Outdoor markets still remain the most popular apparel distribution channel in Russia. According to BSMarket, the share of this channel is about 75%. This type of distribution is mostly typical in the regions, while the situation in the larger Russian cities is very different. Of the population that lives in larger cities, 11% to 22% shop in single-brand boutiques; up to 45% prefer shopping malls. Discount centers are also a popular format for the larger cities.

Apparel is divided into three major categories based on price:

Structure of the Russian apparel market based on the pricing



Market insiders remain very optimistic about the prospects of the Russian apparel market. Companies have resumed building new shopping malls in large cities. The number of new shopping centers has led to a decrease in rental rates and lower barriers to market entry. The more stable economic situation has encouraged people to spend more on apparel and accessories.

Sub-Sector Best Prospects

[Return to top](#)

- Casual apparel
- Children's apparel
- Active wear
- Evening wear
- Luxury apparel

Opportunities

[Return to top](#)

Despite the fact that many well-known brands have already entered the market, the sector still has a great deal of potential. Opportunities remain in mid-priced apparel and the premium segment that is quickly recovering after the economic crisis.

For U.S. firms interested in the Russian apparel market, exhibiting at one of the key Russian apparel trade shows is advised. These trade shows are a powerful marketing tool and reassure Russian buyers that the U.S. company is committed to establishing and maintaining its presence in the Russian market.

Web Resources

[Return to top](#)

Organizations

Russian Ministry of Industry and Commerce
Moscow, Russia,
<http://www.minprom.gov.ru>

Trade events

Russian Fashion Week
March 31 – April 5, 2011
October 14 – 20, 2011
Moscow, Russia
<http://www.rfw.ru>

Volvo Fashion Week
March 29 – April 4, 2011
Moscow, Russia
<http://www.fashionweek.ru>

Commercial Service Contact

Oksana Prokofieva, Commercial Specialist
Tel: +7 (495) 728-5529
Oksana.Prokofieva@trade.gov

Auto Parts & Service Equipment / Accessories

Overview

[Return to top](#)

Unit: USD Thousands

	2009	2010	2011 (estimate)	2012 (estimate)
Total Market Size	15,200,000	18,800,000	20,800,000	24,100,000
Total Local Production	9,900,000	11,500,000	12,000,000	13,000,000
Total Exports	200,000	200,000	200,000	400,000
Total Imports	5,500,000	7,500,000	9,000,000	11,500,000
Imports from the U.S.	800,000	850,000	900,000	1,000,000

Source: U.S. Commercial Service estimates

Russia represents a large potential market for the U.S. automotive industry. Currently, the rate of car ownership in Russia is only 30% of the U.S. rate. The total Russian motor vehicle fleet is estimated at 38 million units, including 28 million cars.

Russia is the largest and fastest growing automobile market in Europe. From 2001-2008, the Russian automotive market grew at an annual rate of 20-25% per year, and included a robust sales of imported used cars and trucks. The world financial crisis that started in 2008 put a damper on the Russian car market. Sales of new cars dropped 49% in 2009, while sales of trucks fell even more, by 70%. . Used vehicle sales ceased as a result of the crisis and new, increased import duties.

In 2010, Russia's car and LCV market started to recover, demonstrating 30% market growth and reaching sales of 1.9 million vehicles, including 1.4 locally manufactured units. Industry experts expect the vehicle market to continue to grow in 2011 and achieve 2.2 million vehicles. The number of domestically assembled foreign makes is expected to be 800,000 units. Overall, Russia's automotive market is expected to continue to recover, growing 15% per year through 2015.

As part of the automotive industry, the supply chain and market for components, including aftermarket replacement parts and accessories was also greatly affected by in the 2008 financial crisis. However, since Russian domestic manufacturers are not capable of producing the quality parts, accessories and equipment required for modern cars and trucks, the imported parts market was not hurt as badly as the vehicle market.

The Russian auto industry is one of the major sectors of the domestic economy. The Russian Government is taking measures to support the industry. Nonetheless Russian vehicle assembly and component manufacturing factories remain crippled by outdated equipment, lack of modern technologies and inadequate management. The major local automotive market players include: GAZ Group, a subsidiary of Basic Element, the largest Russian aluminum manufacturer; Sollers, a former subsidiary of the leading Russian steel producer Severstal, and AutoVAZ, currently controlled by the state owned Rostechologies Corporation and Renault (25% equity). The majority of component manufacturing assets are owned by a number of independent manufacturers.

There are several projects underway to assemble foreign cars in Russia, including those of Ford, GM, Toyota, VW, Nissan, Renault, PSA, Mitsubishi and Hyundai. Ford's plant began operation in July 2002 in a suburb of St. Petersburg. The high demand for the new Focus

model made Ford one of the sales leaders in 2002-2010. GM has two ventures in Russia: the GM-AvtoVAZ joint venture has manufactured the Chevrolet-Niva SUV since September 2002, and a new assembly plant in St. Petersburg projected to make 70,000 Chevrolet and Opel crossovers annually. In 2005, Renault started manufacturing its low-cost Logan vehicle at a Moscow-based facility, the factory's current turnover is about 70,000 vehicles. In December 2007, Toyota launched an assembly facility in St. Petersburg to manufacture 50,000 Camry vehicles annually. Nissan opened its plant in St. Petersburg in 2009 to produce the Teana and X-Trail. Volkswagen/PSA opened its plant in Kaluga in 2008. Hyundai began operation a new plant in St. Petersburg in 2010 that will manufacture 150,000 low-cost sedan vehicles – the Hyundai Solaris – developed specifically for the Russian market. There are also several other lesser known projects: Sollers set up Ssang Yong SUV assembly and Fiat low-cost sedans in Yelabuga and another Ssang Yong assembly facility in the far-east region of Russia.

There are also truck and bus assembly projects in Russia being developed by Volvo and Scania. The major obstacle to successful development of foreign assembly projects in Russia is the lack of local component suppliers.

Sub-Sector Best Prospects

[Return to top](#)

Engine and engine components, steering components, brake system components, powertrain components, seats, tires, interior components, specialty equipment for cars, automotive aftermarket service and maintenance, and new car dealerships.

Opportunities

[Return to top](#)

The best opportunities for U.S. firms are in the establishment of local manufacturing facilities or the formation of joint ventures with Russian firms and the supply of components to foreign vehicle assembly projects in Russia. Those projects' operators are so interested in developing component supplier bases that they are ready to financially support interesting projects. International financing institutions, such as the EBRD (European Bank for Reconstruction and Development), are also inclined to provide financing for automotive projects in Russia. Although the Russian automotive industry was significantly affected by the 2008-2009 recession, industry analysts believe that the growth demonstrated in 2010 will continue in the mid-to-near future, since the demand is still considerable.

Another good prospect is to supply upgraded equipment and technology to Russian manufacturers. Opportunities also exist in the licensing and transferring of modern technology to Russian component manufacturers.

Aftermarket sales of replacement parts and accessories are dynamic, with high customer receptivity to U.S. products. Many U.S. brand names are very well known and sell strongly in Russia. Some of the "Made in the USA" products that Russian motorists seem to favor are lubricants, automotive chemicals and off-road accessories. There are no known trade barriers affecting imports of U.S. automotive products; tariffs for many imported spare parts are a relatively low 5%. The most important factor affecting growth of sales of U.S. aftermarket products in Russia is the U.S. exporters' lack of interest in sharing brand building risks with local distributors. In the crisis-affected market, the small and mid-size suppliers of specialty equipment for cars will be competitive if they are aggressive in their market entry, brand-building and promotion actions.

Finally, Russia lacks a well-developed network, even in the largest cities, of high quality aftermarket maintenance and service centers. Many of the first foreign car brands introduced to Russia are now coming to the end of their manufacturers' warranty period, creating opportunities for U.S. companies to partner with Russian automotive businesses to meet increasing demand for quality, independent aftermarket maintenance and repair services.

Web Resources

[Return to top](#)

Organizations

National Association of Automotive Component Manufacturers

5 Sushchevsky Val, bldg 2

Moscow 127018 Russia

Tel: +7-495-974-8772, 73, 74

napak@napak.ru

St. Petersburg Association of Automotive Component Manufacturers

16 Bolshaya Monetnaya Str.

St. Petersburg 197101 Russia

Tel. +7-812-313-8254

apac@spbapac.ru

Trade Events

Automechanika - Moscow International Motor Show

Aug 24-27, 2011

Moscow

<http://www.mims.ru>

<http://www.interauto-expo.ru>

Auto & Automechanika and Autoinvest Conference

Feb 17-19, 2011

St. Petersburg

<http://aam.lenexpo.ru/en>

Publications and market research

Autobusiness Market Research Agency and Magazine

<http://www.abiz.ru/en>

Autostat Market Research Agency

http://www.autostat.ru/Default_Eng.asp

Commercial Service Contact

Alexander Kansky, Commercial Specialist

Office Tel: +7 (812) 331-2881 or +7 (812) 331-2600

Alexander.Kansky@trade.gov

Aviation

Overview

[Return to top](#)

Russian Aircraft and Parts Market

Unit: USD thousands

	2009	2010	2011 (estimate)	2012 (estimate)
Total Market Size	4,406,000	5,887,000	7,938,000	10,838,000
Total Local Production*	3,777,000	5,500,000	7,975,000	11,564,000
Total Exports*	2,300,000	3,133,000	4,261,000	5,795,000
Total Imports ⁺	2,929,000	3,520,000	4,224,000	5,069,000
Imports from the U.S. ⁺	419,000	275,000	294,000	314,000

* Based on official data from the United Aircraft Corporation - reflects sales of military and civil aircraft, excluding aircraft parts (data not available)

⁺ HTS Code 88 (Aircraft, Spacecraft, and Parts of Thereof), from Global Trade Atlas.

The Russian aviation industry remains an important strategic industry and a promising market for foreign suppliers of aircraft equipment. In 2010, the Russian Ministry of Industry and Trade reported positive growth dynamics in aircraft production (an increase of 114.9%), helicopter building (+153.6%), aircraft engine-making (+128.5%), and air instrument-making (+135.3%). These positive trends are attributed to financial support from the Russian government under the 2008-2015 Aircraft Industry Federal Program.

The following investment projects in the aircraft industry are underway:

- Regional Sukhoi Superjet-100: Certification is almost complete and the delivery of the first Superjet-100 is scheduled for February 2011 (Armenian Armavia Airlines). The total aircraft orders have reached 170, with more regional airlines expected to line up as customers.
- MS-21 short-to-medium range aircraft: Project design is under way. The Irkut Aviation Plant is currently modernizing its production facilities to prepare for manufacturing.
- New Mi-38 utility transport and Ka-62 multipurpose helicopters: Prototypes are in construction and flight certification tests are currently under way. Production is expected to begin in 2013-2014.

In 2011, the Russian government plans to allocate more than 70 billion Rubles (USD 2.3 billion) to support the aircraft industry through a number of support measures including: 1) direct financial contributions to key industry holding companies (UAC, Oboronprom, United Engine-Making Corporation); 2) subsidies to selected plants to support modernization of production facilities; and 3) subsidies to selected plants to prevent bankruptcy. As the Russian aircraft industry re-vitalizes, civil aircraft production in 2010 remained relatively low. Only 7 aircraft were produced by the United Aircraft Corporation (4 An-148, 2 Tu-204 and 1 Tu-214) and were sold mainly to Russian state agencies.

At the same time, the Russian aviation market experienced a significant increase in passenger turnover in 2010. According to Russia's Federal Air Transportation Agency, Rosaviatsiya, the number of passengers on Russian domestic and international flights rose from 24 million to 31.2 million in the first seven months of 2010, an increase of 30%. The agency also announced that Russia's top four airlines (Aeroflot, S7, Transaero, UTair) are economically stable. Aeroflot, the market leader in the Russian industry, carried 6.3 million passengers between January and July 2010, a 33% increase over the same period in 2009. The increase in the industry was attributed

to low costs of oil, competitive flight prices and the rebound of consumer confidence in the Russian economy.

Boeing forecasts that air carriers in Russia and Commonwealth of Independent States (CIS) will take delivery of about 960 new airplanes over the next 20 years at a cost of \$90 billion. New airplane deliveries will be driven largely by the need to retire older, less fuel-efficient single-aisle airplanes and regional jets, as airlines replace them with new-generation, more fuel-efficient models.

In September 2010, Boeing and the Russian Technologies State Corporation (Rostekhnologii) signed a \$3 billion definitive agreement for 50 Next-Generation 737 airliners. The agreement includes purchase rights for an additional 35 Next-Generation 737s. Industry experts believe that the economic benefits and operating efficiencies demonstrated by the Next-Generation 737 directly support the corporation's plan to provide Russian airlines with efficient and reliable airplanes that will help them profitably grow their domestic and international operations.

Because of low domestic aircraft production and the increased need for new efficient airplanes for Russian airlines, the Russian government has been gradually easing protectionist barriers that restrict imports of foreign aircraft and aircraft parts. In November 2008, Russia abolished a 20% import duty on aircraft having more than 300 passenger seats, covering such western aircraft as B747, B777, B767-700, A340-500 and A340-600. In June 2010, the Russian Government approved a proposal to zero-out the duties for civilian planes with a passenger capacity of 250-300 passengers, covering A310, A330, A340, B767, B787, and some modifications of A350. Twenty-percent duties on aircraft having 50-111 and 160-219 passenger seats remain. Experts believe that the import duties in these categories are preserved to protect Russia's regional aircraft (Superjet-100 and An-148) and short-to-medium aircraft (MS-21 and Tu-204/214).

Sub-Sector Best Prospects

[Return to top](#)

Avionics and Aircraft Systems

The two major Russian aircraft projects – the Sukhoi Superjet-100 and MS-21 – are examples of continued interest by Russian airframe manufacturers in complete on-board systems from western suppliers. The following types of western systems were used to support these two projects: hydraulics, cabin interior, integrated air management and fly-by-wire flight control, wheels and braking systems, landing gear systems, auxiliary power systems, etc. Suppliers for these designs have already been determined by Russian airframe manufacturers but additional projects are underway. Some opportunities may be available in the aftermarket segment, as Russian manufacturers of aircraft and helicopters as well as some airlines strive to upgrade and modernize their existing fleets using western systems. In the helicopter segment, it is reported that some foreign customers require that Russian helicopters be equipped with certain western systems (avionics, for example).

Aircraft Engines

Many Russian airframe manufacturers prefer western aircraft engines as the Russian engine-building industry is still developing. Several European aircraft engine makers have established a presence in Russia to support their market expansion. For many of them, the goal is not simply the sale of engines but also the creation of joint ventures, production localization and joint programs in the market. Opportunities for collaboration may be available both for new projects (SaM146 aircraft engines for the Superjet-100) and in the modernization segment (CFM56 aircraft engines for leading airlines such as Aeroflot, S7 and Transaero).

Smaller Aircraft Components

Smaller items such as amplifiers, control units, accessories, miscellaneous components, and subsystems may be in demand both by Russian OEMs and tier suppliers. In addition, Russian distributors are another target market for such items. Working with distributors may facilitate entry not only into the aviation industry, but also into associated industries, such as electronics, defense, telecommunications, and others.

Machine Tools

The market for machine tools in the aviation industry is growing due to increasing state funding and the need for modernization of production facilities by airframe manufacturers and tier suppliers. In March 2010, MAG Industrial Automation Systems, the world's largest U.S.-based machine tool company, signed a more than \$9 million contract to supply the Russian aviation's first automated composites processing system consisting of three machines: a composite fiber placement system and two of MAG's HyperMach Vertical Profilers. The advanced composites equipment will support United Aircraft Corporation's MS-21 series of commercial airliners.

Software

The Russian aviation industry continues to primarily utilize western software solutions. Siemens PLM Software solutions have been successfully used in many UAC projects and key programs, such as the SSJ-100, to enhance collaboration and optimize workflow. In October 2010, VISTAGY Inc., a leading provider of industry-specific engineering software and services, announced the sale of FiberSIM composites engineering software to Solver company that will be using FiberSIM for the first time in conjunction with the Viper 1200 fiber placement system from MAG to design and manufacture composite parts on behalf of Voronezh Aircraft Plant (VASO) for various projects.

Opportunities

[Return to top](#)

The current trend in the Russian aviation industry is to decrease its reliance on imports of complete western air systems and instead to emphasize the development of capabilities to manufacture similar products locally. For example, a tender for MS-21 avionics resulted in a cooperative agreement between Rockwell Collins and Russian company Avionica to develop a special avionics system for this aircraft. Further down the value chain, market opportunities are expected to arise for western manufacturers of high-tech machine tools and smaller aircraft components, as the Russian industry continues to build its capacity to produce locally. In the interim, however, western avionics, navigation systems and other large integrated components will continue to be in demand by Russian manufacturers of aircraft and helicopters to meet their current needs, especially in the modernization and the aftermarket segments.

Most Russian OEMs, tier suppliers, and distributors that are active in the aviation industry also manufacture and supply products for other associated industries, such as military and defense, automotive, electronics, and energy. U.S. suppliers may benefit from these synergies.

The links between the defense and aviation sectors are especially strong. Modernization of the Russian military is becoming an important national priority and the state order for arms is expected to grow in the near future. Between 2007 and 2015, the Russian government plans to allocate 4.9 trillion rubles (\$162 billion)³ to support modernization of the army. The same enterprises active in the aviation industry (OEMs and tier suppliers) will receive additional state

³ Exchange rate used: \$1 = 30.18 rubles

funding and support under this program allowing them to reinforce their ability to modernize and procure new machine tools and other equipment.

Web Resources

[Return to top](#)

Trade Events

Participating in trade events remains a critical element in a successful business development strategy for Russia. U.S. companies can meet prospective Russian partners not only at major Russian trade shows, but also at international shows, especially in Europe. Examples include the Farnborough International Air Show, Paris Air Show, and the ILA Berlin Air Show. Besides these major aerospace shows, there are also a large number of specialized exhibitions on such topics as machine tools and aerospace testing. Major Russian and international shows are listed below:

HeliRussia 2011, Fourth International Helicopter Exhibition
May 19-21, 2011

Moscow

<http://www.helirusia.ru/en/index.html>

49th International Paris Air Show Le Bourget
June 20-26, 2011

Paris, France

<http://www.paris-air-show.com/en>

MAKS Moscow International Aerospace Salon 2011
August 16-21, 2011

Moscow

<http://www.aviasalon.com/en>

InterMash 2011, International Industry and Technology Exhibition (as part of MAKS)
August 16-21, 2011

Moscow

<http://www.intermash-expo.ru>

Aerospace Testing Russia 2011
October 4-6, 2011

Moscow

<http://www.aerospace-expo.ru/eng>

Internet Resources

<http://www.avia.ru/english>: Russian Aviation News & Information Server

<http://www.aviaport.ru>: Aviation News Agency "Aviaport" (only in Russian)

Commercial Service Contact

Vladislav Borodulin, Commercial Specialist

Tel: 7 (495) 728-5235

Vladislav.Borodulin@trade.gov

Construction / Greenbuild

Overview

[Return to top](#)

Unit: USD thousands

Value of Housing Units	2009	2010	2011 (estimate)	2012 (estimate)
Total Market Size	14,500,000	14,700,000	15,000,000	15,300,000
Total Local Production	7,000,000	8,500,000	9,000,000	9,300,000
Total Exports	-	-	-	-
Total Imports	7,500,000	6,200,000	6,000,000	6,000,000
Imports from the U.S.	800,000	900,000	1000,000	1,100,000

Data Sources: 1) Rosstat http://www.gks.ru/bgd/regl/b10_12/Main.htm; 2) Interviews with industry experts

The Russian construction sector suffered a severe slowdown in late 2008, losing almost 45% of its volume. At the time, sector growth was driven by extensive residential and commercial construction across Russia, infrastructure projects and, to some extent, planning for the Sochi Olympics. Experts were forecasting a construction boom to continue through 2009 and 2010.

The economic slowdown impacted many sectors of the economy, including construction, as it is highly dependent on the banking sector and available financing. Many developers had to postpone ongoing projects because of a lack of financing.

Overall, construction activity in most Russian cities (St. Petersburg, Krasnodar, Nizhny Novgorod, Kazan, Samara, Rostov, etc.) contracted significantly. Specifically, residential housing construction, a key indicator in the sector, has been declining for the last two years at the rate of 5.5% in 2010 and 8% in 2009, in volume terms totaling 33 million square meters.⁴

Despite the slowdown, many developers remain optimistic and continue to look at this market as a tremendous opportunity. Many in the industry already see an increase in projects and expect market growth in 2011 and 2012. Some of the increase may be attributable to the development of infrastructure needed for the Sochi Olympics.

Additional market growth may be fueled by private residences construction and country home (dachya) construction. This sector is expected to experience growth given the high cost of apartments in city centers. Many people prefer to build their own homes rather than finance expensive apartments with mortgage financing.

The construction of sports facilities, hotels, and transportation systems has already begun in Sochi and the Krasnodar region and will continue for the next four years, creating opportunities for suppliers. Russian companies will continue to demand construction equipment and building materials. Given the reliability of foreign-manufactured equipment and building materials, Russian companies tend to prefer to purchase from Western manufacturers.

The construction equipment market is characterized by a shortage of inventory and a high degree of equipment wear and tear (45%-75% of equipment). Local manufacturers suffer from insufficient investment in R&D; the result is a lack of modern technology, poor management and the absence of government support. These factors contribute to the growth of construction machinery imports; about 50% of the equipment used by construction companies is foreign,

⁴ Source: Rosstat publications

either new or used. The main players in the Russian market are Caterpillar (United States), Volvo (Sweden), JCB (U.K.), Komatsu (Japan) and Hitachi (Japan). Asian producers, especially Chinese are very aggressively entering the market, thus intensifying competition for all suppliers.

Price is an important factor but one mainly considered by small construction companies or minor subcontractors. Nowadays large companies employing more than 1000 people prefer leasing equipment rather than buying it. Leasing companies prefer working with top manufacturers, whose products have higher residual value. U.S. and European equipment can serve up to three-five years of intensive use without costly repairs, while Chinese products often last much less.

Up to 95% of apartments and homes in Russia are sold without interior finishes; therefore, demand for such products will continue to grow. Although 80% of building materials are sold in open markets, the "Do it yourself" (DIY) segment continues to expand as demonstrated by growing consumer purchases at such stores as OBI, Castorama and IKEA.

Basic products that are used for the primary finishing such as cement, concrete mixes, plasterboards, and plastic windows are manufactured locally using mostly German technologies. Technology leaders such as Knauf (Germany) have numerous plants in the country.

Greenbuilding

Green building is a nascent sector in the Russian economy, though it is increasing in popularity as domestic consumer energy prices rise and people and organizations become more conscious of spending and the positive effects of a healthier environment. Green industry experts believe that 2010 marked a significant rise of green building activity in Russia. Following approval of the new Federal Law "On Energy Savings and Improving Energy Efficiency" in November 2009, the nascent Russian green building community has been playing an increasingly active role in promoting awareness of green building concepts in the traditional construction sector, and supporting expansion of green standards.

The Russian Green Building Council (RuGBC) created in November 2009 is the key catalyst and is playing a leading role in green standards implementation for the industry. Russia's Ministry of Natural Resources plans long-term collaboration with RuGBC and intends to develop a program of joint events and courses.

Over the past year, the RuGBC has built a strong membership base (120 members) on a philosophy of 'standard neutrality' and offers equal support for the rating tools relevant to the Russian market – LEED, BREEAM, DGNB and the emerging Russian National Standard. RuGBC has also supported the development of green standards and sustainable design and construction methods for the Sochi 2014 Winter Olympic Games, resulting in several international fact-finding missions and seminars, as well as the adoption of BREEAM and LEED as standards for top venues.

In 2010, the first two Russia 'green' buildings received internationally accepted certifications – Ducat Palace, an A class office building and retail complex, developed by Hines, received BREEAM "very good," and the Swedish SKF bearing factory in the Tver Region received LEED NC v.2.2 Gold. Another 14 buildings are registered for BREEAM certification, 6 are registered for LEED and several pilots are being considered for DGNB.

In addition to certified buildings, there is the emergence of buildings with “green features”. In 2010, the first “Green Awards” competition took place in St. Petersburg as part of the ProEstate Investment Forum. The top award went to the headquarters of WWF Russia – Panda House. The emergence of these initial projects is an important milestone in Russian green market transformation.

Some of the perceived drivers of sustainable property development in Russia include:

- The increasing perception by investors that green certification (BREEAM, LEED or DGNB) represents lower investment risk based on evidence of lower voids in these buildings;
- Demand from international corporations for green offices due to international policies and standards;
- Increasing government-led initiatives towards sustainability – energy efficiency and innovation;
- The attractive prospect of higher rental and sales levels in green certified buildings due to a growing demand, following increased awareness of green building concepts and anticipated increases in energy prices. The upcoming deregulation of energy prices in Russia is expected to increase costs for end-users by up to 200% in 2011.

Sub-Sector Best Prospects

[Return to top](#)

Construction equipment: Tractors, bulldozers, mobile cranes, concrete pumps and mixers, excavators, compaction rollers, front loaders and crushers, metal cutting equipment, fast building technologies and equipment.

Building materials: Roofing materials, wall building materials, energy efficient materials, construction additives and interior decoration materials and sanitary products.

Green building: Green building includes products ranging from green architecture to energy-conserving materials and fixtures (toilets, light bulbs, appliances). Possibilities for future growth areas include insulation and heating systems. Non-toxic building products will likely gain popularity. “Smart home” technology should also attract a great deal of interest from Russian consumers.

Prospective buyers are in fact all construction firms, contractors, and any business whose plans include construction or renovation of a local facility. Non-Russian companies are more likely to use energy-efficient construction than Russian companies. Many foreign investors, especially European investors, will lend money for construction only if it meets certain environmental requirements, particularly sustainability and efficiency. European and American companies are also more likely to undertake green projects than Russian firms. For these reasons, non-Russian companies located in Russia offer opportunities to providers of energy-efficient and environmentally responsible building supplies and services.

Opportunities

[Return to top](#)

U.S. construction equipment is well known in Russia for its excellent quality and reliability. U.S. manufacturers can further improve their market share by offering state-of-the-art technology and products, and by employing reputable agents and/or distributors. Price, reliability, availability of sales financing and after-sale service continue to be the main competitive criteria for equipment

exports to Russia. Given the current value of the U.S. dollar to the Euro, used construction equipment from the United States may become popular among Russian companies that want to minimize their costs.

Opportunities also exist for licensing and transfer of modern U.S. technology to Russian equipment and component manufacturers.

Provided the right price is established, U.S. building products can compete against those from European suppliers. Because DIY chains have become much more active in the Russian market, U.S. companies can also be competitive in retail sales of DIY products in these chains.

Green building: Opportunities for green construction in Russia are dependent upon overall construction nationwide. In the wake of the global financial crisis, construction is expected to see real growth again in 2011, as the economy improves after two years of contraction, the country prepares for the 2012 APEC Summit in Vladivostok, the 2014 Olympic Games in Sochi, and the 2018 FIFA World Cup, and as President Medvedev moves along with the Skolkovo technology park project.

Among future projects, the technology park at Skolkovo in particular should prove to be fertile ground for green building and technology, as it will be an opportunity for Russia to showcase its modernization efforts.

Sochi Olympic Games construction is another excellent opportunity for American suppliers of green building materials and services to showcase their products. Specifically, the International Olympic Committee has mandated that certain standards be met. Ten of the 202 planned Olympic buildings will be either LEED or BREEM certified, and 150 objects will be certified by Olympstroy corporate standards for energy efficiency.

In December 2010, Russia won its bid with FIFA to host the 2018 World Cup tournament and is planning the construction of 16 state-of-the-art stadiums in 13 cities, mostly in Western Russia. Each stadium will have a price-tag between \$70- \$300 million.

Further, there are several large-scale green sustainable projects that will be soon built in Russia and may present some opportunities for U.S. exporters:

- NCC (<http://www.ncc-spb.ru/en>) is building a housing development in St. Petersburg called Swedish Krona (to be completed in Q4, 2014). This will be an apartment block area with a park, playgrounds, sport facilities, shops and parking. NCC is planning to use various new construction technologies, including energy efficient materials, to build a comfortable city living place that meets European standards.
- BTK (www.btkdevelopment.ru) is in the process of developing a project for an energy efficient office building in the center of St. Petersburg (2000 sq. meters). The company is planning to build this project according to LEED standards and receive the appropriate certification.
- Setl City (www.setlcity.ru) is beginning to develop a project called Sem Stolits (www.7stolic.ru), which will utilize the principles of energy efficiency including a collector heating and water supply system, specially designed sanitation facilities and energy-efficient insulation and windows (to be completed within 15-17 years).

Organizations

Federal Construction and Housing Agency

www.gosstroy.gov.ru

Builders Association of Russia

www.a-s-r.ru

Construction World: The Associate Board of Architecture, Construction, Development and Reconstruction of Moscow

www.stroi.ru

Ecostandard

Ecological services and expertise - 1st organization certified by U.S. Green Building Council

<http://www.ecostandard.ru/en>

Green Building Council Russia

<http://www.rugbc.org/lang/en>

Ministry of Energy and Industry of the RF

<http://www.minprom.gov.ru>

Integrated Body for Urban Design Policy and Development of Moscow

<http://www.stroi.ru>

New Law on Energy Efficiency

<http://www.bakermckenzie.com/ALRussiaNewDevelopmentsSavingEnergyJan10>

Trade Events

International Construction Week

February 14-17, 2011

Moscow

<http://www.stroytekh.ru> - Building equipment, road machinery and building technologies

<http://www.roofexpo.ru> - Roofing, heat- and waterproof materials

<http://www.betonexpo.ru> - Cement, concrete and prefab concrete items for construction & landscaping

<http://www.iset-expo.ru> - Professional and household tools of all types

Mosbuild

April 5-8, 2011

Moscow

<http://www.mosbuild.com>

Wastetech

May 31-June 3, 2011

Moscow

<http://www.waste-tech.ru>

Balticbuild

September 12-14, 2011

St. Petersburg

<http://www.balticbuild.ru>

City Build

Moscow

October 18-21, 2011

<http://www.city-build.ru>

High-Tech Building 2011

November 8-10, 2011

Moscow

http://www.hitechbuilding.ru/hthb/green_building

Publications

Construction

<http://www.ianc.ru>

Spec-Technika

<http://www.spec-technika.ru>

Rosstat Publications

http://www.gks.ru/bgd/regl/b10_12/Main.htm

Zhilaya Sreda

<http://www.finestreet.ru/magazine/home>

Beautiful Houses

<http://www.houses.ru>

Tepliy Dom

<http://www.teplydom.com>

Commercial Service Contact (Construction and Building Materials)

Timur Uddin, Commercial Specialist

Timur.Uddin@trade.gov

Tel: 7 (495) 728 5526 (direct)

Commercial Service Contact (Green Building)

Vladislav Borodulin, Commercial Specialist

Tel: 7 (495) 728-5235

Vladislav.Borodulin@trade.gov

Consumer Electronics

Overview

[Return to top](#)

Unit: USD thousands

	2009	2010	2011 (estimate)	2012 (estimate)
Total Market Size	18,500,000	20,370,000	22,500,000	25,000,000
Total Local Production	3,000,000	4,000,000	5,000,000	6,200,000
Total Exports	1,500,000	1,630,000	2,000,000	2,200,000
Total Imports	17,000,000	18,000,000	19,500,000	21,000,000
Imports from the U.S.	1,200,000	1,800,000	2,500,000	3,500,000

The Russian consumer electronics market includes telephones, MP3 players, home and automotive audio/video equipment, personal computers, TV sets, calculators, GPS automotive navigation systems, home security and automation products, products for playback and recording of digital video and audio media, digital cameras and camcorders, and other products for entertainment and communications.

Before the recent economic crisis, the consumer electronics market was one of Russia's most developed and most competitive retail sectors with annual growth rates ranging from 10% to 25%, depending on the product. According to data published by GFK-Russia (a subsidiary company of the German GFK-Group), the size of the combined consumer electronics and household appliances markets in Russia was \$36.8 billion in 2007 and \$40.6 billion in 2008.

In 2009, Russia's consumer electronics market drastically declined. Industry experts evaluated market at \$18.5 billion (a 35% decrease compared to 2008). However, starting 2nd quarter of 2010 the consumer electronics market started to show the signs of recovery.

Based on expert evaluations, including GFK-Russia research, the U.S. Commercial Service estimates the following 2010 sales volumes for key product groups:

Product Category	2010 \$ Million	% change from 2009
Audio/video equipment	5,300	8
Personal computers, components, and accessories	6,800	3
Mobile, radio phones and other telecommunication devices	5,500	25
Photo equipment	1,250	25
Home office equipment and consumables	1,520	-5
Total	20,370	10

In 2010, sales growth in the audio/video industry subsector was mostly generated by the demand for flat panel TVs, including Full HD, LED, 3D, and Slimline models. The most sought after products in the IT subsector were mobile computers, including notebooks, netbooks, and tablet PCs. Desktop computers continued to lose their share of the market. The market for telecom products was mostly driven by sales of mobile smart phones with touch-screen technology and mobile phone accessories. The digital photo market showed strong signs of recovery mostly because of increased sales of compact digital cameras providing higher

resolution and advanced features at affordable prices. The market for office equipment continued to recover, but did not show positive dynamics compared to 2009.

Accurate figures for the consumer electronics market in Russia are difficult to determine due to a large number of so-called “grey market products” imported into the market. However, with the growth of the largest retail chains, whose market share will increase, a corresponding decrease in “grey market” goods is expected.

Imports

The major portion of the consumer electronics market is occupied by products imported from Asia, Europe, and the United States. All major global brands are represented in Russia and have wide recognition. The U.S. consumer electronics share of the Russian market is mostly represented by IT products, high-end audio products, automotive audio and navigation products, home security and automation products, and mobile phones.

Domestic production

Local production is mostly represented by a big number of small and medium size Russian IT companies, and several telecom manufacturers. An example of foreign investment in domestic IT industry is the \$50 million HP and Foxconn joint venture, which started production of HP desktop computers in St. Petersburg in April 2010.

Other local manufacturers include ODMs (original design manufacturers) providing EMS (electronics manufacturing services) for contract manufacturing of CRT, PDP, and LCD TVs, as well as DVD players under the Sony, Panasonic, Akai and other well-known brand names.

Distribution

Consumer electronics products are imported and distributed in Russia by a big number of distributors. All major international brands have their representative offices or authorized distributors as well. About 50% of consumer electronics marketed in Russia are sold by several of the largest retail chains that have hypermarkets and stores located in Moscow, St. Petersburg and other large cities. Another 25% are sold by regional chains, while the rest is sold by small retail companies and through the internet. However, recently the share of products sold via the Internet significantly increased. According to Citibank Russia’s analytical department, the volume of products sold through the Russian Internet in 2012 will increase by 33% and will reach \$27 billion.

Participation in local trade shows/conferences and international events focused on Russia is very important for promotion of new products and establishing contacts with key industry people.

Sub-Sector Best Prospects

[Return to top](#)

- Audio/video equipment
- Automotive audio and navigation products
- Home security and automation products
- Multi-media
- Wireless and networking products
- Mobile computers

Opportunities

[Return to top](#)

The Russian market, with its 140 million population, has huge potential size and it offers continued growth potential due to the relatively low penetration in product groups, such as computers and Hi-End digital products, especially in the remote regions.

Prior to the impact of the global economic crisis on the Russian market that began in late 2008, the consumer electronics sector was recognized as one of the fastest growing in Europe. During the crisis, however, customers started to save on purchases of consumer electronics, which are discretionary items for Russians. However, industry analysts believe that following industry recovery in 2010, the Russian market will continue to grow in 2011.

Computers will continue to be the main growth driver of Russia's consumer electronics industry, with increasing sales of notebooks, netbooks, and tablet PCs. According to expert estimates, local PC assemblers control about 80% of the PC market. Therefore, computer components will also continue to be in a strong demand.

High-end mobile phones, particularly the latest smart phones and 3G handsets, are highly sought-after status symbols for Russian consumers. According to Business Monitor International, it is expected that by the end of 2013, more than 50% of handset sales will be of 3G models, from around 10% in 2009. However foreign suppliers will be concerned by apparent Russian government threats to ban imports of handsets that do not have a Russian GPS system.

Quality, functionality and uniqueness should be competitive advantages for all products imported to Russia. New highly advanced products are in constant demand and their sales show continuing growth. As most of these products are imported and there is always strong demand for the latest and most technological categories, solid opportunities exist for U.S. companies, particularly in high quality electronics gear and modern digital electronic products. Therefore, Russia remains a significant international market for U.S. consumer electronics.

Web Resources

[Return to top](#)

Organizations

Russian Association of Trading Companies and Manufacturers of Consumer Electronics (RATEK)

<http://www.ratek.org>

Trade Events

Consumer Electronics & Photo Expo 2011

Premium Hi-Fi & Home Theatre-2011

April 14-17, 2011

Moscow

<http://www.cep-expo.ru/en>

<http://www.premiumhifi.ru/en/premium>

Integrated Systems Russia 2011

November 8-10, 2011

Moscow

<http://www.isrussia.ru/en/isrussia>

Hi-Tech Building & House 2011

November 8-10, 2011

Moscow

<http://htbh.ru/en/htbh>

Commercial Service Contact

Mikhail Minkevitch, Commercial Specialist

Tel: 7 (812) 326-2582

Misha.Minkevitch@trade.gov

Cosmetics/Toiletries

Overview

[Return to top](#)

Unit: USD thousands

	2009	2010	2011 (estimate)	2012 (estimate)
Total Market Size	9,700,000	10,300,000	11,200,000	12,208,000
Total Local Production	4,752,000	5,049,000	5,474,000	5,967,000
Total Exports	193,000	208,000	210,000	229,000
Total Imports	5,141,000	5,459,000	5,936,000	6,470,000
Imports from the U.S.	101,000	131,000	135,000	147,000

Source: Estimates by industry experts and U.S. department of commerce databases.

The Russian cosmetics and toiletries market has been experiencing steady growth and has been one of the fastest growing industry sectors in Russia during the last decade, with growth of 10-15% prior to 2008. According to Staraya Krepost, in 2009, the total value of the Russian cosmetics and toiletries market was approximately \$9.7 billion, and increased approximately 8% in 2010. Fifty-three percent of the market consists of imported products.

Key market segments are: make-up, hair care; skin care products; and toiletries. Spa, pedicure, and manicure products are also fast growing subsectors in the cosmetics industry. Russians spend a significantly higher portion of their income (12%) on cosmetic products than do their overseas counterparts.

Domestic manufacturers have a 47% share of the mass-market and middle market brands. Major manufacturers like Kalina, Nevskaya Kosmetika, Svoboda and Faberlic produce both mass-market and higher-end skin care products, which are considered on par with western luxury market quality standards. The competition between foreign and local manufacturers in the mass-market and middle market segments is intense. Generally, foreign producers outpace local ones with the use of new technologies in the manufacturing process and larger marketing and advertising budgets.

The market recently experienced profound changes in distribution with retailers becoming the key players in the market versus distributors. According to L'Agence de Lux, cosmetics and toiletries distribution channels include:

- Cosmetic retail chains (30%)
- Department stores (25%)
- Direct sales (20%)
- Pharmacies (10%)
- Outdoor markets (10%)
- Internet-sales, concept-stores (5%)

Distributors are shifting their business from developing wholesale trade to expanding retail chains. Specialized retail chains such as L'Etoile, Ile de Beaute and Yves Rocher, with outlets in all major Russian cities, are showing the fastest growth rates.

The assortment of products in retail chains has changed too with middle-market and mass-market brands complementing exclusive products. The share of mass-market products in retail chains has grown to 20%. An additional channel for mass-market and middle-market brands,

as well as curative cosmetics, is pharmacies, especially pharmacy chains. Russian consumers perceive cosmetics sold through pharmacies to be safer and more effective.

A new and recent trend in market development is a shift in the overall market share from Moscow to the Russian regions. Currently, the ratio between large cities and regional cities is 50/50. This is especially true in cities with a population of over one million and where there are a substantial number of people with high purchasing power.

The last several years have been characterized by a rapidly growing demand for high quality and customized cosmetic products. Both foreign and local manufacturers have succeeded in creating awareness and educating consumers about different skin and hair types, as well as the advantages of using a full range of skin and hair products.

Sub-Sector Best Prospects

[Return to top](#)

The best sales prospects for U.S. export include the following categories: make-up, skin and hair care products in all market segments, professional skin care products for home use, spa products and treatments, beauty and hair salon products and equipment, anti-aging cosmetics, natural cosmetics, curative and professional products, manicure and pedicure products, and cosmetics for men and children.

Opportunities

[Return to top](#)

Russian consumers traditionally trust foreign brands more than local ones because they are perceived to guarantee consistent quality. According to industry specialists, the future of the Russian cosmetics and toiletries market is in niche marketing and narrow customization. Given intense competition between foreign and local manufacturers, especially in the mass-market and middle-market market segments, the cost of entering and developing the market is now higher.

Success will depend on larger investments in advertising, marketing and promotion, including participation in specialized trade shows. U.S. manufacturers can improve their market visibility by offering exclusive cosmetic products and by employing qualified agents/distributors. Price continues to be the most competitive factor limiting export opportunities. U.S. producers may consider opening a representative office to conclude agreements with retailers directly or establishing manufacturing facilities in Russia and partnering with local companies to make their products more competitive.

Web Resources

[Return to top](#)

Organizations

Cosmetics-Perfumery Russian Association

<http://www.pcar.ru/index.php?lang=eng&PHPSESSID=8c7dfc8dbf7d9c6085dcfe648ed0531>

Expo Media Group Staraya Krepost (organizer of specialized events and publisher)

<http://www.cosmopress.ru/eng>

National Alliance of Cosmetologists and Dermatologists

<http://www.nadc.ru>

Trade Events

Intercosmetics

March 16-18, 2011

Moscow

http://www.intercosmetics.ru/index_eng.html

Intercharm Professional

April 14-16, 2011

Moscow

<http://www.intercharmpro.ru>

Intercharm

October 26-29, 2011

Moscow

<http://2010.intercharm.ru/en>

Publications

Salon-expert (specialized edition for spa and beauty salons owners)

<http://www.salon-expert.ru>

Kosmetika optom (cosmetics portal)

<http://kosmetikaoptom.ru>

Intercharm (perfumery and cosmetics portal)

<http://www.intercharm.net/eng>

Kosmetik International (magazine)

<http://www.ki-online.ru/en>

Cosmetics and Perfumery (magazine)

<http://kosmetika.potrebitel.ru>

Cosmetics and Medicine (magazine)

<http://www.cmjournal.ru>

Make-up portal

<http://www.make-up.ru>

Cosmomir (perfumery and cosmetics portal)

<http://www.cosmomir.ru>

Cosmetics in Russia (perfumery and cosmetics portal in English)

<http://www.cosmeticsinrussia.com>

Commercial Service Contact

Irina Podsushnaya, Commercial Specialist

Tel: 7 (4232) 499-381

Irina.Podsushnaya@trade.gov

Electric Power Generation & Transmission Equipment

Overview

[Return to top](#)

(billion Kwh)	2009	2010	2011 (estimate)	2012 (estimate)
Electricity Generation	978.6	1025.0	1058.0	1090
Electricity Consumption	964.4	1009.2	1045.0	1075
Electricity Exports	14.2	15.8	13.0	15.0

Source: Russia System Operator; *Federal Tax Service*.

Russia holds the world's largest natural gas reserves, second largest coal reserves, and eighth largest oil reserves. It is the fourth largest generator and consumer of electricity in the world; its 440 power stations (77 coal-fired) have an installed generation capacity of 220 GW. The grid links over two million miles of power lines, 93,000 miles of which are high voltage cables over 220 kV. Electricity generation is based largely on thermal (gas - 46%, coal - 18%), hydro (18%), and nuclear (17%) power. 60% of thermal generation is from combined heat and power plants (CHP). Russia operates 31 nuclear power reactors in 10 locations, with an installed capacity of 21 GW. Despite considerable geothermal, wind and wave resources, renewable energy production accounts for less than one percent.

In 2002, the Russian government began reforming the power sector. The main goal was, and remains, to upgrade the aging and outdated heating and electricity infrastructure. The restructuring involved the separation and privatization of the generation, transmission and sales companies. The grids were brought under regulatory supervision. Power generation was divided up into seven wholesale generating companies (OGK) – including RusHydro, 14 territorial generating companies (TGK), independents and state-owned entities. OGKs contain power plants and specialize mainly in electric power generation. TGKs contain predominantly combined heat and power plants (CHPs). The gradual liberalization of the wholesale electricity market, completed in January 2011, now allows producers to charge market prices. The transmission grid remains mostly under state control.

As a result of the reorganization, Inter RAO UES became a major generating company in Russia in the field of export and import of electric power. The total installed capacity of the power plants owned or managed by the company is around 18,000 MW. The company's main types of activities are generation of electric and thermal power, sales of electric and thermal power to consumers, and export and import of electric power.

Foreign and domestic companies have invested about \$27 billion in the power sector; as a condition of their investment, they committed to create 186 GW of new capacity by 2020. As Russia emerged from the crisis, some investment plans were resumed, with strong growth anticipated. According to the International Energy Agency, the Russian power sector will require a \$440 billion investment by 2030 to avoid regional blackouts and meet future demand. This will include installing new generating capacity and significantly modernizing what is currently installed.

The European Bank for Reconstruction and Development has invested in many of the new power generating companies. In addition, as part of its crisis response actions in its Russia

strategy for 2009-2012, EBRD states it will provide support to both private and state-owned power companies, with balance sheet restructuring, refinancing, liquidity support or financing of investment shortfall for priority projects with high energy efficiency parameters. In June 2010, EBRD also laid the groundwork for a strategic partnership with the Federal Grid Company.

Russian equipment producers are also modernizing their production. Power Machines (Siloviy Mashiny) is the market leader with a share of over 50%. It unites production, supply, construction, maintenance and modernization of equipment for thermal, nuclear, hydraulic and gas turbine power plants. The following big international energy equipment holdings are well established and have joint ventures or their own production facilities in Russia: General Electric, Siemens, Alstom, ABB, Skoda Power, Mitsubishi Heavy Industries, Ansaldo Energia, and Areva.

Sub-Sector Best Prospects

[Return to top](#)

The development of the energy sector has led to an increasing demand for highly technological equipment that is efficient and environmentally friendly. The Russian power engineering industry, well developed before the fall of the Soviet Union, can no longer supply all of Russia's energy sector needs.

Opportunities

[Return to top](#)

The most competitive markets are concentrated around the cities of Moscow and St. Petersburg, whereas the regions are considered growing markets. Western equipment is usually installed in newly built infrastructure, while existing equipment is mainly maintained with locally produced equipment and to a lesser extent upgraded with Western devices.

According to the Energy Strategy of Russia for the period up to 2030, the priorities in the electric energy industry are:

- developing gas turbines with a capacity of 300-350 MW and highly efficient condensation combined cycle gas turbine units with a capacity of 500-1000 MW and a performance index exceeding 60%;
- designing standard modular combined cycle co-generation units with a capacity of 100 and 170 MW and a performance index amounting to 53-55% for heat and power plants;
- developing environmentally friendly coal condensation units on ultra supercritical steam conditions with a capacity of 660-800 MW, as well as combined cycle units on solid fuel gasification (200-600MW) and coal synthesis gas;
- introducing technological energy complexes working on gas and solid fuel for combined production of electricity and synthetic liquid fuel;
- developing highly integrated intelligent transmission and distribution networks (Smart Grid) in Russia's Unified Energy System;
- developing power electronics, especially various types of network control devices (flexible alternating current transmission systems), automated electricity demand control systems; and hydroelectric equipment for tidal power plants.

Russia is generally very receptive to U.S. products. Companies such as General Electric, Dresser-Rand, and Compressor Controls Corporation are present in the Russian market and their products are available either directly or through representatives or distributors. Imports from third countries are also growing. U.S. firms encounter increasing competition in the Russian market from European and Chinese manufacturers. Companies with production

capacities in Russia tend to have an advantage over those that produce equipment abroad. This is the main motivation for foreign companies to form joint ventures and start production in Russia.

Tenders for energy projects are processed through the world's largest marketplace for power generation equipment online at www.b2b-energo.ru. Most of the OGKs and TGKs also have their own marketplaces on their websites. A foreign vendor needs to keep in mind that paper documentation for tenders is generally required in the Russian language. The power stations officially publish tenders for some renovation tasks. For major projects, they work with specialized engineering, procurement and construction companies (EPCs).

Current information about new tenders, analytical materials, regulatory documents, application procedures and other participation requirements may be found at <http://tenderenergo.ru>. The website is in Russian and intended for local representatives of foreign companies and Russian power supply firms. Information on state procurement (government purchases) can also be found at <http://www.b2b-energo.ru/?lang=eng>.

The Russian government has stated that it intends to expand the role of nuclear and hydro-power generation in the future, to allow for greater export of fossil fuels, with a plan to increase nuclear generation to twice its current level. However, many nuclear plants are due for decommissioning, some of the older reactors will likely be replaced in the near future (ten nuclear units currently under construction), and meeting such a target will require billions of dollars of investment per year over the next decade.

Web Resources

[Return to top](#)

Russian Ministry of Energy	http://www.minenergo.gov.ru
Rosatom - Federal Agency for Nuclear Energy	http://www.rosatom.ru/en
Rosenergoatom	http://www.rosenergoatom.ru/eng
Press Center of Nuclear Energy and Industry	http://www.minatom.ru/en
System Operator	http://www.so-cdu.ru
Federal Grid Company	http://fsk-ees.ru/eng
Inter RAO UES	http://www.interrao.ru/eng

The OGK and TGK websites (many also in English) may also contain information about each company's investment, procurement and production plans.

OGK-1 http://www.ogk1.com/en	TGK-5 http://www.tgc5.ru/eng.html
OGK-2 http://www.ogk2.ru/eng	TGK-6 http://www.tgc6.ru/index.php?id=news&L=1
OGK-3 http://www.ogk3.ru/en-main	Volzhskaya TGK/TGK-7 http://www.en.votgk.ru
OGK-4 http://www.eng.ogk-4.ru	Southern Generation Comp/TGK-8 http://www.tgk-8.ru
Enel OGK-5 http://www.ogk-5.com/en	TGK-9 http://www.tgk9.ru/eng.html
OGK-6 http://www.ogk6.ru/en	Fortum/TGK-10 http://www.fortum.ru
RusHydro http://www.eng.rushydro.ru	TGK-11 http://www.eng.tgk11.com
TGK-1 http://eng.tgc1.ru	Kuzbassenergo/TGK-12 http://www.kuzbassenergo.ru/eng
TGK-2 http://www.tgc-2.ru/en	Yenisei TGK/TGK-13 http://eng.tgk13.ru
Mosenergo/TGK-3 http://www.mosenergo.ru	TGK-14 http://www.tgk-14.com
Quadra/TGK-4 http://www.quadra.ru	

Trade Events

Russia Power

March 28-30, 2011

Moscow

<http://www.russia-power.org>

Power Industry and Electrical Engineering

May 17-20, 2011

St. Petersburg

<http://www.restec.ru/exhibitions/featured/power>

Efficient Power Engineering in Industrial and Municipal Sectors

May 31- June 3, 2011

St. Petersburg

<http://www.en.farexpo.ru/energy>

AtomExpo

June 6-8, 2011

Moscow

<http://2011.atomexpo.ru/en>

Electric and Power Infrastructure Sochi

October 4-6, 2011

Krasnodar

<http://idos-expo.ru/eng/exhibitions/epis>

Power Electronics, Energy and Energy Saving

November 29-01 December 2011

Moscow

<http://power.primexpo.ru>

Commercial Service Contact

Anna Avetisyan, Commercial Specialist

Tel: 7 (495) 728-5398

Anna.Avetisyan@trade.gov

Medical Equipment

Overview

[Return to top](#)

Unit: USD Thousands

	2009	2010	2011 (estimate)	2012 (estimate)
Total Market Size	3,300,000	3,500,000	3,700,000	3,800,000
Total Local Production	510,000	530,000	600,000	620,000
Total Exports	70,000	90,000	120,000	140,000
Total Imports	2,860,000	3,060,000	3,220,000	3,320,000
Imports from the U.S.*	137,000	170,000	190,000	200,000

Source: Remedium and industry experts; Global Trade Atlas

Russia has instituted a comprehensive reform of its healthcare system and healthcare is “Priority #1” in the government’s new national priority projects. Russia’s healthcare system is evolving rapidly and this is creating many promising areas for U.S. medical equipment exports. It is currently estimated that only 20% of the Russian population of 142 million has access to quality healthcare. The majority of hospitals and polyclinics are public and belong to federal, regional or local governments.

At the moment, the two major sources of public healthcare funding - mandatory insurance funds (30%) and spending supported by federal and regional budgets (70%) - do not cover all healthcare expenses. As a result, a significant portion of overall (public and private) health care spending (about 20%) is covered out of patients’ pockets. Voluntary healthcare insurance programs account for approximately one-third of the total private healthcare expenditures. According to long-term reform plans, mandatory insurance funds will serve as the main source of healthcare funding, providing transparency and control over cash flow within the system. However, despite the ongoing healthcare reforms and significant increases in federal and regional budget allocations for healthcare, financing remains insufficient to address the needs of the industry.

On January 1, 2011, the new law “About Mandatory Healthcare Insurance” was adopted. This law makes the patient the most important segment of healthcare. Money will “follow” the patient and the government will finance the medical procedures, not the healthcare facility. This law allows the patient to choose the healthcare insurance company, medical facility and doctor. According to this law a patient can choose both state and private medical facilities. Those rights will be supported by the mandatory healthcare insurance card, which will be valid throughout Russia. As a result, the quality of medical services will improve because the government will pay the medical facility for the full cost of every medical procedure.

The Ministry of Health and Social Development has developed a document called “Health Care Through 2020.” According to Health Minister Golikova, this document will be incorporated into a long-term strategy of social and economic development.

The Russian medical equipment and supply market is one of the fastest growing sectors of the economy. Despite the severe economic downturn that began in 2008, in 2009 the total volume of medical equipment and supplies in Russia grew 38% to reach \$3.3 billion. This puts the market among the 20 fastest growing markets in the world, yet

annual per capita spending is a very low \$23. Industry experts predict that the market will grow at a rate of 5.5% per year, reaching \$4.3 billion by 2014 or \$31 per capita.

Almost two-thirds of the medical equipment and devices used in public clinics and hospitals are obsolete and need replacement. Russia itself does not produce much high-end medical equipment and must rely almost exclusively on imports. The Federal Service on Surveillance in Healthcare and Social Development of the Russian Federation (Rosdravnadzor) has approved over 20,000 medical products and devices for use in treatments, 60% of which are locally manufactured (appliances - 3,000; equipment - 1,000; instruments - 7,000; glass and polymer medical products - 700). About 1200 Russian enterprises, 90% privately held, manufacture an array of medical devices, including apparatus and appliances (45%), medical instruments (10%), medical equipment (9%), glass and polymer medical products (10%), other medical products (26%).

According to various sources, imported medical devices constitute 60% of the Russian market. The statistical data show that 40-45% of imports come from Germany, 20-25% from the U.S., 10% from Japan and 5% each from Italy and France. For the last three years, a growing number of cheap analogues from China and Pakistan have entered the Russian market in large volumes.

Russian medical equipment manufacturers are making some progress in several traditional and developing segments. First, most routine X-ray diagnostic procedures are done on Russian-made equipment. Apart from that, the Russian medical device market is well represented by monitors for various uses, including those for intensive therapy, surgical operations, pregnancy and at the patient's bedside. Also, Russian companies manufacture certain models of electrocardiographs, encephalographs and rheographs.

A particular focus of Russian manufacturers (usually 15% of the products made at any given plant) is on producing surgical tables, lighting systems, sterilization equipment, cameras for disinfection, beds and medical furniture. The Russian manufacturer KB Vzlet developed the "Kosmea" apparatus used for cardiac artery bypass surgery that works without an artificial blood-circulation apparatus. "Trekpor Technology" Holdings developed an industrial magnetic-resonance accelerator for the production of membranes.

Sub-Sector Best Prospects

[Return to top](#)

Despite recent breakthroughs and the fact that locally made medical equipment is two to four times cheaper than imported equipment, Russian production still lags behind the majority of developed countries. Thus, Russia is still dependent on imports for a significant number of medical equipment industry sub-sectors, especially those requiring large investments in R&D, innovative technologies and automation. The best prospects for medical equipment include:

- Computer tomographs
- Blood pressure instruments and equipment
- Respirators
- Endoscopes

- Ultrasound scanning equipment
- Syringes, catheters, dental disposables, ophthalmological equipment
- X-ray equipment for general medicine, surgery and veterinary
- Artificial kidney complex components (oxygenators and dialysis machines)

Due to the aspiration of the Russian government to increase domestic capacity, there is a developing trend of cooperation between Russian and U.S. medical equipment firms. For example, at the end of 2008, GE Healthcare and one of the leading local manufacturers, Medical Technologies Limited (MTL), announced a strategic partnership to make diagnostic imaging equipment in Russia. The Ural Optical and Mechanical plant bought a license from the German company Siemens to produce a computer tomograph (CT). Cooperation between the JSC Ural Priborostroitelny plant and Italian manufacturers resulted in production of an ultrasound scanning instrument that won one of the tenders for the National Health Project. Finally, the Izomed company successfully manufactures another ultrasound diagnostic instrument in cooperation with a Japanese company. Such joint cooperation can bring accessible, innovative and modern healthcare technologies to support Russian government projects modernizing healthcare in various disease areas.

Opportunities

[Return to top](#)

Recent reforms in healthcare have created opportunities for U.S. medical equipment suppliers. In September 2005, President Putin announced that healthcare would be one of four key national projects, along with education, housing and agriculture. President Dmitry Medvedev (first Deputy Prime Minister beginning in November of that year) was in charge of these projects. The total federal budget allocated under the National Health Project in 2006 was \$4 billion (excluding loans and state guarantees) and nearly \$5 billion in each of the following years.

The National Health Project is designed to significantly improve the Russian healthcare sector, giving impetus to both the pharmaceutical and medical equipment markets. The implementation of the project is supported by laws and regulations, which will modify the healthcare system structure over the long term. Key laws and regulations include laws on state guarantees for medical assistance, mandatory health insurance, and standards of medical assistance. In 2010 the National Health Project was financed at \$4.8 billion. In 2011 the financing will be \$3.9 billion, in 2012 - \$3.8, in 2013 – \$2.6. The significant decline in the figures does not mean that the healthcare spending will decrease, because the numbers mentioned above will be only taken from the federal budget, the rest of the money, intended for providing mandatory healthcare insurance will be drawn from the Mandatory Healthcare Insurance fund. Since contribution payments of all working people to the Mandatory Healthcare Insurance Fund increased by 2%, in 2011-2012 this Fund will receive additional \$15.3 billion. In 2010 each region developed its own program of healthcare development.

Web Resources

[Return to top](#)

Organizations

Ministry of Health and Social Development
<http://www.minzdravsoc.ru>

Russian Federal Service on Surveillance in Healthcare and Social Development
<http://www.roszdravnadzor.ru>

Trade Events

Zdravookhranenie, International Exhibition of Medical Equipment and Drugs
December 5-9, 2011
Moscow
<http://www.zdravo-expo.ru/en>

Commercial Service Contact

Yuliya Vinogradova, Commercial Specialist
Yuliya.Vinogradova@trade.gov
Tel: 7 (495) 728-5586

Refinery Equipment

Overview

[Return to top](#)

Unit: USD thousands

	2009	2010	2011 (estimate)	2012 (estimate)
Total Market Size	6,000,000	9,000,000	11,000,000	11,000,000
Total Local Production	3,000,000	5,500,000	6,000,000	6,000,000
Total Imports	3,000,000	3,500,000	5,000,000	5,000,000
Imports from the U.S.	1,200,000	1,600,000	2,300,000	2,300,000

Source: CS Russia estimates

Russia ranks among the top ten countries in proven oil reserves, and is the world's largest exporter of oil and natural gas. Proceeds from the oil and gas industry account for almost half of Russian federal budget revenues, most of it coming from exports of crude oil and natural gas. Lately, however, a strong emphasis has been placed on the necessity to develop the Russian oil and gas refining and petrochemical industry, which should reduce Russia's dependence on global crude oil and gas prices. The plan is not only to fully employ existing domestic refining capacities, but also to gradually build up and upgrade existing refineries and build new ones. In perspective, this strategy should lead Russian companies to focus on the export of processed petroleum products rather than crude oil and gas, and to meet the increasing domestic need for high quality petroleum and petrochemical products.

One of the major incentives for the rapid technological upgrade of Russian refineries is the official ban on the production of low-quality fuels. Production of Euro-2 gasoline must cease on December 31, 2010; of Euro-3 gasoline on December 31, 2011; of Euro-4 on December 31, 2014. Similarly, production of class 2 and 3 diesel fuels is to cease on December 31, 2011, and class 4 on December 31, 2014. As a result, most of the Russian oil majors have been actively investing in the upgrade of their refining facilities, creating new opportunities for US manufacturers of refining technologies and equipment.

Thus, Russia remains one of the few regions that continue to look at major investment programs in the downstream sector. A reason for this trend is the relatively small investments made in the sector over the past decades. According to varying assessments, a total technical upgrade of the Russian refining industry requires \$30 to 50 billion.

Sub-Sector Best Prospects

[Return to top](#)

The following general areas can be identified as most promising:

- Emphasis on secondary refining upgrades to increase the depth of refining, from current levels of 60% up to 80% and above, including development and installation of new visbreakers and introduction of delayed coking processes;
- Upgrade of primary (top) refining units with the objective of increasing light-end product bleeding and reducing electricity consumption;

- Optimization of commercial motor gasoline production, and upgrade of catalytic reformers to produce high-octane components of motor gasoline;
- Introduction and/or upgrade of low-sulfur diesel fuel production units;
- Upgrade of catalytic cracking units to increase the yield and RONC of gasoline and improve energy-efficiency in this process;
- Transfer of certain types of fuel hydrogenation units to light hydrocracking technology, in order to increase diesel fuel output;
- Transfer of decommissioned catalytic reformers to isomerization processes of C5-C6 hydrocarbons to produce high-octane components of motor gasoline;
- Adaptation of atmospheric distillation and thermal cracking units to visbreakers;
- Optimization of internal refinery energy systems, including installation of energy-efficient, stand-alone gas-turbine and diesel power plants where appropriate to lower refineries' power consumption costs;
- Upgrade of storage and intermediate reservoirs;
- Cogeneration of refinery heavy bottoms into steam and electricity, or other relevant utilization technologies; and
- Introduction of modern integrated process control and accounting systems, including Distributed Control Systems (DCS).

Smaller oil producing companies are looking for opportunities to process crude oil right at the production site, which would allow them to increase the value of their product and reduce transportation expenses. This provides opportunities for U.S. manufactures of equipment for mini refineries. Companies providing turn-key solutions have the best prospects.

Opportunities

[Return to top](#)

As of today, Russia has about 30 major and 80 mini oil refineries with a total processing capacity of 5.6 million b/d. In 2008 (pre-crisis year), the Russian refining industry produced 36 million tons of gasoline, 69 million tons of diesel fuel, and 64 million tons of fuel oil.

Most of the Russian oil refineries were built in the two postwar decades: 16 plants, more than half of those currently active, were commissioned between 1945 and 1965. Only two refineries, with the total capacity of about 70,000 b/d, were launched in Russia after the collapse of the Soviet Union. Thus, overall, plants built during the Soviet time are currently recycling about 98% of oil, and until recently, only a few had gone through significant technological upgrade. It is not surprising, therefore, that experts unanimously admit a high level of depreciation (60-75%) and use of old technologies in the Russian refining industry. Despite certain positive changes that have taken place recently, the quality of the product leaves much to be desired and the depth of oil refining is still extremely low: The average depth of oil processing in Russia does not exceed 72%. In addition, the hydroskimming capacity of the Russian refining industry exceeds its capacity to produce refined petroleum products, which is explained by the fact that the Soviet oil refining industry was focused on the production of diesel fuel and

fuel oil, while demand for gasoline was relatively low. Today, companies produce more low quality petroleum half-stuff than they can process to the finished product level, and therefore, often have to export the semi-finished product at a discounted price.

The period of economic reforms in the 90s did not bring any positive changes to the Russian oil refining and petrochemical industries. In fact, due to the sharp decrease in domestic oil consumption, these years witnessed a significant decline in the actual volume of processed materials. In 2000, Russian refineries processed only 168.7 million tons of crude material, thus making no use of almost half of their total capacity (296 million tons per year).

“Contemporary history” of the Russian refining industry, as well as the prospects for its future, are to a big extent conditioned by the vertically integrated character of the sector: About 90% of oil refining capacities are controlled by ten major vertically integrated oil and gas companies.

According to varying assessments, technical upgrades in the industry require \$30 to \$50 billion. Most of this burden falls on the oil majors. With the pay-back period for investments in technological upgrades of refining facilities being 5 to 7 years, and crude oil production and transport paying back much quicker, companies used to take on refining projects based on what remained in their budgets. However, recent efforts of the Russian government made Russian oil majors change those policies and start allocating substantial resources to oil refining. The result of this policy change is broad-scale reconstruction of existing Russian refineries and construction of new ones, which creates opportunities for U.S. technologies and equipment suppliers.

U.S. engineering services and equipment suppliers enjoy a relatively sound position in the Russian import market, and can look forward to opportunities to increase their share further if new projects become sustainable, and if their market development efforts are commensurate with the market’s potential.

Web Resources

[Return to top](#)

Trade Events

The Projects Forum 2011

April 11-12, 2011

Moscow

http://www.europetro.com/index.php?option=com_event&Itemid=250

Gas. Oil. Technologies, 19th International Specialized Exhibition

May 24-27, 2011

Ufa

<http://www.bvkexpo.ru/expo2011/gazneft/gazneft.html>

Moscow International Oil & Gas Expo

June 21-24, 2011

Moscow

<http://www.mioge.ru>

Oil. Gas. Petrochemistry. 18th International Specialized Exhibition

September 7-9, 2011

Kazan

<http://www.oilexpo.ru/eng>

References & Key Contacts

Information on Russian and Central Asian refinery projects:

<http://abarrelfull.wikidot.com/russian-and-central-asia-refinery-projects>

Rosneft refineries: <http://www.rosneft.com/Downstream/refining>

Russian Ministry of Energy

Tel: 7 (495) 631 9858

minenergo@minenergo.gov.ru

<http://www.minenergo.gov.ru>

Russian Association of Oil and Gas Equipment Producers

Tel: 7 (495) 514 5856

info@n-g-k.ru

<http://www.eng.derrick.ru>

Commercial Service Contact

Gulnara Kenzhebulatova, Commercial Specialist

Tel: 7 (495) 728 5405

Gulnara.Kenzhebulatova@trade.gov

Safety & Security Equipment

Overview

[Return to top](#)

Unit: USD thousands

	2009	2010	2011 (estimate)	2012 (estimate)
Total Market	5,650,000	6,180,000	7,008,000	8,059,000
Services	4,000,000	4,200,000	4,830,000	5,554,000
Equipment	1,650,000	1,980,000	2,178,000	2,505,000
Local Production	330,000	600,000	660,000	759,000
Exports	250,000	400,000	440,000	506,000
Imports	1,570,000	1,780,000	1,958,000	2,252,000
Imports from the U.S.	80,000	90,000	100,000	115,000

The Russian market for safety and security has the potential for steady development because of the country's vast infrastructure, large area, and number of potential security threats.

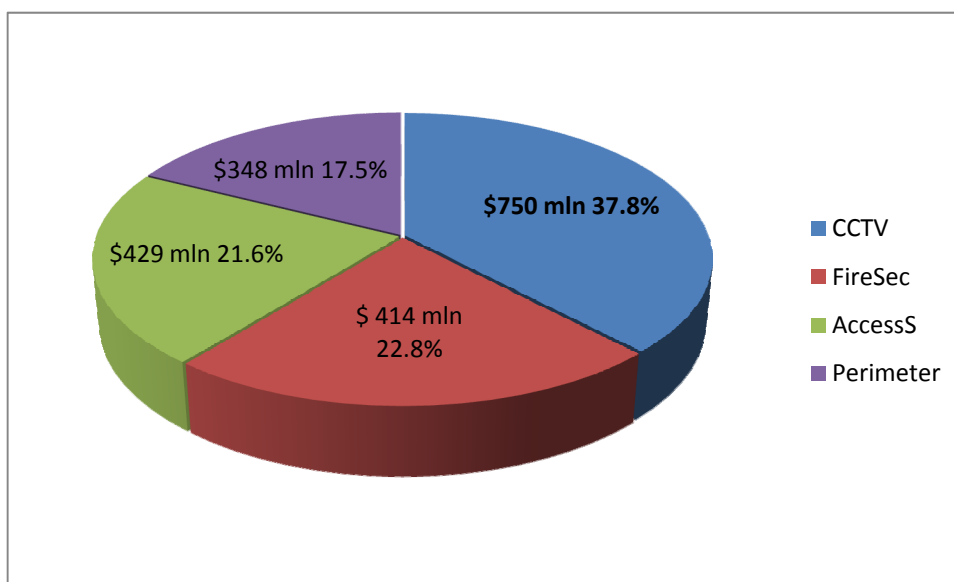
Before the financial crisis in 2008, the Russian market for safety and security systems had been developing rapidly, offering strong potential for U.S. companies. One of the reasons was the construction boom which correlates with safety and security products purchases. Beginning in mid 2009, the safety and security market entered the stage of revival.

Regarding regional segments, 65% of the market is concentrated in Moscow and St. Petersburg, 17% in the Urals Federal District, 7% in the Siberian Federal District, and 6% in the Northwest Federal District. The rest of the market is divided among the Volga, Far East and Southern Regions. This order may change over the next two years as the 2014 Olympic Games will require substantial investment in safety and security infrastructure in the Sochi region. However, key management decisions on that project are made in Moscow. Thus, the southern regions may take an insignificant market share from Moscow and St. Petersburg.

The safety and security equipment market is divided into four main product segments:

- CCTV and Video Surveillance
- Access Systems
- Fire Safety Systems
- Perimeter Security and Control Systems

2010 Safety and Security Equipment Market (Sales/Share)

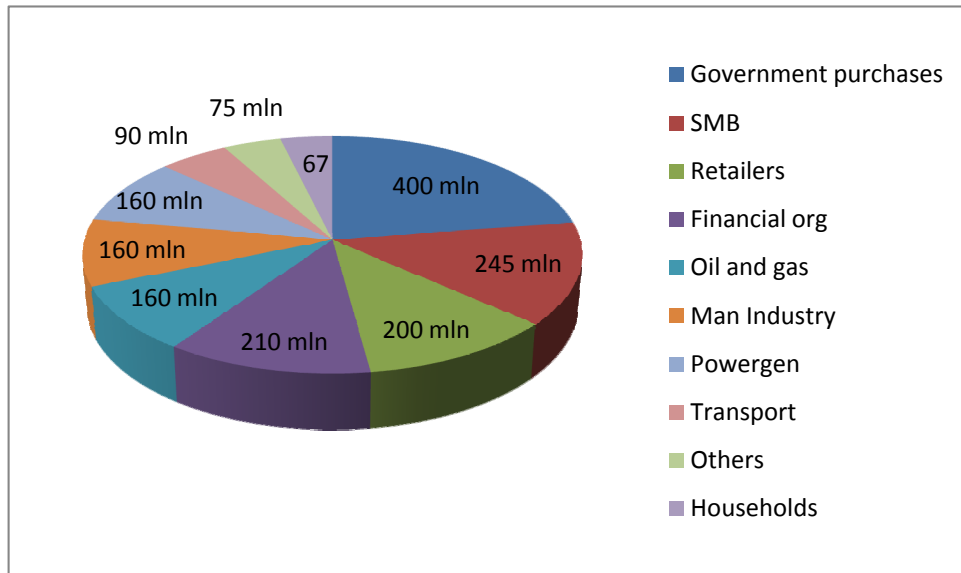


In 2010, the Russian CCTV and access systems segments totaled just over \$1.2 billion, or 60% of the equipment market. It is considered the most developed and competitive segment. The size of the security and fire alarm segment was approximately \$414 million (21.6% of the equipment market), historically increasing 12% to 15% annually. This segment grew substantially in 2010 because of the heavy fires that occurred in the summer throughout the country. Moreover the government is working on a fire security development program, with the Ministry of Emergency Situations in charge of the key points of the development agenda.

Depending on the segment, the share of imported products ranges from 50% to 95%. Experts estimate that up to 80% of access control, about 50% of intruder and fire alarms, and more than 95% of CCTV systems are imported. Even locally manufactured equipment contains 60% to 95% imported components. Hi-tech solutions come from China, Taiwan, and Korea and are popular in Russian regions outside of Moscow and St. Petersburg. Premium systems are imported from the United States, Europe (Great Britain, Germany, France, Italy, and Poland), Japan, and Israel, though the majority of the components even in these systems originate from China.

Government is the main end-user of products and services in this industry, with over \$400 million in 2010. Its share is constantly increasing as the government remains concerned about terrorist activities and possible calamities related to the nation's infrastructure and major construction activities.

Major Consumers of Safety and Security Products and Services in 2010



While Russian government procurement is substantial, private entities, mainly in real estate, banking, retail, and oil and gas, are also important buyers and end users of a wide variety of security equipment. Currently, there are over 300 distribution companies working in the Russian security market. Sixty-five percent of these companies are located in the Moscow and St. Petersburg regions.

Finding a local partner knowledgeable in the industry and experienced in procurement tenders would be the shortest path to successfully entering the Russian market. All Government purchases are made through <http://www.zakupki.gov.ru>, a large web-based resource consolidating all procurement enquiries from state organizations and agencies. It operates only in Russian. It is essential to cooperate with a Russian company or to open a representative office inside the country to handle operations related to government tenders. Moreover, companies working in this business need steady and long-term relations with law enforcement and emergency agencies, which are the main consumers of the safety and security products.

Sub-Sector Best Prospects

[Return to top](#)

Industry specialists note that one recent trend is the convergence of information and safety and security technologies, which creates more opportunities for high quality U.S. technology exports. The IP-based CCTV segment is expected to maintain its growth in the future as it is an essential part of any security system. Color CCTV cameras have almost replaced monochrome units.

A new trend is comprehensive fire security alarms. The summer 2010 peat fires in Russia that injured hundreds of people forced the government to implement major changes in the Fire Service, which is a part of the Emergency Ministry. Much attention is being paid at the moment to fire security in public places and forests.

The Russian Government continues to show concern for possible terrorist attacks. Companies selling metal detectors expect an increase in sales, as luggage and individual inspection may become mandatory at rail stations and other transportation related areas.

One of the most important opportunities is the 2014 Olympic Games in Sochi. The total budget for the Games is about \$13 billion. The cost of safety and security equipment is estimated at 17% of the construction cost, thus creating a \$2 billion market for safety and security products. Additionally, U.S. companies may be presented with opportunities related to the 2018 FIFA World Cup.

The best prospects for sales of U.S. manufactured hardware in 2010-11 are:

- IP-based solutions in various equipment segments (surveillance, detection, day/night surveillance and infrared systems) especially high end systems
- Access control systems
- Fire/intruder alarm systems, especially for public places
- Integrated control systems
- Biometric equipment, identifiers and readers
- Antiterrorist equipment, especially bomb-detection equipment
- Anti-theft systems, radar detection, recording equipment (wireless)

Experts consider that growth for these groups of products could reach 10-15% in 2011. Companies should be aware of possible U.S. export control regulations related to the export of these types of technologies and equipment.

Opportunities

[Return to top](#)

The strength of the safety and security systems market is in constant innovation and price competitiveness. New concepts and products may create market entry opportunities.

Participation in industry events is very important in this Russian market and it also facilitates successful market entry. There are several key events in the Russian safety and security industry. Key companies in the sector participate in the Moscow International Exhibition for Protection, Security & Fire Safety (MIPS), a show that has received government support as well as Interpolitex.

Interpolitex is a specialized trade show dedicated only to emergency and law enforcement; it is supported by the Ministry of the Interior. Companies exhibiting at this trade fair work closely with this Ministry and its law enforcement agencies.

Web Resources

[Return to top](#)

Organizations

Russian Security Industry Association
http://www.rasi.ru/index_eng.php

VNIIPO; All-Russian Scientific-Research Institute for Fire Prevention (Fire security equipment certification body)

<http://www.vniipo.ru>

Trade Events

SST (International Forum & Exhibition "Security and Safety Technologies")
February 15-18, 2011

Moscow

<http://www.tbforum.ru/en>

MIPS (Moscow International Exhibition for Protection, Security & Fire Safety)
April 26-29, 2011

Moscow

<http://mips-expo.com>

Interpolitex (International Exhibition of Police and Defense Technologies)
October 25-28, 2011

Moscow

<http://www.interpolitex.ru/en>

Publications

Safety Systems Magazine published by Groteck Company

<http://www.groteck.net>

Sec.ru

<http://www.sec.ru>

Commercial Service Contact

Timur Uddin, Commercial Specialist

Tel: 7 (495) 728-5526

Timur.Uddin@trade.gov

Travel & Tourism to U.S.

Overview

[Return to top](#)

	2009	2010	2011 (estimate)	2012 (estimate)
Russians Traveling Abroad	20,157,000	21,437,000	22,846,000	24,300,000
Russians Traveling to U.S.	143,000	172,000	205,000	247,000

Source: Q1 Russian Tourism Report, BMI 2011; Office of Travel & Tourism, U.S. Dept of Commerce; CS Russia informal estimates

With a population of over 140 million, Russia is the ninth largest outbound market in the world. Over 21 million Russians traveled abroad in 2010. As the growing Russian middle class discovers new routes that cater to their tastes and budget, U.S. destinations are becoming more popular among Russian tourists. New direct passenger flights to the United States, simplified U.S. visa procedures and the depreciation of the U.S. dollar against the Euro have helped make travel to the United States more attractive and affordable for Russian travelers. While the financial crisis of 2009 interrupted the rapid growth of the Russian T&T market, 2010 showed continuation of the positive dynamics, and experts' longer-term forecasts are extremely optimistic.

Sub-Sector Best Prospects

[Return to top](#)

Based on the results of the survey of Russian tour operators conducted by CS Moscow, the most promising destinations in the United States include:

- Cities: New York City, Miami, Las Vegas
- National Parks
- Ski / Winter Resorts
- Leisure / Entertainment Complexes

New York City has been and will likely remain the most popular city destination for Russian tourists in the near future. Russians will often combine their business travel to NYC with a pleasure trip. Their family, historical and cultural ties to NYC put it on the top of the list for brand awareness, followed by Miami and other locations in Florida famous for their comfort and opportunities for various forms of leisure. As more Russian tourists reach the U.S. West Coast, California resorts and attractions are becoming increasingly popular in this respect as well. Las Vegas is another destination that historically was considered by many Russians the gambling and entertainment capital of the world and has gained even bigger popularity after July 1, 2009, when gambling was officially banned in Russia. Interest in national parks is growing as Russian tourists hear more about what they have to offer. Ski and winter sports resorts have become more popular in recent years as they provide a unique travel experience in terms of variety, beauty and quality of service. Because of the current U.S. dollar/Euro exchange rate, these resorts have become more economical than European destinations.

Increased prices for domestic travel destinations and the development of outbound travel services triggered Russians' growing interest in travel to destinations outside Russia. Turkey, China and Egypt have held the top places in the number of Russian tourists for the past several years. These countries, along with Finland, Italy, Spain, Greece, Bulgaria and Thailand still constitute the core of mass tourism destinations for Russian travelers. However, recent outbound traffic statistics indicate that, in addition to traditional warm and seaside destinations, more Russians are choosing countries where they may supplement time on the beach with other activities, such as cultural and sporting events, shopping and recreation. Moreover, Russians who have traveled to Asia and Europe in the past are willing to explore destinations other than those they have already visited. While the activity may be similar, the different destination is appealing. For example, skiers who have visited the Alps for their proximity look to Colorado, Utah and Vermont for their next trip.

The popularity of the United States as a tourist destination has grown steadily since 2003, after a downward trend following the events of September 11, 2001. Russian tourist numbers accelerated dramatically over the last few years. According to international arrival data from the Office of Travel and Tourism at the U.S. Department of Commerce, the number of Russians traveling to the United States totaled 115,000 in 2007, up 21% from 2006. In 2008, it reached 143,000, a record annual increase of 25%. Even during the crisis year 2009, the number remained relatively stable. It resumed its progressive change in 2010, showing an annual increase of 20% and reaching 172,000 travelers.

An important factor accounting for the steady growth in the number of Russian travelers to the United States is the significant improvement in the visa application process that has taken place in recent years. The U.S. Embassy has made great progress in streamlining the process in the face of a rapidly growing number of applications and has made visa information available online in Russian. Applicants are now able to send their application fee and supporting documents to the Embassy via a courier service with offices across Russia and have the opportunity to secure a two-year, multiple entry visa. For those wishing to renew a visa, the requirement to appear for an interview is waived if they apply within six months following their previous visa expiration date. The availability of visa information online has made it possible to counter the market's impression that U.S. visas are expensive, difficult to obtain and take a long time to process. Russian tour operators are also educating their travelers regarding these improvements. Visit USA Russia, a young yet very active organization registered in Moscow in April 2010, is contributing to this effort by organizing meetings of Russian travel industry professionals with U.S. Consular officers working in the U.S. Embassy in Moscow and U.S. Consulates throughout the country.

Another significant improvement is the fact that more airlines, both U.S. and international, have launched non-stop service connecting Moscow with U.S. destinations. Delta Airlines, United Airlines, Aeroflot Russian Airlines, Transaero and Singapore Airlines all offer direct flights to U.S. cities. Aeroflot flies to New York, Washington DC and Los Angeles; Delta flies to New York and Atlanta; United to Washington, DC; Transaero has recently launched flights to New York and Miami, and Singapore Airlines flies to Houston. The increase in the number of direct flights between Moscow and U.S. cities is a reflection of the growing market demand for this kind of

service. As the market becomes more educated about U.S. destinations, visa processing, flight availability and purchase value, the Russian market is looking increasingly to the United States for tourist destinations.

Within several months of its existence, Visit USA Russia has attracted 48 companies interested in further development of Russian outbound travel to the United States. This rapidly growing organization has already conducted a number of broad-scale, highly successful projects aimed at promoting U.S. destinations in Russia, and has an even more ambitious agenda for 2011.

Web Resources

[Return to top](#)

Trade Events

International Travel Fair Intourmarket

March 12-15, 2011

Moscow

<http://www.itmexpo.ru/en/>

Moscow International MICE Forum

March 15, 2011

Moscow

http://www.miceforum.ru/index_eng.shtml

Moscow International Travel & Tourism (MITT)

March 16-19, 2011

Moscow

<http://www.mitt.ru/en>

CS Moscow will arrange a catalog show at the Visit USA Pavilion at MITT 2011

Visit USA Roadshow 2011

September 26-October 07, 2011

Major Russian Cities

<http://www.visit-usa.ru/en/node/379>

Moscow Ski Salon

October 29-31, 2011

Moscow

<http://skiexpo.ru/msalon/eng/>

Visit USA Russia will organize a joint US pavilion at Moscow Ski Salon 2011

INWETEX – CIS Travel Market 2011

October 12-14, 2011

St. Petersburg

<http://www.restec.ru/exhibitions/featured/travelexpo/inwetex.en.html>

References & Key Contacts

Visit USA Russia

Margarita Babayan, Chair

Tel: 7 (495) 935-7925/36

Cell: 7 (906) 756-1883

chair@visit-usa.ru
<http://www.visit-usa.ru/en>

Transaero

47 B. Polyanka Street, Bld. 1
Moscow
Tel: 7 (495) 937-8477
<http://transaero.ru/en>

Aeroflot Russian Airlines

37 Leningradsky Prospect, bldg. 9
Moscow
Tel: 7 (495) 223-5555
<http://www.aeroflot.ru/cms/en>

American Airlines

20 Sadovaya-Kudrinskya str., Office 206
Moscow
Tel: 7 (495) 234-4074; 234-4075
<http://www.aa.com>

United Airlines

40/2 Prechistenka Street, Block 1, Entrance 3, Office 32
Moscow
Tel: 7 (495) 980-0882
<http://www.united.com/>

Delta Airlines

11 Gogolevsky Blvd., 2nd floor
Moscow
Tel: 7 (495) 937-9090
<http://www.delta.com>

Singapore Airlines

Hotel Renaissance,
18/1, Olympisky Prospect
Moscow
Tel: 7 (495) 937-5920
<http://www.singaporeair.com>

U.S. Travel Association

1100 New York Avenue, NW Suite 450
Washington, DC 20005-3934
<http://www.tia.org>

**International Trade Administration
Office of Travel & Tourism Industries**

U.S. Department of Commerce
<http://tinet.ita.doc.gov>

U.S. Department of Homeland Security, US-Visit Program

1616 N. Fort Myer Drive
Arlington, VA 22209
Tel: (202) 298-5200
<http://www.dhs.gov/usvisit>

B-FOR International

Bjorn Bieneck, President & CEO
805 Princess Anne Street, Suite 1
Fredericksburg, VA 22401
Tel: (540) 373-9935
<http://www.b-for.com>

Russian Travel Industry Union

Sergey Shpilko, President
11, Stoleshnikov per., office 426
Moscow, 107031 Russia
Tel: 7 (495) 692-2464
E-mail: rata@rata.ru
<http://www.rustourunion.ru/>

Commercial Service Contact

Gulnara Kenzhebulatova, Commercial Specialist
Tel: 7 (495) 728-5405
Gulnara.Kenzhebulatova@trade.gov

Russia's agricultural imports rebounded in 2010 and reached approximately \$31.7 billion. This level signals a remarkable recovery, nearly as high as the record of 2008. However the situation for U.S. exports is not quite as optimistic. Based on official data, U.S. exports to Russia continued to decline at \$1.3 billion in 2010, down from \$1.7 billion in 2009. While U.S. exports of beef, fresh fruits, fish, nuts and dairy continued to expand, market access barriers severely restricted opportunities for pork and poultry – which in the past decade have been the United States' two largest agricultural exports to Russia.

Year-on-year and average annual growth in Russian agricultural imports can be seen in the following table:

	2006	2007	2008	2009	2010
Agricultural Imports (billion dollars ¹)	19.7	24.9	31.9	26.6	31.7
Growth Year-on-Year (percent)	24.6	26.8	28.16	-16.7	19.1

UDG: WTO 2010; Source: Global Trade Atlas

2010 began with the introduction of the Customs Union between Russia, Kazakhstan, and Belarus. Few changes were made to agricultural tariffs and the average continues to be approximately 18% ad valorem. Tariff rate quotas for beef, poultry and pork remain under the Customs Union although the 2010 volumes for poultry and pork were slashed from the previously negotiated levels. Access beyond 2011 is uncertain and will be subject to WTO negotiations. Significant changes for imports are resulting from the evolving harmonization of sanitary, veterinary and phytosanitary regulations. While discussions are ongoing within the context of Russia's WTO accession to eliminate trade barriers and ensure Russia's requirements are consistent with internationally accepted practices, the transition from Russian requirements to Custom Union requirements is continually creating new challenges for U.S. exporters.

Russia's retail sector had been growing at a pace of 20% to 30% annually until 2009 when it posted a 5.5% decline. Projected sales for 2010 to 2011 are expected to stabilize or grow slightly. According to data from the Federal State Statistics Service (Rosstat), the value of the food and beverage market in Russia was \$222 billion in 2009 and contributed to 48.6% of retail sales, up from 45% in 2008. In 2009, the value of food sales decreased 2.5%.

Because retailers demand consistent quality and adherence to contract specifications and penalize suppliers for failure to meet requirements, foreign suppliers continue to be competitive in the Russian market as they are more accustomed than Russian agricultural producers to meeting such strict specifications.

The structural evolution of the Russian retail market continues to be led by large retailers with annual turnover exceeding \$1 billion. Discounters have outpaced hypermarkets and supermarkets in sales and expansion. For example, the X5 Retail Group plans to open 200-250 discounters in 2010 and only 15 supermarkets and 7-10 hypermarkets. Magnit plans to open 450-550 discount stores and 25-30 hypermarkets, and Dixie plans to spend about \$100 million to open low-cost stores. The expansion has been focused mainly on developing modern retail formats in large urban areas such as Moscow and the surrounding areas. Nationwide, retail chains occupy about 30 percent of the food

retail market, but with higher concentrations in major urban centers (about 50% in Moscow and 80% in St. Petersburg); however, some retailers have made considerable efforts to expand into Russia's regions.

Open-air markets and older Soviet-style stores, including wet markets, are declining in popularity and losing market share to modern retail formats such as hypermarkets, supermarkets, and discounters. There were 155 fewer open-air markets in Russia in 2009, a decrease of 4% from 2008.

Currently the Russian retail market is highly fragmented with the 10 largest retailers (by revenue) controlling only 14% of the market, versus 80% for the 10 largest retailers in the U.S. Western-style "modern" retail chains currently account for 50% of food sales in Moscow and 80% in St. Petersburg. Russian retail giants such as the X5 Retail Group, Magnit, Seventh Continent, Dixie and the Kopeika chains are still among the top Russian retail players.

Russia's food processing sector showed some improvement in 2010 after the slowdown in 2008-2009. Food processing sectors that are showing strength include: meat products (including pork, poultry, sausages and semi-finished meat), dairy products, confectionary, dry baby food and dietary products with cereal. Food ingredients are imported, mainly from Denmark, Belgium, France, Germany, Austria, Great Britain, and the United States. Many Russian manufacturers are investing in modernization and expansion in order to strengthen their position in the market. The Russian food industry continues its dependence on imports and, thus, opportunities to supply the market with U.S. products are plentiful.

According to Rosstat, inflation in 2010 increased to 9.1% from 8.8% in 2009. The 2010 drought led to a drastic decline in crop production and resulted in high inflation (13.7%) for food. Prices of bread and pasta were curbed in many provinces by administrative measures, and increased only by 7.6% and 4.7%, respectively. Prices of cereals and groats increased by 58.8%, mostly due a 200% increase in the price of buckwheat, one of Russia's staple food cereals. Inflation of fish and seafood prices was only 4.8% due to increased fish harvests and improved marketing policy. Inflation of meat and poultry prices was below the overall inflation rate, only 5.3% due to drought-related increase in slaughter. In the meantime, increased in the prices of eggs, milk, staple dairy products, sugar, creamy butter and vegetable oil surpassed the overall inflation rate and ranged from 13.2% (eggs) to 27.6% (vegetable oil). The prices of vegetables and fruits increased by 45.6%.

Russia continues to pursue the targets set out in the official Food Security Doctrine which sets the minimum self-sufficiency targets: 85% meat, 90% milk, 80% sugar and vegetable oil, and 95% in potato and grains. In 2010, we saw heightened restrictions on dairy, pork and poultry as both domestic programs and foreign trade policy may shift to favor domestic production in order to help secure some of these targets. For 2011, this could result in more challenges for meat, poultry and dairy products, but at the same time create new opportunities for high protein feeds and animal genetics.

Frozen Beef

In December 2009, Russia extended the tariff rate quotas (TRQ) for frozen beef (HS-0202) from 2010 through 2012. For 2010, Russia increased the total in-quota quantity for frozen beef from 450,000 MT to 530,000 MT, and the United States' share from 18,500 MT to 21,700 MT. Russia left in-quota tariffs unchanged at 15% but not less than €0.20/kg while increasing the over-quota tariff to 50% but not less than €1.00/kg. Simultaneously, Russia restricted quota-exempt "high-quality" beef receiving the in-quota rate, as its definition of high quality beef was changed from €3/kg to €8/kg. Beef and beef by-products may only be shipped from approved plants that have undergone special inspections to ensure conformity with Russian inspection criteria. Through November 2010, U.S. exports of frozen beef to Russia had reached 23,000 MT (representing a record \$91.6 million in export value).

In December 2010, Russia amended the 2011 TRQs by increasing the U.S. share of frozen beef TRQ from 21,700 to 41,700 MT. Russia offset this amount through a TRQ reduction to "other countries".

Animal Genetics

The Russian government has adopted several development plans to stimulate development of the dairy, poultry, pork, and beef sectors. As the access for meat continues to be limited through reduced quotas and SPS measures, the demand and opportunity for higher quality animal genetics will grow.

Russian government subsidies will continue to facilitate the annual import of 40-50,000 head of cattle from around the world, and the United States is well-positioned to be a top supplier into the future, especially for producers seeking the best genetics available. The imported bovine semen market continues to grow, as producers seek to utilize sexed semen technology. In 2010, imports of bovine semen will reach close to \$3 million. While statistics are unavailable, imports of bovine embryos have been slower to develop but should increase in tandem with awareness and education. The market is currently estimated at \$500,000, with large potential for growth in 2011. Historical demand has primarily targeted dairy cattle, specifically registered Holsteins, but interest in beef genetics continues to grow rapidly, especially for Angus, but includes others such as Hereford.

Hatching eggs and chicks are important for the expanding Russian poultry and egg sector, and as a result, most import tariffs have been made duty-free.

Swine genetics remain an area of opportunity; however, transit restrictions through the European Union have prevented U.S. trade with Russia. The import market for breeding swine is roughly \$25 million.

Edible Tree Nuts

After a drop in imports in 2009 due to the economic crisis, nut imports are recovering. In 2010, Russia imported 75,549 MT of tree nuts (up 8% from 2009). In value terms, nuts imports increased by 14% and reached \$334.5 million.

In 2010, the U.S. exported 14,572 MT of tree nuts to Russia and became the second largest supplier of tree nuts following Ukraine. U.S. market share dropped from 23% in 2009 to 19% in 2010 due to the drastic decrease in pistachio sales to Russia. The United States is traditionally the main almond supplier to Russia and captures 91% of the market. In 2010, Russia imported 10% more California almonds, 12,764 MT, due mainly to the tenfold increase in shelled almond sales (1,242 MT in 2010 versus 128 MT in 2009). The supply of American pistachios dropped from 3,821 MT in 2009 to 1,597 in 2010 due to competition from low-priced Iranian product.

The majority of imported nuts are packaged in Russia into consumer-ready packs or used in the confectionary, baking and dairy industries.

Fish and Seafood

For 2010, total fish and seafood exports from the U.S. hit a record \$51.6 million, an 88% increase over 2009. Exports of frozen roe and livers in 2010 demonstrated remarkable growth and estimated at \$21.5 million, an almost 500% increase over 2009. The rapid increase is attributed to poor domestic catch of salmon and strong demand for salmon roe and salmon in general. The largest increases were in live crustaceans and mollusks, with import share that increased from \$1.4 million in 2009 to over 4.4 million in 2010. According to Rosstat, retail prices for fish and seafood in Russia increased 4.8% in 2010. The outlook for 2011 suggests higher demand for fish and an increase in per capita consumption, both in lower-priced segments such as herring, hake, and perch, compared with more expensive fish and processed products. Higher imports of chilled fish and ready-to-eat products are due to changes in eating habits, increased consumer demand, and economic recovery. Current annual per capita fish and seafood consumption is estimated at 15 kilograms.

Fish consumption patterns will continue to depend heavily on household income, prices, and preferences within the population. Among consumption preferences of the Russian population are herring, pollock, mackerel, salmon and trout. Frozen fish is also traditionally popular in Russia.

Fresh Fruit (Apples, Pears, Grapes, Citrus)

Russia remains the third largest importer of fruit in the world in value terms and the number one market for pears. According to the Russian Ministry of Economic Development, per capita fruit consumption rose in Russia to 52.7 kilograms per year in 2009. Russians mainly buy apples, bananas, pears, and citrus. Prospects for U.S. fresh fruit exports to Russia are even better for 2011 due to lower crops expected in Europe due to poor weather.

While Russia is expected to continue investing in domestic production of apples, the market remains highly dependent on imports. Traditionally, Italy and France were the main exporters of apples to Russia. But Poland, China, Azerbaijan and Moldova have become increasingly competitive and, indeed, have overtaken Italy and France as the main suppliers of apples. U.S. apple exports increased by 3.4% in 2010 to \$7.15 million, making the United States the 13th largest supplier.

In the pear market, Belgium, Argentina, the Netherlands, Spain and China hold the top positions. U.S. pear exports made gains in 2010 exporting \$9.6 million and becoming the seventh largest supplier to Russia.

In 2010, Russia's imports of U.S. grapes increased 16% to \$7 million. The main competitor to the U.S. in the premium segment is Italy.

The United States is the eleventh largest supplier of oranges, after Egypt, South Africa and Turkey, among others. Sales were up 25% in 2010 to \$1.37m. American oranges enjoy particularly good sales in the Russian Far East. Russia's largest food retail chain promoted fresh U.S. blueberries and strawberries in Moscow in the fall of 2010, and Russian importers are interested in expanding sales of American berries in the coming season.

Wine and Spirits

Russian wine imports reached \$797.7 million in 2010, up 30% from 2009 but still below the \$914.1 million imported in 2008. In 2010, U.S. wine sales decreased 8% to \$6.85m or less than one percent of the Russian wine market. The major competitors are EU countries, especially France, Italy and Spain. These countries rebounded in 2010 with sales increasing from 37% to 79% in 2010. Russian imports of hard liquor were \$933.7 million in 2010, up 34% from 2009. U.S. (including Puerto Rico) spirits exports to Russia were \$47.82 million (5% of the Russian market) in 2010, with a 10% increase for American spirits and a dramatic 85% increase for Puerto Rican alcohol. American whiskies have started to make inroads in Russia in competition with the market-dominant Scotch whiskies and European brandies, Armenian cognac, and Ukrainian vodkas.

Oilseeds and Feedstuff

Since 2008, the government has aggressively supported the development of poultry, pig and dairy farming through subsidized interest rate loans for private investors. The influx of funds has resulted in the adoption of new production technology, intensive feeding methods and increased demand for both protein feeds and formula feeds ingredients.

The shortages of feed supplies in 2011 will be even more severe due to the drought and fires in the Central, Volga, and Ural districts in 2010. Grain production in 2010 dropped by more than 30 percent from last year to 60 million metric tons (MMT), and will be the lowest since 1999. The shortage of feed grain may reach 2.5-3.0 MMT by April-May 2011.

Web Resources

[Return to top](#)

Organizations

U.S. exporters should consult reports from USDA's office in Moscow, which are posted on the website of the Foreign Agricultural Service under the "Attaché Reports" heading or go to <http://gain.fas.usda.gov/Pages/Default.aspx>. Of particular interest should be the annual *Exporter Guide* as well as periodic reporting on changes in tariffs, market opportunities, and Russian commodity trends. Exporters should consider exhibiting their products in the U.S. pavilions at the World Food trade show (September 2011) or the Golden Autumn trade show (October 2011). For further information on these shows, please contact the Moscow Agricultural Trade Office at atomoscow@fas.usda.gov.

U.S. Embassy

Scott Reynolds, Minister-Counselor for Agricultural Affairs
8, Bolshoy Devyatinskiy Pereulok, Moscow 121099

Tel: 7 (495) 728-5222, Fax: 7 (495) 728-5133
agmoscow@fas.usda.gov, atomoscow@fas.usda.gov

Washington-based U.S. Government contacts for Russia

U.S. Department of Agriculture, Foreign Agricultural Service
Office of Country and Regional Affairs, Europe Division
Kristina Horgan, Country Desk Officer
Kristina.Horgan@fas.usda.gov
1400 Independence Avenue, S.W.
Washington, DC 20250-1000
Tel: (202) 720-1330

Foreign Agricultural Service, USDA
<http://www.fas.usda.gov>

Agricultural Attaché Reports
<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>

USDA office at the American Embassy, Moscow, Russia
<http://www.eng.usda.ru>

Ministry of Agriculture
<http://www.mcx.ru>

Ministry of Economic Development
<http://www.economy.gov.ru>

Trade Events

World Food Trade Show
September 13-16, 2011
Moscow
<http://www.world-food.ru/eng>

Golden Autumn Trade Show
October 8-11, 2011
Moscow
<http://www.goldenautumn.ru/en>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 5: Trade Regulations, Customs and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

Import Tariffs

[Return to top](#)

Russia continues to maintain a number of barriers with respect to imports, including tariffs and tariff-rate quotas, discriminatory and prohibitive charges and fees, and discriminatory licensing, registration and certification regimes. This situation has become more complicated due to the entry into force on January 1, 2010, of the Customs Union (CU) among Russia, Belarus and Kazakhstan. All issues such as tariffs, tariff rate quotas and licensing and certification are being harmonized, although implementation so far has been uneven. For more detailed information concerning tariffs, please refer to the “Customs Regulations and Contact Information” section below. The following is a selection of tariff ranges for popular U.S. goods entering Russia.

<u>Commodity</u>	<u>Rate (%)</u>
HS 02: Meat and edible meat products	
(within quota, but not less than .20-.25 Euro/kilo)	15
(beyond quota, but not less than 1-1.5 Euro/kilo)	50-75
HS 0207 (within quota, but not less than .2 Euro/kilo)	25
(beyond quota, but not less than .7 Euro/kilo)	80
HS 24: Tobacco and manufactured tobacco/Unmanufactured tobacco	5-20
- Cigars and Cigarettes but not less than 3 Euro/1000 pcs	30
HS 28: Inorganic Chemicals	5-20
HS 38: Miscellaneous chemical products	5-15
HS 39: Plastics and Articles thereof	5-10
- Finished products	10-20
HS 73: Articles of iron and steel	5-20
HS 84: Nuclear reactors, boilers, machinery	0-20
HS 85: Electric Machinery	0-20
HS 87: Vehicles except railway and tramway	0-35
HS: 8708 Auto parts	0-10
HS 90: Optic, Photo, Medical and Surgical Instruments and devices	0-20
-Medical equipment	0-15

Current information on the harmonized tariffs of the CU can be found in Russian at:
<http://www.tsouz.ru/>

As part of the negotiations for the CU, Russia changed many of its tariffs and tariff lines. While some of these changes remain in accordance with the international obligations of the Russian government to comply with HS codes and Russia's intention to enter the WTO, many do not. The new CU tariff schedule changed rates for over 100 categories of commodities, lowering the tariff ceiling for some categories, but raising them or making permanent previous temporary tariff increases for many others. Notable changes included lowering of import tariffs for pearls, diamonds and other precious stones from 20% to 10-15% and keeping the high "temporary" tariffs on agricultural equipment and off-highway trucks. Certain commodities continue to be regulated through seasonal duties and quotas.

In addition to tariffs, there are two other charges applied to imports: the ubiquitous Value Added Tax (VAT) and selective excise taxes. The universal 18% VAT rate effective January 1, 2004 (with the exception of foodstuffs, pharmaceuticals and medical supplies, for which VAT is 10%) is applied to the import price, tariff, and excise tax combined. There are some exemptions from VAT. For example, resolution No.19 of January 17, 2001, provides a list of vitally essential medical equipment to which no VAT is applied. The excise tax applies to a number of luxury goods, alcohol and cigarettes, and varies from 20% to 570%.

From December 2008 through February 2009, the Russian government announced a series of significant duty increases on cars, harvesters, certain steel products (including pipes, tube and rebar), and certain agricultural products (including butter, milk and soy meal). These duty increases, many of which the government renewed after their initial nine-month period, have now been included in the harmonized CU tariff schedule and will continue to be an obstacle to U.S. exports to Russia.

In 2010, the CU introduced several amendments to its import tariffs. In particular, the CU increased tariffs on polycarbonates, dairy items, tropical oils, plastic items, used and recapped tires, wine material, agricultural machines and some self-propelled wheeled machines, while decreasing tariffs on paper and paperboard, inputs for production of solar modules, wood sheets for veneering, wolfram and cement waste and scrap, wine material in bulk, equipment for ports and leased aircraft.

High import duties on finished vehicles (as much as 30% for new cars and at a prohibitive level for used cars older than five years) have forced companies to set up local assembly plants to get past the tariffs. A Russian regulation on vehicle assembly (known as Decree 166) provides tariff exemptions to foreign automakers that assemble locally, but stipulates that manufacturers must increase the locally sourced content of vehicles to 30% of parts within an agreed six- to seven-year period. As of February 2011, the assembly regulation is being amended to require a local content target of up to 60% of foreign-branded vehicles in order to qualify for tariff exemptions. The duty rates for harvesters were temporarily increased in 2008, by at least 200%, and made permanent in the CU tariff schedule. The duty increases, combined with a restriction on Russian government subsidies for financing of imported agricultural equipment, contributed to a nearly complete cessation of imports into Russia for the major U.S. and EU producers of agriculture equipment. Foreign producers have re-gained some market share, but the restrictions on access to the subsidies continue to limit market potential.

While it initially appeared that the Russian government imposed these measures mainly to protect domestic producers from competing imports during the global economic crisis, their new permanence in the CU tariff schedule indicates that Russia's goal is to focus on developing local industry over foreign producers.

In addition to duty increases, trade investigations conducted by the Russian Ministry of Industry and Trade (MIT) have resulted in additional duties on such products as certain steel products, large diameter pipes, mechanical fasteners, and cutlery and steel pipes. However, all of Russia's current safeguard and antidumping measures are being reviewed by the MIT in view of the CU Agreement of November 19, 2010, on the Application of Safeguard, Antidumping and Countervailing Measures during a Transition Period.

Trade Barriers

[Return to top](#)

In general, U.S. companies face a number of tariff and non-tariff trade barriers when exporting to Russia. A complaint frequently voiced by U.S. companies is Russia's complex system of standardization. As explained in detail in the "Standards" section below, Russia's regime remains extremely complex due to its lack of clarity and transparency, and overall redundancy. While the system has improved somewhat, U.S. companies are encouraged to obtain appropriate legal advice or assistance from experienced distributors or consultants, as well as the U.S. Commercial Service.

Discrimination against foreign providers of non-financial services is, in most cases, not the result of federal law, but stems from abuse of power, sub-national regulations and practices that may violate Russian law. For example, a few foreign service providers have noted that they are forced to pay a range of fees to obtain licenses from local authorities, fees that domestic companies allegedly bypass via bribes.

The 1996 federal law "On Banks and Banking Activity" permits foreign banks to establish subsidiaries in Russia. However, Russia does not allow foreign banks to establish branches in Russia. The 1990 federal law on banking activities, last amended in 2006, specifically states that any quota or limitation on the size of foreign charter capital in the banking sector would require a new law to be put forward by the government of Russia and agreed to by the Central Bank of Russia. In November 2006, Russia and the U.S. signed their WTO Bilateral Agreement, a major step in Russia's accession to the WTO. As part of this Agreement, Russia pledged to allow foreign ownership to account for as much as 70% of the country's total banking sector equity. Implementation of this provision will likely take place only after Russia's accession.

The Central Bank requires newly established banks, whether domestic or foreign subsidiaries, to have a minimum of 180 million rubles (\$6 million) in capital. Already existing banks are required to have a minimum capital of 90 million rubles (\$3 million). The government of Russia has tentatively approved a plan that has not yet become law for these minimum capital levels to increase in 2012 to 300 million rubles (\$10 million) and 180 million rubles (\$6 million), respectively. At least 75% of the bank's employees and 50% of the bank's management board must be of Russian nationality if the chairman is not a Russian citizen. Heads of foreign banks' Russian offices are required to be proficient in the Russian language.

In the insurance sector, foreign insurance firms are subject to a 49% equity restriction. Foreign firms that were active in Russia when this requirement came into effect, however, were grandfathered and are not subject to the foreign equity limit. Russia also has more generous operating provisions for insurance companies from the European Union, and has been permitting multinational companies to benefit from this more generous treatment provided they conduct their Russian investments via their EU-based offices. Once Russia becomes a WTO member and the United States grants permanent normal trade relations status, U.S. insurance companies will be allowed to operate through subsidiaries, including 100% foreign-owned non-life insurance companies, and will be able to open direct branches at the end of a nine-year transition period. However, as in the banking sector, Russia maintains the discretion to limit foreign sourced charter capital in the insurance sector and if the ratio of foreign-sourced to total charter capital in the insurance sector ever exceeds the 50% cap, Russia's regulators will have the discretion to take certain actions specified in Russia's WTO commitments.

Until Russia's accession, EU firms will continue to enjoy an advantage over their counterparts from the United States and elsewhere, since they can offer life and mandatory forms of insurance in Russia directly, without the requirement to work through a majority Russian-owned partner. Russian law currently requires that chief executives and chief accountants of foreign insurers operating in Russia be Russian citizens.

In 2010 the law "On Private Detective and Security Activities" entered into force. The law states that no security company can be owned by a non-Russian entity, including a Russian subsidiary owned by a foreign entity, and includes restrictions on the use of foreign capital in the operation of such firms.

The Russian telecommunications sector is governed by the Law on Communications, dated July 2003 and the law on "Information, Information Technologies and Information Protection," dated July 2006. The latter law's impact on competitive alternative telecommunications operators, many of which enjoy large foreign investment, has been substantial, since these companies now fall under tight government regulation. In particular, regulations on interconnection -- the process by which alternative operators connect their networks to the Russian public telephone network -- place interconnection contracts and fees under the regulatory authority of the Ministry for Communications and Mass Media. Alternative operators fear that these fees will be raised to subsidize network upgrades of government-owned and ministry-controlled local and long distance operators.

The Land Code that was passed in 2001 allows equal treatment of domestic and foreign entities to buy land and buildings, although purchase of agricultural land by foreigners is still prohibited. Foreign entities are restricted from buying land close to federal borders and in areas that the President determines critical to national security. On January 12, 2011, Russia published a presidential decree listing 380 areas around the country, primarily along its borders, in which the sale of land to foreigners or foreign companies is forbidden. A ban on the ownership of real estate by foreigners has been in force in Russia's border areas since 2001, but the geographic scope of the ban had not been definitively established.

The government enacted the Strategic Sectors Law (SSL) in May 2008. The SSL introduced a list of 42 "strategic" sectors in which purchases of "controlling interests" by foreign investors must be pre-approved by the Russian government. The list of

restricted sectors includes: enterprises in the nuclear industry or involved in handling radioactive materials; enterprises involved in work on infectious diseases; arms, munitions, and military equipment production, maintenance, or repair; the aviation and space industries; certain data-transmission (radio, television, telecommunications) infrastructure; production and distribution of encryption technologies and equipment; production and sales of goods and providing services under conditions of a "natural monopoly" (e.g., activities such as operating certain gas networks); newspapers with a circulation of more than one million; and natural resource extraction. Many observers, while welcoming more clarity on the rules of the game, have criticized the SSL for being overly broad in the number of sectors it covers, and have raised concerns regarding the transparency of the approval process.

Under the procedures created by the SSL, the Federal Antimonopoly Service conducts initial vetting of proposed foreign investments, and in some cases the Federal Security Service (FSB) conducts additional verification to determine whether the transaction would result in a foreign company gaining control over a strategic business. Once vetting is completed, the Government Commission on Foreign Investment, chaired by the Prime Minister, is charged under the SSL with reviewing proposed transactions and either approving or denying them, or deferring them for additional review. The Commission met eight times through the end of 2010 and declined very few proposed transactions. Many of the applications came from Russian-owned companies based offshore.

In conjunction with the SSL, amendments to the sub-soil legislation were also passed requiring governmental approval for foreign investment in excess of 10% in companies operating a "strategic" deposit, which includes major oil, gas, and other mineral deposits. While foreign oil and gas companies were concerned about the potential application of these provisions, so far implementation has not impeded any investments.

The Russian government may be reconsidering its policy of not entering into any further Production Sharing Agreements (PSAs), designed for energy projects that require high capital expenditures and a long period before profits or significant tax revenues are generated. In a December 2010 speech at the Duma, Energy Minister Shmatko raised the possibility of reintroducing PSA-type agreements, but did not give details or a timeline. The two remaining major PSAs are ExxonMobil-led Sakhalin I and Total-led Kharyaga.

After declining marginally in 2008 for the first time since 2000, oil production rebounded slightly in 2009, and increased by 2.2% in 2010, surpassing 10 million barrels per day. Limited tax breaks for oil production and new output from several major fields, primarily from state-owned Rosneft's giant Vankor field, have helped recent production increases. However, many analysts and oil sector executives continue to predict oil production stagnation and decline without further fundamental reforms to the sector's onerous tax structure. Oil taxes are levied on revenues, instead of on profits, hindering needed large investments in new fields.

Russia's power generation sector is in urgent need of modernization and extension of generation capacity. Further delay in expanding electricity output could result in a drag on industrial growth. Russia's Ministry of Energy estimates that the country must invest \$80 billion in the next 10 years to refurbish or replace aging generation assets, and that Russia must build 80 gigawatts of thermal power generation capacity in the next 20

years. According to the Ministry, the average energy efficiency of gas-fired power stations in Russia is only 38%; its goal is to raise that efficiency to 53% by 2030.

In aviation, many of the Russian-flagged carriers have aging fleets and use outmoded avionics and engines. Several are seriously considering significant purchases or wet-leases of foreign aircraft in an attempt to be more competitive with Western airlines.

When purchases do occur however, the effect of tariffs, VAT, and customs handling fees on aircraft is equivalent to a 40% tax, making it virtually impossible for Russian airlines to afford to purchase foreign planes. That said, under the latest Customs Union decision related to aircraft tariffs, passed last fall, exemptions were created to facilitate key purchases for leading airlines. Regulations and tariff levels in this area remain subject to change and potential market entrants should check on current conditions.

New regulations have also been introduced for certain cargo aircraft. Previously, cargo aircraft were subject to general regulations and were not classified into separate categories. Under the new regulations, the customs duty rate applicable to cargo aircraft having a maximum take-off weight in excess of 370,000 kg depends on whether such aircraft have an installed cargo ramp. If a cargo aircraft has a maximum take-off weight in excess of 370,000 kg and an installed cargo ramp, it is subject to 20% customs duty. If such aircraft has no cargo ramp, it is subject to a 0% customs duty.

In January 2011, the Russian government extended the 2010 export tariff on timber into 2011, thus implementing part of Russia's December 2010 commitment with the EU that Russia would not change export duties on timber from the current level of 25% until Russia's WTO accession. Russia has reportedly agreed to lower its export duties on timber to 5%-15%, depending on the type of timber, following Russia's WTO accession. Previously, the Russian authorities had planned to introduce a prohibitive 80% export tariff (but no less than 50 euros per cubic meter), starting in January 1, 2009, and then delayed the increase to January 1, 2011.

The "The Russian Coordinating Center of the National Internet Domain" (the Coordination Center) issued a regulation, "Provisions on Priority Registration of Domain Names in the PΦ (RF) Domain" that stipulates that domain names must either reproduce or match word designations contained in trademarks. Trademark owners with a ".RU" (Russia) domain name can keep the ".RU," but now have the option of obtaining a ".PΦ" (RF). .PΦ domain names may be registered for a fee of approximately \$20 for a one-year period, with the possibility of subsequent renewal of the domain name's registration annually. During the priority registration phase more than 18,000 domain names were registered for government entities and trademark holders. Despite the early registration for trademark holders, there is still a potential issue with cyber-squatting. The Coordination Center did not specify that domain names that are derived from the trademark holders would be protected.

On November 11, 2010, the second stage of the registration for Cyrillic domain names began. Now any individual or legal person registered in the Russian Federation may obtain a domain name through the registration process. Priority registration for the Cyrillic domain name zone began November 2009 for government entities and trademark holders. Only Russian citizens and businesses registered in the country are able to buy domains. The Coordination Center for the National Internet Domain

registered 184,352 addresses for the general public on the first day of open registration. The .RU domain has over 500,000 registered addresses.

A law on electronic digital signatures went into effect on January 14, 2002. This law does not follow the Model Law on Electronic Signatures of the U.N. Commission on International Trade Law, but rather defines electronic signatures narrowly, making public-key technology the sole acceptable digital signature technology. It also requires that hardware and software used in digital signature authentication programs be certified in Russia. This requirement gives the Russian government the right to insist on the de-compilation of electronic signature programs.

These requirements, in addition to the licensing requirements related to goods with encryption technology, present serious obstacles to trade in goods that Russia requires for further development of electronic commerce. Currently, any IT product requires a notification from the Russia's Federal Security Service (FSB), which a company should be able to obtain in 10 days. If the product contains low levels of cryptography, the FSB can grant authorization to import. If the product contains higher levels of cryptography, the FSB informs the importer of the need to apply for an import license from the Ministry of Industry and Trade. This permission and licensing process can take six months or longer to complete. Leading U.S. IT companies contend that the current system impedes imports, delays the creation of an innovation and knowledge-based economy in Russia, and hampers the further development of their R&D centers in Russia.

Both Russian and foreign businesses frequently complain about so-called "raiding" ("reiderstvo"), a practice which refers to the criminal takeover of a business through corruptly obtained legal documents. Raids are often carried out by professional raiders, sometimes working in tandem with corrupt officials and former employees or business partners of the victim company. Raids can be difficult to protect against as they rely on legal documents and frequently result in the victim being tied up in litigation for extended periods of time while the assets are transferred through a series of shell companies to an ostensible good faith purchaser. To minimize the risk of such attacks, investors are urged to vet local partners, review all business documents and make sure that documents are properly secured.

As many details regarding the operation and implementation of the Customs Union are still being worked out, there is much confusion in many areas such as import licenses, customs procedures and IPR enforcement. As part of the CU preparations, the GOR is planning to standardize Russia's technical regulations with European ones. These proposed regulations will increase restrictions on trade practices and are likely to have a large impact on U.S. exports to Russia.

Import Requirements and Documentation

[Return to top](#)

The CU harmonized tariffs entered into effect on 1 January 2010, and the unified Customs Code took effect on July 1, 2010. These two documents now regulate trade in the integrated customs zone. The CU continues to implement the new regulations governing its structure and tariffs, as well as determining revenue sharing, and organizing logistical procedures for shipments. As a result, U.S. exporters have been facing additional delays, valuation questions, and other issues.

Customs clearance as a general rule should be performed in the jurisdiction of the respective participants in foreign economic operations. Starting January 1, 2010, goods transiting to Russia and/or Kazakhstan from foreign suppliers through Belarus are customs cleared at the CU's external frontier in Belarus. It is also planned that, starting July 1, 2011, goods imported through Kazakhstan should be customs cleared on the Kazakhstan border.

Importers are required to complete a Russian customs freight declaration for every item imported. A declaration must be supported by the following documents: contracts, commercial documents such as commercial invoices and packing lists, transport documents, import licenses (if applicable), certificates of conformity and/or safety (see "Product Standards" below) certificates of origin (if applicable), sanitary certificate (if applicable), import permission and licenses for products containing encryption technology, and documents confirming legitimacy of declarants/brokers/importers.

As for all exports, U.S. exporting firms are required to complete a Shipper's Export Declaration (SED), but this document does not need to be presented to Russian Customs, although they may ask for it. Exporters must present the appropriate export license (see next section), if one had to be obtained, at customs. Customs officials may seek other documentation to substantiate the declared value of any shipment.

In addition, currency control regulations require issuance of a "transaction passport" for both exports and imports to ensure that hard currency earnings are repatriated to Russia. The regulations also ensure that transfers of hard currency payments for imports are for goods actually received and properly valued.

U.S. Export Controls

[Return to top](#)

The U.S. Department of Commerce's Bureau of Industry and Security (BIS) is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of some commercial items, including "production" and "development" technology. The items that BIS regulates are often referred to as "dual use" since they have both commercial and military applications. Please note that even commercial items without an obvious military application may be subject to the EAR and may even require an export license. Items with an Export Control Classification Number (ECCN) that are regulated for Chemical and Biological Weapons (CB), National Security (NS), Missile Technology (MT), Regional Stability (RS) or Crime Control (Column 1 or 2) purposes may require a license from BIS for export to Russia.

Further information on export controls is available at:
<http://www.bis.doc.gov/licensing/exportingbasics.htm>

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR. These are posted at:
<http://www.bis.doc.gov/enforcement/redflags.htm>

Also, BIS has "Know Your Customer" guidance at:
<http://www.bis.doc.gov/Enforcement/knowcust.htm>

If there is reason to believe a violation is taking place or has occurred, report it to the Department of Commerce by calling the 24-hour hotline at 1(800) 424-2980, or via the confidential lead page at: <https://www.bis.doc.gov/forms/eeleadsntips.html>

The EAR does not control all goods, services, and technologies. Other U.S. government agencies regulate more specialized exports. For example, the U.S. Department of State has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS web site or in Supplement No. 3 to Part 730 of the EAR, which is available on the Government Printing Office Web site at: http://www.access.gpo.gov/bis/ear/ear_data.html.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two day seminars and focus on the basics of exporting as well as more advanced topics. A list of upcoming seminars can be found at: <https://www.bis.doc.gov/seminarsandtraining/index.htm>

For further details about the Bureau of Industry and Security and its programs, please visit the BIS website at: <http://www.bis.doc.gov>

Temporary Entry

[Return to top](#)

Temporary entry of goods is allowed with full or partial relief from customs duties and import VAT for a period of up to two years. Russian Customs issues authorization for temporary entry of goods based on a written application submitted by an importer. The list of goods for temporary entry with full relief from customs duties and taxes as well as terms of such relief is regulated by the Customs Union.

Full conditional relief from customs duties is allowed when it does not affect the Russian economy, such as the temporary import of:

- Containers, pallets, and other types of containers and packages for repeated use;
- Goods for the purposes of the development of international relations in the scientific, cultural, sports, cinematography and tourism fields;
- Products for international assistance;
- Commercial samples, not for sale, used at trade shows and exhibitions.

All goods falling outside of this list are subject to partial relief only, as established by the Customs Code. The Customs Code provides for temporary import with a partial exemption from customs duties for 34 months when goods are classified as main production assets on the condition that such goods are not owned by the Russian entities using them in the territory of the Russian Federation. When partial relief from customs duties is applied, 3% of the amount of customs duties and taxes should be paid on a monthly basis for the period when goods are located in the customs territory of the Russian Federation. In practice, however, many U.S. companies bringing in commercial samples have had problems with Russian Customs. Sometimes officials demand that the importer pay a bond to cover any applicable import duties if the goods are sold in Russia. Russian Customs accepts the use of ATA Carnets, which are widely and effectively used.

For further information, please refer to the Customs Union Website: www.tsouz.ru or Russian Federal Customs Service Website: <http://www.customs.ru/en>, or <http://www.tks.ru>.

Labeling and Marking Requirements

[Return to top](#)

Labels on food items must feature the following information in the Russian language:

- Type and name of the product;
- Legal address of the producer (may be given in Latin letters);
- Weight/volume of the product (if item is preserved in liquid, weight without liquid mass);
- Food contents (name of basic ingredients/additives listed by weight in decreasing order);
- Nutritional value (calories, vitamins if their content is significant or if product is intended for children, for medical, or for dietary use);
- Conditions of storage;
- Expiration date (or production date and period of storage);
- Directions for preparation of semi-finished goods or children's foodstuffs;
- Warning information with regard to any restrictions and side effects;
- Terms and conditions of use.

Labels on nonfood items must include:

- Name of the product;
- Country of origin and name of manufacturer (may be given in Latin letters);
- Usage instructions;
- Main characteristics, rules and conditions for effective and safe use of product;
- Any other information determined by the state regulation body.

It is advisable to place the Rostest mark on the label for products that have appropriate Rostest and sanitary- epidemiological certificates. This rule is applicable to both food and nonfood items.

Prohibited and Restricted Imports

[Return to top](#)

The import and export of goods in Russia is carried out in accordance with the Federal Law on "Government Regulation of International Trade Activities" of 2003, which stipulates the application of quotas, licenses and other temporary restrictions on such operations.

Import licenses are issued by the Russian Ministry of Industry and Trade or its regional branches, and controlled by the Federal Customs Service. Licenses for sporting weapons and self-defense articles are issued by the Interior Ministry. Licenses are required for many other items as well including:

- Alloys
- Carpets
- Color televisions (14, 21, and 25-inch)
- Combat and sporting weapons

- Ethyl alcohol
- Explosives
- Medicine, also used for veterinary purposes
- Military and ciphering equipment
- Precious metals
- Radioactive materials and waste
- Self-defense articles
- Stones
- Strong poisons and narcotics
- Tobacco products
- Vodka and many other types of alcoholic beverages
- Poultry meat
- Cattle meat, chilled and frozen
- Pork
- Technical means purposed for receiving non-disclosed information
- O-zone damaging substances
- Chemicals used for plant's protection
- Sturgeon fish species, including caviar
- Crayfish
- Wild animals, wild plants, ivory, and corals
- Valuable wood species
- Cultural valuables

To learn whether an import license is needed for a particular product, contact the Russian Ministry of Industry and Trade licensing department (www.minpromtorg.gov.ru).

Customs Regulations and Contact Information

[Return to top](#)

As a member of the World Customs Organization, the Convention of Temporary Imports and the International Convention on Harmonized Commodity Description and Coding System, Russia is obligated to adhere to internationally accepted customs regulations and practices. In January 2004, Russia implemented a new Customs Code as part of its WTO accession efforts. The new code reduced the time for customs clearance from ten to three days. It also offered advance declaration of cargo before arrival at customs. Other important changes introduced by the Code included:

- Restricting the Russian Federation State Customs Committee from issuing contradictory additional regulatory acts;
- Making possible the settlement of disputes with customs authorities directly in a court of law;
- Establishing a definitive and comprehensive list of documents that must be submitted for customs clearance;
- Prohibiting customs authorities from refusing to accept a declaration containing inaccuracies, if the inaccurate information has no impact on the defrayal of customs payments, or does not place restrictions in foreign trade;
- Allowing clearance of goods through any customs office;
- Providing urgent customs clearance for perishable goods, express cargoes, or time-sensitive materials for the mass media.

In 2010, Russia's existing Customs Code was replaced by the unified Customs Code of the Customs Union and the Law on Customs Regulation, which took effect as of July 1 and December 2010, respectively. The Law on Customs Regulation, in particular, contains the "ex-officio amendment," a key part of Russia's commitments under the 2006 U.S.-Russia Bilateral Agreement on IPR.

Recently, the priorities for customs modernization included improvement in regulations, implementation of IT systems and enhanced dialogue with market participants. There is also a clearer understanding of the continued need for customs to take effective action against significant levels of grey market practices and to implement effective control coordinated on a global scale. However, many examples of arbitrary practices by local customs officials still exist and are encouraged by ambiguities in customs legislation. Small and medium-sized enterprises remain most vulnerable to these arbitrary practices.

Customs Valuation

The customs value is generally considered to be the CIF (cost-insurance-freight) price of the imported goods. A customs-processing fee is also levied. If customs officials do not agree with the customs value of goods declared they are authorized to request additional documents that support the declared customs value. It is often normal practice for customs officials to request the Shippers Export Declaration (SED), which they consider to be proof of the customs value. However, presenting SED is not mandatory and the importer can present other available documents, including an official company letter that attests to the shipment's correct value. Since 2008, Russian Customs has been particularly zealous in its efforts to determine the highest possible value for imported goods. In fact, it has recently highlighted its role in "revenue generation," whose income comprises about 50% of Russia's state budget.

For further information, please refer to the Russian Federal Customs Service Website: <http://www.customs.ru/en>

Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)
- [Contacts](#)

Overview

[Return to top](#)

Despite positive changes in the last several years, the standards regime in Russia still lacks transparency. Russia continues to rely on product testing as a key element of the product approval process. Other types of product safety assurance, such as plant auditing, quality systems, and post market vigilance, are underdeveloped. Russia

continues to adhere to redundant practices of further testing of internationally accepted certified products, which can delay entry of a variety of products into the country.

In addition, the former federal authority on standardization, Gosstandart, has been restructured twice as part of a larger government reorganization begun in May 2004, which led to some uncertainty as to exactly who in the agency did what, further adding to delays in discharging its functions. The current government authority for standardization, metrology and certification matters is the Federal Agency for Technical Regulations and Metrology (whose abbreviated name is Rosstandart) an agency of the Ministry of Industry and Trade. Until June 2010, the abbreviated name was Rostekhnregulirovanie, but it was then changed to Rosstandart because it is very close to the former abbreviation Gosstandart that was widely used in Soviet times. Affiliated with this new agency are 485 technical committees, comprised of research institutes, which develop standards.

Standards Organizations

[Return to top](#)

The following are the key government standards organizations in Russia.

Federal Agency for Technical Regulations and Metrology (Rosstandart)

9, Leninsky Prospect
Moscow, 119991
Tel: 7 (499) 236-03-00
Fax: 7 (499) 236-62-31
E-mail: stand@gost.ru
<http://www.gost.ru/>

Federal Service for Control over Healthcare and Social Development

(Roszdravnadzor) issues special regulatory approval documents for pharmaceutical products and medical devices)
Slavyanskaya sq. 4, building 1
Moscow, 109074
Tel.: 7 (495) 698-45-38
E-mail: info@roszdravnadzor.ru
<http://www.roszdravnadzor.ru>

Federal Service for Supervision of Consumers Protection and Welfare (Rospotrebnadzor)

Vadkovskiy pereulok, house 18, stroenie 5 and 7
Moscow, 127994
Tel.: 7 (499) 973-26-90
E-mail: depart@gsen.ru
<http://www.rospotrebnadzor.ru/>

Federal Service for Ecological, Technological and Nuclear Surveillance (Rostekhnadzor)

ul. Luykyanova, house 4, korpus 8
Moscow, 105066
Tel.: 7 (495) 411-60-20
Fax: 7 (495) 411-60-52
E-mail: rostekhnadzor@gosnadzor.ru

<http://www.gosnadzor.ru/>

Federal Agency of Svyaz (Rossvyaz) Ministry of Communications and Mass Media

7 Tverskaya Street

Moscow, 125375

Mr. Vitaliy Kreindelin Head of Conformity Department

Tel: 7(495) 771-85-59

Fax: 7(495) 771-87-10

E-mail: office@minsvyaz.ru

<http://www.rossvyaz.ru>

VNIIS (Research Institute for Certification)

3/10, Elektrichesky Pereulok, Building 1

Moscow, 123557

Phone: 7 (499) 253-70-06

Fax: 7 (499) 253-33-60

E-mail: vniis@vniis.ru

<http://www.vniis.ru>

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:

<http://www.nist.gov/notifyus/>

Conformity Assessment

[Return to top](#)

In recent years there has been a substantial movement toward the adoption of common international language on product standards and certification procedures, and some improvements have been made. In 1998, the Russian government established a public information service for regulations covered by the Technical Barriers to Trade (TBT) Agreement in the WTO; however, technical difficulties have plagued this service and it has not been an easily accessible or reliable source of information. On July 31, 1998, amendments to Federal Law No. 5151-1 "On Certification of Products and Services" (enacted on June 10, 1993) went into effect, which generally meet requirements of the TBT Agreement. The law allows a manufacturer to submit a declaration of conformity in the certification procedure for a limited number of products. The government has established a list of 200 products eligible for this procedure, which periodically changes.

Federal Law No. 184-FZ "On Technical Regulations" of December 27, 2002, was intended to change the existing cumbersome standardization and certification systems and harmonize Russian legislation with international standards by transitioning from a mandatory certification system to a modern system based on self-declaration. To that end, the government approved three consecutive programs aimed at developing 400 technical regulations that should be used instead of the old GOST standards. Only 24 technical regulations were developed, however, which are in operation today. One of the reasons cited for the delay of this reform is the complicated system of approval. Also, a number of government bodies resisted the creation of these technical regulations

because they wanted to return to the old system where they controlled these regulations. One of the main supporters of the old system was Rosstandart, formerly Gosstandart.

To move this reform process along, in December 2009 amendments to Federal Law No. 184-FZ were approved. According to these amendments, a special government body would use a much simpler process of approving technical regulations. Many experts assumed that Rosstandart would become that government body, but on January 20, 2010, President Medvedev announced that the functions in this area will be divided between the Ministry of Industry and Trade and Rosstandart, which is, in fact, under the Ministry's jurisdiction. Currently the program of development of 70 technical regulations (of which 47 are in conjunction with the CU) is being executed. In addition the priority of the CU over national technical regulations is being discussed.

Product Certification

[Return to top](#)

As the result of the establishment of the Custom's Union among Russia, Kazakhstan and Belarus, the system of certification has changed. Now there are two sets of documents dedicated to Technical Regulations and Sanitary Regulations.

Technical Regulations (Certificate of Conformity/Declaration of Conformity)

As of July 1, 2010, new rules for conformity assessment, established in the CU, came into effect. As the result, manufactures can obtain certificates of conformity and declaration of conformity according to these new rules, and unified letterhead for all three countries is used. The full set of the documents, including the unified list of accredited bodies and laboratories that governs this process, is published on the CU website (www.tsouz.ru). A "Unified list of products" was also established and according to this list, those products included need to have certificates of conformity/declarations of conformity. If a product is not included, then it should go through the conformity process according to the national standards of Russia, Kazakhstan, or Belarus. Until January 1, 2012, manufactures may choose to obtain these documents according to the national standards of Russia, Belarus or Kazakhstan or according to the Unified standards of the CU. In the manufacturer chooses the first option, its products can only be sold in the territory of the country where the documents were obtained. After January 1, 2012, certificates of conformity/declaration of conformity can only be obtained according to the Unified standards of the CU.

Sanitary Regulation (Certificate of State Registration)

State registration is one of the forms of conformity assessment, so it can be concluded that the Certificate of State Registration is the same document of conformity, as the conformity certificate and declaration of conformity. On July 1, 2010, the sanitary certificate was abolished due to the fact that no such provisions exist in the CU document. Products which need a Certificate of State Registration are listed in part II of the "Unified list" that was approved by the CU Commission on May 28, 2010, No. 299 (last edition No. 456 dated November, 11, 2010). Starting January 1, 2011, only Certificates of State Registration, according to the CU principles are being issued.

A number of other mandatory and voluntary certification systems also exist, which are partly managed by other ministries or agencies. Below are the most widely used certificates:

Fire Safety Certificate: The Federal Law No. 123-FZ "Technical Regulations of

Requirement for Fire Safety,” which came into effect on May 1, 2009, now governs this process. Products requiring this certificate are listed in Government Decree No. 241 dated March 3, 2009.

Certificate of Conformity/Declaration of Conformity for Systems of Communications (system of certification in the area of communication) confirms that the equipment conforms to technical requirements. It is issued by accredited bodies and laboratories of Rossvyaz, with an updated list published on its website. Rossvyaz obtained this function due to Government Decree No. 320 dated June 30, 2004. The list of communication devices which require a certificate of conformity can be found in Government Decree No. 532 dated June 25, 2005.

License (permission) from Rostekhnadzor allows the manufacture, installation and use of industrial machinery and equipment for the petrochemical, metallurgical and other industrial facilities in Russia. The process and list of products requiring this certificate are listed in Rostekhnadzor’s Order No. 112 dated February 29, 2008.

Approval for Encrypted Products is issued by the Federal Security Service (FSB), while an import license is issued by the Ministry of Industry and Trade.

Russia participates in the following international certification systems:

- System of the International Electrotechnical Commission (IEC) for tests of electrical, electronic and related equipment on conformity to safety standards (<http://www.iec.ch>; <http://www.iecq.org>)
- System of certification of passenger cars, trucks, buses and other transport vehicles (<http://www.unece.org>)
- System of certification of handguns and ammunition (<http://www.com-i-p.com>)
- OIML Certificate System of Measuring Instruments (<http://www.oimi.org>)

Russia’s complicated, cumbersome and often changing system of certification as well as cultural and language barriers are a challenge for foreign companies attempting to certify products without appropriate legal advice or assistance from experienced distributors or consultants. In order to minimize time and expenses, it is recommended that U.S. companies work with reliable partners and consulting companies on registration and certification issues. For additional information regarding certification, please contact the U.S. Commercial Service.

Certification Service Providers (this list is not exhaustive and is not to be construed as an endorsement of the companies listed below).

Russia

Rostest Moscow (various products)

Russian Center for Tests and Certification
31 Nakhimovsky Prospect,
Moscow, 117418
Phone: 7 (495) 544-00-00
E-mail: info@rostest.ru
<http://www.rostest.ru/>

Consult Business Group (Medinform Ltd., Pharminform Ltd.) (pharmaceutical products including biological active supplements, medical equipment and cosmetics)

Butyrskaya ul, 77, Business Center "Diagonal House", 8 floor

Moscow, 127015

Tel.: 7 (495) 797-49-63

E-mail: info@c-b-g.ru

<http://www.c-b-g.ru/about>

Eurotest

4 Krutitskiy pereulok, house 14

Moscow, 109044

Tel. 7 (495) 660-52-28

E-mail: eurotest@eurotest.ru

<http://www.eurotest.ru>

United States

Velosi Group (Oil & gas, petrochemical and refining industries)

<http://www.velosi.com>

Nemko

<http://www.nemko.com>

Russian Standard, Russian Certification Center (almost all areas, except aviation equipment and aviation instruments, military products, telecommunication equipment)

<http://www.rosstandard.com>

TUV America Inc.

<http://tvuamerica.com>

TUV Rheinland

<http://www.tuv.com>

Underwriters Laboratories (UL)

<http://www.ul.com>

Accreditation

[Return to top](#)

Presently in Russia, various federal executive authorities carry out accreditation in accordance with the relevant legislation. There are 16 government agencies that were in charge of accreditation, including Rosstandart, Rostekhnadzor, Rospotrebnadzor, Rossvyaz. Bureaucratic incongruities, overlapping fields of activity and the application of different procedures and criteria in the accreditation process are common occurrences. Often, the accreditation and certification activities of several federal executive authorities overlap.

Certification authorities and test laboratories, both Russian and foreign, are accredited in accordance with the following documents: GOST-R ISO/IEC 65-2000, GOST-R ISO/IEC

17021-2008, GOST-R ISO/IEC 17025-2006, GOST-R 51000.4-2008, GOST-R 51000.6-2008.

Currently, each individual Ministry, Rosstandart and the Research Institute for Certification (VNIIS) can accredit laboratories in their relevant industry sectors. Rosstandart runs the state registry of all accredited organizations.

Government Decree No. 163 “About Accreditation of Organizations that Assess Compliance with Technical Regulations” dated February 24, 2009, is published on Rosstandart’s website. In addition, Rosstandart prepared comments on this decree that are also published on its website.

In the near future a new “approval” agency – Federal Accreditation Agency will be established. Now the main goal of this agency is to put the whole certification system in order. President Medvedev signed Presidential Decree No 86 on January 24, 2011, “On Unified National System of Accreditation”. This Agency will report to the Ministry of Economic Development and will be responsible for the establishment of the Unified National System of Accreditation. But most importantly, it will control all legal entities and entrepreneurs, who are accredited as testing laboratories, and issue certificates to organizations. It is expected that a number of new private companies and entrepreneurs will enter this market and, as a result of competition, prices in this sector will decrease, which will in turn drive down the consumer prices. It is expected that the certificates will be recognized by other countries, so companies will not have to go through both a national and international certification process.

The Federal Accreditation Agency should receive all its functions and be fully operational by January 1, 2012.

Publication of Technical Regulations

[Return to top](#)

Proposed technical regulations are published (in Russian) on the Rosstandart website (<http://www.gost.ru>) for two months. Any Russian or foreign entity may comment in Russian to the contact listed on the website. Draft and final documents are published in the monthly “Vestnik of Technicheskogo Regulirovania” (“Journal of Technical Regulations”). This journal is an official publication of Rosstandart for its official documents, instructions, rules, and decrees. “Vestnik of Technicheskogo Regulirovania” is the country’s effort to ensure transparency in the development of national standards required for WTO compliance. WTO membership presumes that all changes in the standardization system will be transparent, thereby avoiding hidden obstacles (non-tariff barriers) in trading relations with WTO partners.

Another publication that can be found on Rosstandart’s website is “Mir Standartov” (“World of Standards”).

Labeling and Marking

[Return to top](#)

Please see the “Labeling and Marking” section above.

Contacts

[Return to top](#)

U.S. Commercial Service - Moscow

8 Bolshoy Deviatinsky pereulok
Moscow 121099, Russia
Tel: 7 (495) 728-5580
Fax: 7 (495) 728-5585
E-mail: Moscow.Office.Box@mail.doc.gov

Trade Agreements

[Return to top](#)

Russia currently participates in a free trade agreement with the Commonwealth of Independent States and the Customs Union with Belarus and Kazakhstan. Russia also has an association agreement with the European Union and has historically received NTR and GSP status from the United States.

Web Resources

[Return to top](#)

Bureau of Industry & Security, U.S. Department of Commerce

Main site: www.bis.doc.gov
Export Controls: www.bis.doc.gov/licensing/exportingbasics.htm
Possible Violations: www.bis.doc.gov/enforcement/redflags.htm
Forms: <https://www.bis.doc.gov/forms/eeleadsntips.html>

Russian Federal Customs Service: www.customs.ru/en

Russian Ministry for Economic Development: <http://www.economy.gov.ru>

Russian Ministry of Industry and Trade: <http://www.minprom.gov.ru/eng>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State-Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)

Openness to Foreign Investment

[Return to top](#)

Russia's efforts to improve its investment climate have produced mixed results. On one hand, the Russian market presents many promising investment opportunities, and 2010 witnessed a number of significant investments by major U.S. firms. Russia has taken concrete steps, including efforts to attract capital to the planned Skolkovo Innovation Center and to improve government coordination and oversight regarding the protection of foreign and domestic investors. Russia recognizes foreign investment's critical role in the country's economic development and has encouraged foreign investment by establishing special economic zones, high-technology parks, and special tourist regions on both federal and regional levels. At the same time, despite the Russian government's public rhetoric on combating corruption and improving the investment climate, independent organizations assessed that overall business and investment conditions in Russia worsened slightly in 2010.

Russia was one of the countries most adversely affected by the financial crisis starting in 2008, with 2009 GDP dropping by 7.9%. Russia's economy grew modestly in 2010: in February 2011 the Russian State Statistical Service (RosStat) reported that Russia's official GDP growth in 2010 was 4%, slightly exceeding government and market expectations of around 3.8%. Russia's real GDP is expected to reach 2008 levels in late 2011. From 2004-2008, foreign direct investment (FDI) inflows picked up substantially, rising to \$75 billion in 2008. But because of the economic crisis, FDI inflows decreased to \$36.8 billion in 2009 and have improved little, if at all, in 2010. In December, Prime Minister Putin predicted that annual FDI in Russia would reach \$40 billion for 2010. However, according to the Central Bank of Russia, FDI inflows for the first three quarters

of 2010 equaled \$23.4 billion, a 9.8% decrease from the same period of 2009. The last few years have also seen large amounts of capital leaving Russia. In 2008, Russia experienced a net capital outflow of \$133.9 billion. In 2009, Russia's net capital outflow was \$56.9 billion. In 2010, capital has continued to leave Russia, but at a much slower pace. In January 2011, the Central Bank of Russia estimated that the net capital outflow in 2010 was \$38.3 billion.

President Medvedev and Prime Minister Putin have repeatedly emphasized the importance of improving Russia's business climate and attracting foreign capital, particularly in the high technology sector. The country's solid base of experts in the scientific and mathematics fields, combined with a sizable market and an economy growing faster than most others in Central Europe, have helped entice a series of U.S. firms to make headline acquisitions and investments in Russia. Nevertheless, the investment climate has been undermined by the slow pace of structural reforms and the government's leading role in certain sectors of the economy, notably energy. Additionally, past government actions have contributed to a sense of wariness among some foreign investors about the risks of the Russian market, such as the apparently politically-motivated investigations into businesses and a reluctance to allow foreign investors de facto unfettered access. Rule of law, corporate governance, transparency, and respect for property rights are gradually improving but remain key concerns for foreign investors. While Russia took significant steps in 2010 to improve the legal framework for intellectual property protection, effective enforcement remains a challenge. Possible liabilities associated with existing operations (especially environmental cleanup) and still-developing bankruptcy procedures are also factors in the decision to invest. In short, while there is strong interest, many U.S. companies, particularly small and medium-sized enterprises, remain cautious about investing in Russia.

A legal structure is in place to support foreign investors, although the laws are not always enforced in practice. The 1991 Investment Code guarantees that foreign investors will enjoy rights equal to those of Russian investors, although some industries have limits on foreign ownership (discussed below). The 1999 Law on Foreign Investment also affirms this principle of equal treatment. Unfortunately, corruption plays a sizeable role in the judicial system (see the Dispute Settlement section). Moreover, Russia has sought to enhance consultation mechanisms with international businesses, including through the Foreign Investment Advisory Council, regarding the impact of the country's legislation, regulations, and dispute mechanisms on the business and investment climate. Still, the country's investment dispute mechanisms remain a work in progress, and at present can result in a non-transparent, unpredictable process.

Russian government officials have repeatedly stressed the need for foreign investment and technology transfer in the manufacturing sector to facilitate Russia's successful economic recovery after the financial crisis and as part of Russia's modernization effort. At the same time, the government adopted new policies to more effectively control foreign investments in so-called "strategic sectors" of the Russian economy. In May 2008, then-president Putin enacted the Strategic Sectors Law," which grandfathered already completed acquisitions, specified 42 activities that have strategic significance for national defense and state security, and established an approval process for foreign investment in these strategic areas. According to the law, investors wishing to increase or gain ownership above certain thresholds need to seek prior approval from a government commission headed by Russia's Prime Minister. From the passage of the

law through the end of 2010, the commission met eight times to review investment proposals – including three times in 2010 – and only rarely denied a proposed transaction. But foreign investors fear that the approval process might be non-transparent and burdensome, and that the law could be used to restrict foreign investors seeking to invest in Russia's strategic sectors.

Russia's government also tends to favor direct cash injections and joint ventures with local entities, especially state-owned entities, and particularly in Russia's "strategic sectors." The energy sector is the most prominent of these; the government typically limits foreign companies to minority stakes in larger projects. In December 2008, Prime Minister Putin signed a resolution that increased the duty on most imported vehicles from 25% to 30%, increased the duty on large off-road mining vehicles from 5% to 25%, and imposed a prohibitive duty on cars older than five years. In February 2009, temporary duties ranging from 5% to 15% were imposed on agricultural and mining vehicles for a period of nine months. These duties were extended for another nine months in November 2009, and on January 1, 2010 were transferred to the Common Customs Tariff of the Customs Union, thus becoming effectively permanent. These duties remain in place despite having been perceived originally as a means of helping local manufacturers weather the financial crisis. In one related area, duties have been reduced: in October 2010 the CU issued a decision to decrease the import tariff on large off-road trucks from 25% to 15%. There were also significant reductions in tariffs on certain types of short and long haul aircraft. For a number of types of aircraft, the tariff was reduced from 20% to 0%. Less critical sectors, such as consumer products, are relatively unrestricted.

Between 2003 and 2010, the share of Russia's private sector in GDP decreased from 70% to 65%, according to the European Bank for Reconstruction and Development. The government also continues to hold significant blocks of shares in many privatized enterprises. In an effort to both increase market forces in the economy and raise revenue for the federal budget, in 2009 the government began considering the privatization of so-called strategic enterprises. On October 17, 2010 the Russian Cabinet approved the 2011-2013 Privatization Plan, paving the way for selling an estimated \$60 billion of government stakes in more than 850 companies. The GOR will retain controlling stakes, however, in major Russian companies such as Rosneft, Russian Railways, and banking giants Sberbank and VTB.

To date, treatment of foreign investment in new privatizations has been inconsistent. As with the 2011-2013 Privatization Plan, foreign investors participating in Russian privatization sales are often confined to limited positions. As a result, many have faced problems with minority shareholder rights and corporate governance. Potential foreign investors are advised to work directly and closely with appropriate local, regional, and federal ministries and agencies that exercise ownership and other authority over companies whose shares they may want to acquire.

The following tables include the most recent data from indices measuring the investment and business climate in Russia:

Measure	Year	Index/Ranking
TI Corruption Index	2010	2.1 – 154 of 178 countries
Heritage Economic Freedom	2011	50.5 – 143 of 183 countries
World Bank Doing Business	2011	123 of 183 economies
Gov't Effectiveness (Worldwide Governance Indicators)	2009	-0.28 – Percentile rank: 44.8
Rule of Law (Worldwide Governance Indicators)	2009	-0.40 – Percentile rank: 31.2
Control of Corruption (Worldwide Governance Indicators)	2009	-1.12 – Percentile rank: 11.4
Fiscal Policy (IMF World Economic Outlook)	2010 (est.)	Government deficit: 4.784% of GDP
Trade Policy (Heritage Economic Freedom)	2010	68.4 (moderately free)
Regulatory Quality (Worldwide Governance Indicators)	2009	-0.46 – Percentile rank: 35.2
Business Start Up (World Bank Doing Business)	2011	108 of 183 economies
Land Rights Access (World Bank Doing Business)	2011	Construction Permits: 182 of 183 economies Registering Property: 51 of 183 economies
Natural Resource Mgmt (Natural Resource Management Index)	2010	94.5 on a 0 – 100 scale (100 is best)

Conversion and Transfer Policies

[Return to top](#)

While the ruble is the only legal tender in Russia, companies and individuals generally face no significant difficulty in obtaining foreign exchange. Finding a bank licensed to conduct foreign currency transactions is not difficult. Russia has no capital controls and there are no barriers to remitting investment returns abroad, including dividends, interest, and returns of capital. Nonetheless, investors would be well advised to seek expert advice at the time of an investment.

Currency controls exist on all transactions that require customs clearance, which in Russia applies to both import and export transactions and certain loans. A business must open a "deal passport" with the Russian authorized bank through which it will receive and service the transaction or loan. A deal passport is a set of documents that importers and exporters provide to authorized banks. Such documents enable banks, the agents of Russian currency control, to monitor payments in respect of the transaction or loan and to report the corporation's compliance with currency control regulations to the Central Bank. Russia's regulations regarding deal passports are described under Instructions of the Central Bank of Russia number 117-I of June 15, 2004.

Only authorized banks may carry out foreign currency transactions. According to currency control laws, the Central Bank retains the right to impose restrictions on the purchase of foreign currency, including the requirement that the transaction be completed through a special account. The Central Bank does not require security deposits on foreign exchange purchases.

Expropriation and Compensation

[Return to top](#)

The 1991 Investment Code prohibits the nationalization of foreign investments, except following legislative action and where deemed to be in the national interest. Such nationalizations may be appealed to the courts of the Russian Federation, and the investor must be adequately and promptly compensated. At the sub-federal level, expropriation has occasionally been a problem, as has local government interference and a lack of enforcement of court rulings protecting investors.

Dispute Settlement

[Return to top](#)

Russia has a body of conflicting, overlapping, and rapidly changing laws, decrees and regulations, which has resulted in an ad hoc and unpredictable approach to doing business. In an attempt to address these challenges, in 2010 First Deputy Prime Minister Shuvalov was tasked with coordinating and overseeing efforts to improve the business and investment climate, including the protection of foreign and domestic investors. The government has also encouraged international business leaders to participate in the discussion of dispute resolution mechanisms, as well as individual commercial disputes, as part of their work in the Foreign Investment Advisory Council. While these steps offer some promise, overall the country's investment dispute mechanisms remain underdeveloped and largely non-transparent.

Independent dispute resolution in Russia can be difficult to obtain since the judicial system is still developing. Courts are sometimes subject to political pressure. According to numerous reports, corruption in the judicial system is widespread and takes many forms, ranging from bribes of judges and prosecutors to fabrication of evidence. A law enacted in late 2008 as part of President Medvedev's anti-corruption initiative requires that, beginning in April 2010, judges must disclose their incomes, real estate assets, and other kinds of property that they and their spouses and minor children own. The law also includes a provision permitting media to request some of this information about the judge, but not about the judge's spouse or children. While this represents a step in the right direction, it is too early to assess the law's impact.

Another component of President Medvedev's anti-corruption initiative has been a series of amendments to the Code of Criminal Procedure – in 2008, 2009, and 2010 – to limit pre-trial detention of individuals accused of economic crimes. While these measures clearly represent a step in the right direction, uneven implementation to date has limited the impact of the reforms.

The heavy caseload of Russian judges and their lack of training adversely affects timely and effective recourse in business disputes. In order to get through the regular caseload on a daily basis, many judges may quickly dismiss a case for technical reasons, such as lack of complete documentation or missing parties to the dispute. This helps the judge reduce his docket for the day, but ends up delaying adjudication of many cases to a later date. Also, many lawyers report that due to insufficient training, especially in complex business disputes, many judges often make poorly reasoned or simply incorrect decisions.

In addition, court decisions are at times not executed. The bailiffs, who are charged with enforcing court judgments, report to the Ministry of Justice rather than the courts. They sometimes fail to enforce those judgments due inter alia to legal restrictions and limited

trained personnel. Federal Law 262 requires the courts since mid-2010 to publish their decisions online and otherwise make information about their activities publicly available. Commercial courts, in which most business disputes are resolved, had largely been meeting this requirement even prior to enactment of the law. While some questions remain about whether certain information can be withheld from publication due to privacy concerns, the law is expected to increase court transparency.

Many attorneys refer Western clients who have investment or trade disputes in Russia to international arbitration in Stockholm or to courts abroad. A 1997 Russian law allows foreign arbitration awards to be enforced in Russia, even if there is no reciprocal treaty between Russia and the country where the order was issued. Russia is a member of the International Center for the Settlement of Investment Disputes and accepts binding international arbitration. Russia is also a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. However, enforcement of international arbitral awards still requires action from Russian courts and follow-up by bailiffs, which have yet to become consistently effective enforcers of court judgments.

Commercial disputes between business entities are heard in the commercial court system. That court system has special procedures for the seizure of property before trial, such that it cannot be disposed of before the court has heard the claim, as well as for the enforcement of financial awards through the banks. Additionally, the International Commercial Arbitration Court at the Russian Chamber of Commerce and Industry will hear claims if both parties agree to refer disputes there. A similar arbitration court has been established in St. Petersburg. As with international arbitral procedures, the weakness in the Russian arbitration system lies in the enforcement of decisions.

Performance Requirements and Incentives

[Return to top](#)

Performance requirements are not generally imposed by Russian law and are not widely included as part of private contracts in Russia. However, they have appeared in the agreements of large multinational companies investing in natural resources and in production-sharing legislation. There are no formal requirements for offsets in foreign investments. Since approval for investments in Russia frequently depends on relationships with government officials and on a firm's demonstration of its commitment to the Russian market, this may result in offsets in practice.

The Russian government requires visas and residence permits for businessmen and investors. Work and residence permits must be renewed periodically -- a cumbersome process. Russia's visa system for residence and work permits is complicated, and potential investors would be well-advised to consult the State Department and U.S. Embassy websites for the latest information on Russian visas: moscow.usembassy.gov/russian-visas.html and travel.state.gov/travel/cis_pa_tw/cis/cis_1006.html. In some sectors, requirements that a certain percentage of staff be Russian citizens may have a negative impact on foreign investors. As part of Russia's efforts to encourage investment in innovation sectors, the GOR has eased the regulations on visas and residence permits for "highly-skilled" workers, and eliminated yearly quotas in this category. The definition of highly-skilled is based on a salary range (currently about \$60,000 per year and above) and not specifically defined skills.

Right to Private Ownership and Establishment

[Return to top](#)

Both foreign and domestic legal entities may establish, purchase, and dispose of businesses in Russia. Foreign investment in some sectors that are regarded as affecting national security, such as natural resources, energy, power, communication, transportation, and defense-related industries, may be limited.

Protection of Property Rights

[Return to top](#)

The Constitution and a 1993 presidential decree give Russian citizens general rights to own, inherit, lease, mortgage, and sell real property. Foreigners enjoy similar rights with certain restrictions, notably the ownership of farmland and areas located near federal borders. The rights of Russian citizens to own and sell residential, recreational, and garden plots are clearly established, with over 40 million properties of this type under private ownership. Mortgage legislation enacted in 2004 facilitates the process for lenders to evict homeowners who do not stay current in their mortgage payments. Thus far this law has been successfully implemented and generally effective. Mortgage lending is in its initial stages, and after a sharp contraction in 2008-09, the total value of mortgages in Russia is still under 3% of GDP. New mortgage issuances in 2010, both by number and volume, were more than double that in 2009, totaling more than \$11 billion.

In Russia, the protection of intellectual property rights (IPR) is enforced on the basis of civil, administrative, criminal or customs legislation. The Civil Code sets up the level of compensation for IPR infringement and/or incurred damages for copyright, trademarks and geographical indications. The Code of Administrative Offenses concerns IPR infractions which violate public or private interest or rights, but do not meet the criteria of the Criminal Code. An administrative investigation may be initiated at the request of an IPR owner or by law enforcement authorities (police or customs) suspecting possible IPR infringement. Administrative cases are dealt with by general jurisdiction courts or state commercial courts that have jurisdiction over economic disputes. The IPR provisions of the Criminal Code apply to infringements of copyright, patent and trademark rights committed on a large scale and causing gross damages as defined by the Criminal Code.

In 2010, Russia made significant progress in improving the legislative environment and legal framework for IPR protection. Russia passed amendments to Part IV of the Civil Code for compliance with the Trade-Related Aspects of Intellectual Property (TRIPs) agreement, amended its Customs Code to include ex-officio authority for Russian Customs officials, and amended the Law on Circulation of Medicines to provide for 6 years of regulatory data protection upon WTO accession. Concerns remain, however, over enforcement issues such as deterring piracy and counterfeiting through criminal penalties, lowering the monetary damages threshold to initiate criminal penalties, the lack of Internet-related IPR enforcement (including ISP liability and regulations for takedown notices), and the need for a court system with greater expertise in IPR cases.

Copyright violations (films, videos, sound recordings, and computer software) remain a serious problem. Legitimate DVD sales are on the rise, however, thanks in part to cheaper legitimate products, a growing consumer preference for high quality goods, and increased law enforcement action against pirates. The local business and entertainment software industries have also reported declining levels of piracy. Russian police

continue to carry out end-user raids against businesses using pirated products. At times, police have used IPR enforcement as a tactic to elicit bribes or harass NGOs.

Russia has acceded to the Universal Copyright Convention, the Paris Convention, the Berne Convention, the Patent Cooperation Treaty, the Geneva Phonogram Convention, and the Madrid Agreement. Topologies of integrated microcircuits are protected by Russian law, whereas computer programs have the same level of protection as literary works. The copyright term is "Life + 70." In 2008, Russia applied to join the World Intellectual Property Rights Organization (WIPO) Copyright Treaty and the Performance and Phonograms Treaty, and ratified the two treaties in early 2009. Russia also ratified the Singapore Treaty on the Law of Trademarks in 2009, and in 2010 completed steps to implement the Treaty.

Russia has had a law providing for bankruptcy of enterprises since the early years after the breakup of the Soviet Union. New legislation that would introduce a system of individual (personal) bankruptcy or insolvency has been drafted, and is expected by many observers to be enacted. Individual bankruptcy cases would be handled by the commercial courts.

President Medvedev has repeatedly and publicly encouraged the more widespread adoption of alternative dispute resolution (ADR) to help courts handle their caseloads and to provide citizens with speedier and cheaper methods of resolving legal disputes. In July 2010, he signed a law that authorizes the use of mediation in various kinds of disputes, including commercial ones, and provides for the confidentiality of mediation proceedings and for their enforceability in court. The law took effect on January 1, 2011. Although there are still issues concerning how it will be applied, it represents an important step towards further development of ADR in Russia.

Transparency of Regulatory System

[Return to top](#)

The legal system in Russia remains in a state of flux, with various parts of the government continuing to implement new regulations and decrees on a broad array of topics, including the tax code and requirements of other regulatory and inspection bodies. Negotiations and contracts for commercial transactions, as well as due diligence processes, continue to be complex and protracted. Investors must do careful research to ensure that each contract fully conforms to Russian law. Contracts must likewise seek to protect the foreign partner against contingencies that often arise. Keeping up with legislative changes, presidential decrees, and government resolutions is a challenging task. Uneven implementation of laws creates further complications; various officials, branches of government, and jurisdictions interpret and apply regulations inconsistently and the decisions of one may be overruled or contested by another. As a result, reaching final agreement with local political and economic authorities can be a long and burdensome process. Companies should be prepared to allocate sufficient funds to engage local legal counsel to set up their commercial operations in Russia.

Surveys have shown that many entrepreneurs complain about the complexity of the tax code and requirements of other regulatory and inspection bodies. Well-intentioned small and medium-sized enterprises (SMEs) often go out of their way to follow the law but are then penalized for making mistakes in documentation. They complain that the tax police make no distinction between overt tax-evaders and inexperienced SMEs who do not fully understand the bookkeeping requirements. Companies often have little recourse other

than the courts to resolve tax disputes. While firms have successfully appealed to the courts, tax authorities are often slow to implement judicial decisions. Penalties for non-compliance include confiscation of property and freezing a company's bank accounts. A 2010 law greatly increased the criminal threshold of tax underpayment, forbade pre-trial detention for tax offences, and allowed first-time offenders to escape criminal liability for a tax offence if they pay their arrears during the pre-trial investigation.

All draft laws that go through the Russian Duma are published on the Duma's website. Sometimes, but not consistently, ministries and other Russian government bodies also publish proposed legislation (including draft laws, government decrees and regulations) on their websites. While there is opportunity for public comment, the general perception is that this opportunity is limited and that it can have minimal impact.

Efficient Capital Markets and Portfolio Investment

[Return to top](#)

The Russian banking system remains relatively small, with RUR 4.6 trillion (\$148 billion) in aggregate capital as of November 1, 2010. Though Russia has roughly 1000 banks, the sector is dominated by state-owned banks, particularly Sberbank and VTB. The five largest banks in Russia are state-owned. In 2009, state-owned banks held 39.2% of all bank assets in Russia. While 2010 figures are not yet available, that figure has likely increased, as most private banks in Russia have been reluctant to expand their loan books in the current economic environment. The successful implementation of the Deposit Insurance System in 2004 has proved a critical psychological boon to the banking sector, evidenced by growth in overall deposits. Despite measured progress, the Russian banking system is not yet efficiently performing its basic role of financial intermediary (i.e., taking deposits and lending to business and individuals). Even before the financial crisis, the combined value of the assets of Russia's top 200 banks was just over \$1 trillion, and only a quarter of Russians had any kind of a bank account. Russia's banking sector is recovering from the economic crisis, with 2010 loan growth expected to reach 10-15%. The share within Russia's banking sector of non-performing and troubled loans, which during the financial crisis some analysts said could reach as high as 40%, appears to have stabilized in 2010 at around 20%.

Russia's two main stock exchanges are in Moscow: (1) the Russia Trading System (RTS), and (2) the equity trading floor on the Moscow Interbank Currency Exchange (MICEX). Trading volume is largely dominated by large oil and gas companies such as Gazprom, Rosneft, and Lukoil. Trading activity at Russia's other exchanges, such as the Moscow Stock Exchange and several regional centers, is low. Some large Russian companies choose to list their stock in London and elsewhere abroad in order to obtain higher valuations.

The Law on the Securities Market, as amended in 2003, includes definitions of corporate bonds, mutual funds, options, futures, and forwards. Companies offering public shares are required to disclose specific information during the placement process, as well as quarterly. In addition, the law defines the responsibilities of financial consultants who assist companies with stock offerings and holds them liable for the accuracy of the data presented to shareholders.

The ruble-based bond market is currently the most rapidly and dynamically developing sector in Russia's capital markets. The Central Bank's large injection of liquidity into the Russian economy during the 2008-09 financial crisis contributed to the growth of the

domestic bond market, both in corporate and government bonds. That growth is also boosted by weaknesses in other sectors of the capital market: the absence of more attractive ruble-denominated alternative asset classes; low and even negative real interest rates on the secondary government securities market; and a significant volume of rubles from oil export earnings.

Steady development notwithstanding, the corporate bond market suffers several problems. It is still quite narrow, which makes it difficult to provide the necessary level of liquidity for relatively small issues, even if the issuer is a blue-chip company. Another problem is the expense of preparation, including development of each issue's parameters, prospectus registration, underwriting services, etc. A 0.8% issuance tax adds to that expense. Another barrier to the growth of the market is a provision of the federal law "On Joint Stock Companies", which requires that the volume of a bond issue not exceed a company's authorized (charter) capital.

Hostile takeovers are also common in Russia; however, both foreign and local firms are targeted. Private companies' defenses to prevent hostile takeovers target all potential hostile takeovers, not just foreign ones.

Russia's financial market suffers from a shortage of private domestic institutional investors. For example, the life insurance market is miniscule, comprising only 3% of insurance premium payments. Private pension funds, held back by a public distrust of financial instruments and a lack of tax incentives, make up just 2% of financial assets in Russia, equal to 2% of GDP.

Competition from State-Owned Enterprises

[Return to top](#)

Despite large-scale privatizations, the eight existing state corporations still play a large role in the Russian economy. (Note: State corporations are 100% owned by the Russian government and operate under special legislation. The Russian economy also features thousands of other companies owned in part or whole by the Russian government that operate under different legal arrangements, such as unitary enterprises and joint stock companies) While private enterprises are technically allowed to compete with state corporations on the same terms and conditions, in practice, the playing field is tilted. State corporation holding structures and management arrangements (e.g., state representatives as board members) make it difficult for private enterprises to compete. Furthermore, specific legal constructions can result in preferential treatment of state corporations. For example, state corporations have no unified legal framework, being set up under different legislation than that which applies to other corporations; this case-by-case approach leaves much scope for discretion and lobbying by company insiders.

According to the European Bank for Reconstruction and Development, the private sector's share of GDP fell from 70% in 2003 to 65% in 2010. As discussed above, the Russian government approved the 2011-2013 Privatization Plan, which aims to sell an estimated \$60 billion of government stakes in more than 850 companies.

Corporate governance of state corporations is characterized by the "dual management" model. The Federal Agency for State Property Management (Rosimushchestvo) is authorized by the Russian government to exercise shareholder rights for federally-owned shares in companies and is responsible for the preparation and nomination of candidates at the annual meetings of shareholders. As a general rule, Rosimushchestvo

nominates to a company's board of directors representatives of the most relevant government body, based on the sectoral characteristics of the business. The sectoral state body thus participates in managing the company through its representatives. In important companies that straddle the sectoral priorities of the government and its political interests, top government officials may be nominated to the boards of directors (e.g., the Minister of Energy is the Chairman of the state-owned oil pipeline company, Transneft). Issues that hamper the efficient operations of state corporations include a lack of transparency, unclear responsibilities of boards of directors, misalignment of managers' incentives and company performance, inadequate control mechanisms on managers' total remuneration or their use of assets transferred by the state to the state corporation, and reduced disclosure requirements.

There are two sovereign wealth funds in Russia: the Reserve Fund and the National Wealth Fund. Management of both funds' assets is executed by the Ministry of Finance in accordance with procedure and terms established by Government of the Russian Federation. The Central Bank of Russia may act as operational manager.

Reserve Fund assets can be used to: purchase foreign currencies (dollars, euros, and pounds) that are then kept in the Federal Treasury's accounts with the Central Bank of Russia, which in turn pays interest on those deposits; and/or purchase financial assets denominated in foreign currencies. The list of eligible financial asset classes is determined by Russian legislation. Ministry of Finance guidelines for Reserve Fund asset allocation are foreign (12 OECD countries) government debt instruments - 95%, international financial institutions' (a closed list of 9) debt instruments – 5%. The National Wealth Fund can be held in foreign currencies (dollars, euro, and pounds) in the Federal Treasury's accounts with the Bank of Russia, which pays interest on them according to bank account agreement. The National Wealth Fund can also be used to purchase financial assets denominated in Russian rubles and eligible foreign currencies. The Reserve Fund and National Wealth Fund are audited by the Chamber of Accounts of the Russian Federation and the results are reported to both Houses of the Federal Assembly. In 2009 and 2010, the Russian government tapped into both funds heavily to finance bail-out programs for major banks and industries during the global economic crisis.

Corporate Social Responsibility

[Return to top](#)

Over the last decade, globalization and the rapid expansion of large Russian companies' presence in international markets have led to a new approach to corporate social responsibility. While there is still little pressure from Russian consumers and shareholders for businesses to change their ways, contact with peers, investors, and customers overseas has led these companies to focus more on their reputations and those of their brands.

The Federal Service for Financial Markets has had a corporate governance code in place since 2002 and has endorsed an OECD White Paper on ways to improve practices in Russia. International business associations such as the American Chamber of Commerce in Russia, the U.S.-Russia Business Council, the Association of European Businesses in Russia, and the International Business Leaders Forum, as well as Russian business associations such as OPORA, the Russian Managers Association, the National Council on Corporate Governance, and the Russian Directors' Institute stress

corporate governance as an important priority for their members and for Russian businesses overall.

When seeking to acquire companies in Western countries or raise capital on international financial markets, Russian companies face international competition and in-depth scrutiny. Whether or not a company adheres to certain CSR standards can affect its bottom line. Consequently, most large Russian companies currently have a policy or strategy for CSR in place or are developing one. Additionally, there has been a trend toward greater transparency with regard to Russian firms' CSR policies, and many of these policies are now published on corporate Web sites and detailed in annual reports. These CSR policies and strategies, however, are still in an early stage relative to those of Western counterparts. Some corporate CSR strategies are a legacy of the social infrastructure managed by certain enterprises during the Soviet period. Even today, the Russian government remains the most powerful stakeholder in the development of certain companies' CSR agendas, resulting in the expectation that these companies support local health, educational and social welfare systems as specified by the government.

Russian business associations such as the Russian Union of Industrialists and Entrepreneurs (RSPP), Delovaya Rossiya, the Public Organization for Small and Medium Enterprises (OPORA), and the Russian Managers Association, stress CSR and promote CSR initiatives and standards for their members and for Russian businesses overall. For example, in 2004 RSPP developed the Social Charter of Russian Business. In a subsequent update, it was recognized as being in agreement with the standards set out in the UN Global Compact. Today more than 200 Russian companies and organizations have joined the Charter.

Political Violence

[Return to top](#)

Although the use of strong-arm tactics is not unknown in Russian commercial disputes, the Embassy is not aware of cases where foreign investments have been attacked or damaged for purely political reasons. Russia continues to struggle with an ongoing insurgency in Chechnya, Ingushetiya and Dagestan. These republics and neighboring regions in the northern Caucasus have a high risk of violence and kidnapping.

Corruption

[Return to top](#)

Corruption continues to grow in Russia and its pervasiveness is acknowledged regularly both by Russia's highest officials and society at large. As such, corruption remains a major problem for businesses and investors in Russia. According to Transparency International (TI), Russia scored 2.1 out of 10 this year, down from 2.2 in 2009. This year's Corruption Perceptions Index, released on October 26, ranked Russia 154th out of 178 nations surveyed, far below its 2004 ranking (90th place). In PricewaterhouseCoopers' 2009 Global Economic Crime Survey, Russia came in last place among the 54 countries surveyed, with 71% of respondents having reported experiencing incidences of fraud in the 12 months previous to the survey.

The NGO Information Science for Democracy (INDEM) continues to assert, as estimated in a 2009 report by that organization, that bribes and corruption annually cost Russia the equivalent of one-third of its GDP. In November, President Medvedev announced that Russia is losing up to a trillion rubles (approximately \$33 billion) annually due to

corruption in its state purchases system. Nevertheless, there have been few prosecutions and/or dismissals of high-level corrupt officials that would send a clear deterrent message.

The Government of Russia has repeatedly designated the fight against corruption and the enforcement of law as priorities. Russia is a signatory to the UN Convention against Corruption and to the Council of Europe's Criminal Law Convention on Corruption. Neither President Medvedev's Council for the Fight Against Corruption, which was established in the spring of 2008, nor the anti-corruption legislation of December 2008 have yet been effective in reducing corruption. Insofar as the legislation is concerned, implementing regulations have not yet been drafted. Moreover, Transparency International – Russia, a Russian affiliate of the international network, has reported that the enforcement of most anti-corruption legislation to date is weak or non-existent. Russia is developing legislative amendments that could create the conditions for Russia's future accession to OECD's Anti-Bribery Convention.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at:
<http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International

Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Russia became a signatory in 2003, and completed ratification in 2006.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>). Russia is not a party to the OAS Convention.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention

has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco). Russia is a party to the Criminal Law Convention on Corruption and GRECO; it is not a party to the Civil Law Convention.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. There is no free trade agreement between Russia and the United States. Russia is in discussions, however, with certain OECD members on developing free trade agreements. Russia in 2010 agreed to begin negotiations on such agreements with New Zealand and the European Free Trade Association.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment.

See

<http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

[Return to top](#)

Russia has concluded bilateral investment treaties (BITs) with 69 countries, and 54 of them are in force. In 2010, Russia signed a BIT with Singapore and ratified its BITs with Angola, Libya, Namibia, Nigeria, and Turkmenistan. Russia also ratified an investment treaty with EurAsEC in 2010. Additionally, in 2009 Russia signed "BITs" with the Georgian regions of Abkhazia and South Ossetia, the latter of which came into force in 2010. The United States and Russia currently have not signed a BIT, although both sides have expressed interest in discussing such an agreement. The United States and Russia do not have a bilateral taxation treaty, and there has been no discussion of negotiating one. There is some concern that taxation requirements have sometimes been used in Russia as a way to "raid" or illegally take possession of foreign companies, particularly small and medium enterprises.

OPIC

[Return to top](#)

In an agreement ratified in 1992, the U.S. Overseas Private Investment Corporation (OPIC) was authorized to provide loans, loan guarantees ("financing"), and investment insurance against political risks to U.S. companies investing in Russia. OPIC's political risk insurance and financing help U.S. companies of all sizes invest in Russia. OPIC insures against three political risks: expropriation; political violence; and currency inconvertibility. To meet the demands of larger projects in Russia and worldwide, OPIC can typically insure up to \$250 million per project. The individual per project exposure limit for financing is \$250 million. The maximum combined (insurance and financing) exposure limit to OPIC on a single project is \$400 million. OPIC has no minimum investment size requirements. OPIC also makes equity capital available for investments in Russia by guaranteeing long-term loans to private equity investment funds. Detailed information about OPIC's programs can be accessed at www.opic.gov.

Labor

[Return to top](#)

The Russian labor market remains fragmented, characterized by limited labor mobility across regions and consequent wage and employment differentials. At the beginning of 2010, after the economy started to show signs of recovery from the 2008-09 financial crisis, the unemployment rate as defined by the International Labor Organization still hovered around 9%. By October, however, unemployment had fallen to 6.8%. Traditional, seasonal fluctuations will lead to mild increases into the beginning of 2011.

Employers complain about the low quality of applicants' skills and labor shortages outside of urban centers. This is due in part to weak linkages between the education system and the labor market. In addition, the economy suffers from a general shortage of highly skilled labor. Employers in regions outside Moscow and St. Petersburg contend with a dearth of available workers. Businesses in these areas are increasing their labor costs as competition over a limited pool of workers intensifies, particularly in the agriculture sector. On the other hand, a large number of inefficient enterprises with high vacancy levels offer workers unattractive, uncompetitive salaries and benefits.

The government did not register any strikes in the first eleven months of 2010 (note: information for December was not available at the time of this report). Independent commentators, however, noted 102 protests during that period, including 44 that involved the complete or partial cessation of work. The majority of labor disputes occurred in the manufacturing sector, particularly in machine-building enterprises. Disputes were also common in the transportation and metallurgy sectors. The primary causes of labor disputes were wage arrears, layoffs, and company reorganization or closure.

Approximately 45% of Russia's workforce is unionized. The GOR generally adheres to ILO conventions protecting worker rights, though enforcement is often lacking. In 2009, the Constitutional Court annulled the Labor Code provision that required employers to consult with a union's central leadership before dismissing elected local union leaders. In 2010, the State Duma amended the Law on Professional Unions in accordance with this decision. Simultaneously, however, the Duma ratified ILO Convention No. 135, which guarantees workers' representatives protection against any act prejudicial to them, including dismissal, based on their status or activities as a workers' representative, union membership, or participation in union activities.

The 2002 Labor Code governs labor standards in Russia. When adopted, it was meant to diminish the role of the government in setting and enforcing labor standards, with trade unions playing a role in representing workers' interests. However, there are no clear enforcement mechanisms for an employer's failure to engage in good faith collective bargaining. Revisions to the Labor Code since 2002 have included new procedures for investigating industrial accidents and the requirement that businesses employing more than 50 workers must establish a work safety division and create a position for a "work safety specialist." The enforcement of worker safety rules continues to be a major issue, as enterprises are often unable or unwilling to invest in safer equipment or to enforce safety standards.

Foreign-Trade Zones/Free Ports

[Return to top](#)

To date, nineteen Special Economic Zones (SEZs) have been established pursuant to legislation passed in 2005. These SEZs fall in one of four categories: industrial and production zones (Lipetsk Region, Republic of Tatarstan, Samara, Yekaterinburg Region); technology and innovation zones (St. Petersburg, Moscow, Moscow Region, Tomsk); tourist and recreation zones (Kaliningrad Region, North Caucasus Federal District, Stavropol Region, Altai Region, Irkutsk Region, Russkiy Island, as well as in the constituent republics of Altai and Buryatia); and port zones (Ulyanovsk airport and Murmansk and Khabarovsk seaports). In December 2010, the GOR also issued a decree establishing the new "Titanium Valley" industrial SEZ located near rich titanium deposits in the Yekaterinburg Region.

Enterprises operating within SEZs enjoy a range of benefits that the Ministry of Economic Development (MED) – which manages the SEZ program – estimates can save investors up to 30%. Specifically, investors are subject to streamlined administrative requirements and procedures, a more favorable customs regime (including the waiver of import duties and refunds of the value-added-tax), and reduced tax rates on income, property, land, and transport. SEZ investors also receive cut rates on infrastructure expenses, including facilities and utilities costs.

The SEZs are developing gradually, with the majority of investments still listed as “planned.” Detailed information about the benefits and results of Russia’s SEZs can be found at the MED’s SEZ website:

<http://www.economy.gov.ru/minec/activity/sections/sez/main/>.

Independently of the SEZs, in 2010 President Medvedev launched an initiative to establish an “innovation city” in the town of Skolkovo in the Moscow suburbs to promote investment in high-technology startup businesses, research, and commercialization of technological innovation. Inspired by the model of Silicon Valley, Skolkovo is projected to be similar to an SEZ with a broad array of incentives for resident companies. Those incentives include complete exemption from profit tax, value-added tax, property taxes, and import duties, and partial exemption from social fund payments. Applicants for residency are evaluated and selected by an international admission board. At the end of September 2010, Russia enacted a set of laws to regulate Skolkovo, defining and codifying the benefits associated with it. As of December 2010, several international corporations have made public commitments to invest in Skolkovo, but no companies are yet resident there. However, the government has extended benefits temporarily to non-resident companies until at least 2014.

Foreign Direct Investment Statistics

[Return to top](#)

Table 1 shows flows of foreign investment by country for the first nine months of 2010, compared to the same period in 2009. Total foreign investment declined by 13.2% in the first nine months of 2010, compared to the same period in 2009. According to Russian statistical practice, total foreign investment numbers include direct investment (FDI), portfolio investment, and other investment (largely trade credits). This year, the largest share of foreign investment came from Germany. FDI from the Netherlands and Cyprus is consistently high because most FDI coming from these two countries is either returning or reinvested Russian capital through subsidiaries or off-shore vehicles. (Note: The data in the tables below are from the Russian State Statistical Service (RosStat) and may differ from data maintained by the Central Bank of Russia and the U.S. Department of Commerce.)

Table 1: Top Ten Investors - By Year (in USD million)

Country	Jan-Sept. 2010		Jan-Sept. 2009	
	Total	FDI	Total	FDI
Germany	7,520	1,095	5,507	1,635
Netherlands	7,507	943	8,348	1,066

Cyprus	5,635	1,912	5,231	2,092
UK	4,240	430	4,231	317
France	2,098	735	1,600	537
China	1,494	N/A	N/A	N/A
Luxembourg	1,258	N/A	8,905	N/A
Ireland	1,229	N/A	595	N/A
USA	862	222	1,279	92
Japan	818	N/A	1,641	N/A
All Others	14,827	2,136	16,272	2,884
Total	47,488	8,196	54,738	9,975

The numbers in Table 2 represent an accumulated stock of total foreign investment, which include FDI, portfolio, and “other” investment as of September 30, 2010 compared to the amount, accumulated by the same date in 2009.

Table 2: Top Investors - Accumulated Basis (in USD million)

Country	As of Sept. 30, 2010		As of Sept. 30, 2009	
	Total	FDI	Total	FDI
Cyprus	57,600	40,377	47,042	31,195
Netherlands	44,184	22,790	49,426	29,172
Luxembourg	32,228	652	37,947	1,039
Germany	22,656	8,332	19,811	7,420
UK	18,899	3,449	25,622	3,641
China	10,543	931	N/A	N/A
Ireland	9,467	477	9,240	433
Japan	8,897	816	6,989	801
France	8,211	2,874	8,516	2,066
USA	7,346	3,259	7,608	2,790
All Others	45,923	26,199	42,749	21,323
Total	265,954	110,156	262,394	104,101

Source: Federal Service for State Statistics (RosStat)

Table 3 shows total foreign investment by region over the first nine months of 2010, compared to the same period in 2009. Moscow continues to attract the largest volume of investments (33.3% of total foreign investment), mainly due to the concentration of companies' headquarters and the largest concentration of consumers with high purchasing power.

Table 3 – Foreign Investment – Top Regions (in USD million)

	Jan-Sep 2010			Jan-Sep 2009		
	Amount	%	Rank	Amount	%	Rank
Moscow (city)	15,816	33.3%	1	28,211	51.6%	1
Tatarstan	4,057	8.5%	2	1,568	2.9%	6
St. Petersburg	3,723	7.8%	3	3,044	5.6%	2
Sakhalin	3,611	7.6%	4	2,488	4.5%	4
Moscow Region	2,725	5.7%	5	2,793	5.1%	3
Chelyabinsk Region	2,472	5.2%	6	1,905	3.5%	5
Rostov Oblast	1,066	2.2%	7	530	1.0%	15
Sverdlovsk Oblast	1,049	2.2%	8	1,001	1.8%	9
Kaluga Oblast	928	2.0%	9	984	1.8%	10
Samara Region	779	1.6%	10	613	1.1%	14
Others	11,263	23.7%		11,599	21.2%	
Total	47,488	100.0%		54,738	100.0%	

Source: Federal Service for State Statistics (RosStat) (Note: Includes direct, portfolio, and other investment.)

Table 4 shows investment by sector over the first nine months of 2010, compared to the same period in 2009. Total investment in such sectors as trade, transport and communications, and real estate fell by 30%-50%, while other sectors, such as extraction of fuel, production of coke and oil products, metallurgy and chemical industry, became higher investment growth sectors in the first nine months of 2010, compared to the same period in 2009.

Table 4: Foreign Investment: Top Sectors (in USD million)

	Jan-Sep 2010		Jan-Sep 2009	
	%	Amount	%	Amount
Trade	18.3%	8,688	29.7%	16,277
Extraction of Fuel	17.1%	8,115	7.7%	4,220
Production of coke and oil products	10.5%	4,980	5.6%	3,053
Metallurgy	10.4%	4,950	5.9%	3,230
Transport and Communications	8.3%	3,952	15.6%	8,512
Real Estate and Related Services	8.1%	3,843	10.2%	5,593
Food Industry	3.9%	1,866	2.7%	1,475
Finance	3.7%	1,764	3.6%	1,971
Chemical Industry	3.5%	1,679	1.8%	989
Production of vehicles	3.3%	1,569	3.4%	1,864
All Others	12.8%	6,082	13.8%	7,554
Total	100.0%	47,488	100.0%	54,738

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Export Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

[Return to top](#)

Payment methods and terms vary depending upon the U.S. company's business model and relationship with its Russian trading partner. For new-to-market companies, requesting advance payment for goods and services from a Russian customer may be a prudent course to follow until both parties establish a positive record of payment. Once a U.S. firm has established a strong relationship with a Russian trading partner, it may consider extending short- and eventually longer term credit as a way to bolster sales volume. This should be done with caution and only after careful evaluation and establishment of successful payments.

For some large transactions, advance payment from a Russian buyer may be impractical. In such cases, financing may be provided by a bank, export credit agency or venture fund. Exporters' risk can be minimized with a bank or insurance guarantee from a Russian bank that would be acceptable to a U.S. bank. In leasing deals, exporters should insist on an upfront payment of three to four months upon delivery as a way to mitigate some of the risk.

Leasing has become increasingly attractive to both lessees and lessors because of its economic effectiveness, flexibility and accessibility in comparison to bank finance. Most large Russian banks have leasing programs that they can offer their clients in such cases, and there is a growing list of foreign leasing companies operating in Russia that can offer Russian clients leasing terms for imported equipment. Aviation, energy, mining, construction, transportation, pharmaceutical, forestry and fishing industries equipment which may be too expensive for Russian customers to purchase, are often leased.

How Does the Banking System Operate

[Return to top](#)

Despite improvement over the last several years, the Russian banking system is still evolving in terms of being able to meet the capital and credit needs of a rapidly growing and dynamic market economy. However, while the banking services available from Russian banks is still limited compared to what is available in the U.S., a company doing business in Russia can access an expanding range of basic services offered by a larger commercial bank.

The Russian banking sector is highly segmented, with the top five banks controlling 48% of assets. There are over 1000 banks in Russia; 80 are 100% foreign-owned. The

number of small banks is gradually decreasing due to insolvency and consolidation. The top two banks, Sberbank (controlled by the Central Bank) and VTB (controlled by the government), together own about one-third of the banking sector assets in Russia. The Russian government has approved a list of 11 state-controlled companies whose stakes are to be privatized in 2011-2013, which includes Sberbank and VTB. This mass privatization began with the sale of a 10% stake in VTB for \$3.3 billion in February 2011.

Foreign-Exchange Controls

[Return to top](#)

Currency control legislation has been liberalized considerably in the last few years. For payments related to the import of goods, there are no significant restrictions. However, the bank of the Russian importer is obliged to ensure compliance of payments with the currency regulations. Therefore, the Russian importer and its bank set up a “transaction passport” for each contract. The foreign exporter is not directly involved, but may be affected due to the need for the Russian importer to obtain documents and information from the exporter.

For more information, see Conversion and Transfer Policies in the Investment Climate Statement (Chapter 6).

U.S. Banks and Local Correspondent Banks

[Return to top](#)

Most foreign businesses prefer to deal with foreign-owned banks, as they are more stable, more experienced and generally offer higher levels of service. Until recently, these banks concentrated their activity in highly profitable financial markets and were not interested in commercial banking. However, demand led them to diversify their services to include foreign trade transactions and commercial banking. Many foreign banks now provide regular commercial services, including accounts, transfers, currency exchange, credit, documentary operations, letters of credit and trade financing. Some of these banks will establish individual accounts for non-residents and employees of their institutional clientele.

Unfortunately, the lack of nationwide branches makes these services largely unavailable to customers operating outside the major metropolitan centers of Moscow and St. Petersburg. U.S. banks have increased their share of the Russian banking market. Citibank has been present in the Russian market for many years, but has recently increased its presence via aggressive expansion into retail banking. GE Money Bank has also made inroads in the sector.

State-Owned Banks

Two state-controlled banks, Sberbank and Vneshtorgbank (VTB), continue to dominate the corporate and retail banking sectors in Russia. The state also controls a number of smaller banks. The Russian government has repeatedly urged Russia's state-controlled banks to modernize in order to play a more active role in the economy. These public criticisms aside, state banks have been the primary beneficiaries of the government's efforts to supply short- and long-term liquidity to the economy to mitigate the economic crisis.

Russian Private Commercial Banks

Other viable Russian banks include emerging service-oriented banks and large banks owned by financial-industrial groups. They are competitive and likely to remain customer oriented and to find creative solutions to Russia's business complexities. A potential weakness is their limited capacity to provide services comparable to those of large international banks. Furthermore, they lack nationwide coverage.

Russia's 10 largest commercial banks are:

- Sberbank
- VTB
- Gazprombank
- Rosselkhozbank
- Bank of Moscow
- Alfa-Bank
- UniCredit Bank
- ZAO Raiffeisen Bank
- VTB24
- Rosbank

Export Financing

[Return to top](#)

The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. Ex-Im Bank's mission is to assist in financing the export of U.S. goods and services to international markets.

Ex-Im Bank offers guarantees and direct loans to finance the construction and operation of projects through structured finance transactions, including limited recourse project finance in which project cash flows are used for repayment of the financing.

Since Ex-Im Bank began lending to support U.S. exports in Russia, total authorizations have been US \$5.0 billion (total exposure in Russia as of FY'10 is \$439 million). Today, Ex-Im Bank's outstanding portfolio in Russia includes transactions in such sectors as oil & gas, agriculture, transportation, and financial services. In fiscal year 2010 (from October 2009 to September 2010), Ex-Im Bank authorized approximately \$96 million worth of exports to Russia, up 35% over the same period last year.

As of fiscal year 2010, the Bank reported a second consecutive record-breaking year of \$24.5 billion in export financing, up 70% from FY 2008. These transactions supported \$34.4 billion worth of American exports and an estimated 227,000 American jobs.

For additional information on the U.S. Ex-Im Bank's financing options and its projects in Russia, please contact the Bank directly.

Brian Sant Angelo
Global Business Development
Export-Import Bank of the United States
Phone: (202) 565-3484
Fax: (202) 565-3677

The European Bank for Reconstruction and Development (EBRD), whose largest shareholder is the US Government, offers a full range of financial services to US investors in Russia. Using its AAA credit rating, the EBRD can provide debt, equity, quasi-equity, syndications, and trade finance in both local and foreign currency at competitive commercial rates and with longer tenors than is usually supplied by commercial lenders. The EBRD's lending priorities are for private sector-led investment, but sovereign lending is also a feature of the bank, particularly for water, transport and energy needs at the municipal level. For sovereign loans, the EBRD requires open, competitive tenders that can offer an opportunity to supply US goods and services."

Web Resources

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Oveseas Private Investment Corporation: <http://www.opic.gov>

U.S. Trade and Development Agency: <http://www.tda.gov>

SBA's Office of International Trade: <http://www.sba.gov/oit>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/c/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

European Bank for Reconstruction and Development:
<http://www.ebrd.com/pages/country/russia.shtml>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

Business Customs

[Return to top](#)

The Russian market is extremely competitive. Salesmanship is a key factor and U.S. firms should be prepared to describe the competitive advantages and factors that distinguish them in the marketplace.

Establishing a personal relationship with business partners is a critical factor in the successful negotiation of major projects, government procurement or in developing long-term business relationships. Scheduling meetings with potential Russian business partners can be challenging. It may take weeks to get a response to an email, fax or a telephone request for a meeting. Once contact has been established, patience may still be required to confirm a date and time to meet. U.S. business visitors to Moscow or St. Petersburg are advised to factor traffic into scheduling.

Russian language ability is a must and an interpreter should be hired if necessary. An increasing number of Russian businesspeople speak a courtesy level of English; however, many prefer to conduct business discussions in Russian. The U.S. Commercial Service can arrange for the services of qualified interpreters.

Business cards are important and are exchanged freely. Cards should have regular contact information and an email address and website if available. Most foreign businesspeople in Russia carry bilingual English/Russian business cards (one side English, the other Russian).

Promotional materials in Russian are an important tool for creating interest in a company's products in the Russian market. It is very important that the translation be accurate and of high quality. Many companies interested in the Russian market have used on-line translation services for translation of their promotional material, only to learn that the translation was inferior and did not serve the intended purpose. For the best results, it is highly recommended that professional translation services be used. The Commercial Service can recommend fully qualified translators upon request.

Travel Warnings are issued when the State Department recommends that Americans avoid a certain country, and issues travel advisories when warranted by local conditions. If you are traveling to Russia, please check travel.state.gov before your departure for updated information, and be sure to register your travel through the State Department at <https://travelregistration.state.gov/ibrs/ui/>.

At this writing, the Department of State's Consular Information Sheet for Russia contains the following information on Safety and Security for U.S. citizens in the Russian Federation:

"Given continued civil and political unrest throughout much of the Caucasus region, the Department of State continues to warn U.S. citizens against travel to Chechnya and all areas that border it: North Ossetia, Ingushetia, Dagestan, Stavropol, Karachayevo-Cherkessiya, and Kabardino-Balkariya. The U.S. government's ability to assist Americans who travel to the northern Caucasus is extremely limited. Throughout the region, local criminal gangs have kidnapped foreigners, including Americans, for ransom. U.S. citizens have disappeared in Chechnya and remain missing. Close contacts with the local population do not guarantee safety. There have been several kidnappings of foreigners and Russians working for media and non-governmental organizations in the region. Because of ongoing security concerns, U.S. government travel to the area is very limited. American citizens residing in these areas should depart immediately as the safety of Americans and other foreigners cannot be effectively guaranteed.

Occasional acts of terrorism, including bombings and hostage taking, have occurred in Russia over the last several years. Bombings have occurred at Russian government buildings, hotels, tourist sites, markets, entertainment venues, schools, residential complexes, and on public transportation including an airport, subways, buses, trains, and scheduled commercial flights.

There is no current indication that American institutions or citizens are targets, but there is a general risk of American citizens being victims of indiscriminate terrorist attacks. American citizens in Russia should be aware of their personal surroundings and follow good security practices. Americans are urged to remain vigilant and exercise good judgment and discretion when using any form of public transportation. When traveling, Americans may wish to provide a friend, family member, or coworker a copy of their itinerary. Americans should avoid large crowds and public gatherings that lack enhanced security measures. Travelers should also exercise a high degree of caution and remain alert when patronizing restaurants, casinos, nightclubs, bars, theaters, etc., especially during peak hours of business.

American citizens living in Russia or traveling there for even a few days are strongly urged to register with the U.S. Embassy or nearest Consulate General. Registration will allow the embassy to provide direct information on the security situation as necessary. Registration can be done on-line (<https://travelregistration.state.gov/ibrs/ui/>) and can be done in advance of travel.

For the latest security information, Americans traveling abroad should regularly monitor the Department of State, Bureau of Consular Affairs' website at <http://travel.state.gov>,

where the current Travel Warnings and Travel Alerts, as well as the Worldwide Caution, can be found.

Up-to-date information on safety and security can also be obtained by calling 1-888-407-4747 toll free in the U.S. and Canada, or for callers outside the United States and Canada, a regular toll-line at 1-202-501-4444. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays).

The Department of State urges American citizens to take responsibility for their own personal security while traveling overseas. For general information about appropriate measures travelers can take to protect themselves in an overseas environment, see the Department of State's pamphlet *A Safe Trip Abroad*."

This information is updated regularly. Always check <http://travel.state.gov> prior to travel.

Travel Tips

Hotels: While world-class tourist and business facilities exist in Moscow and St. Petersburg, they are under-developed in much of Russia, and many goods and services taken for granted in other countries are not yet available. Moscow, St. Petersburg, Novgorod, Nizhniy Novgorod, Nizhnevartovsk, Perm, Samara, Yekaterinburg, Perm, Sochi, Yuzhno Sakhalinsk and Vladivostok, among other cities, have Western-style hotels, though often priced at a premium compared with other major cities of the world. Outside major cities, traditional Russian hotels offer modest accommodations at modest rates. Some regional hotels raise rates for foreign guests. It is possible to find well-appointed hotels in some small towns; it is equally possible to be temporarily without water or electricity when visiting some regions of Russia.

Clothing: Russian businessmen and women predominately wear business suits. For women, dresses, skirts or pants are acceptable. Winters can be extremely cold in Russia with occasional temperatures in the minus-20 Fahrenheit range in northern and Siberian cities; Moscow and St. Petersburg can be quite cold as well, with temperatures in the teens F. not uncommon. Winter clothes may be needed as early as October or as late as April. During the winter months people dress for warmth. Travelers are advised to bring boots or other protective footwear, as streets and sidewalks in winter are frequently slushy or icy. Summers, while brief, can be surprisingly hot, and air conditioning is still rare outside big-city hotels and offices.

Food: A meal in a hotel or top restaurant in Moscow and St. Petersburg can be very expensive by U.S. standards. Nevertheless, in these cities there is an increasing variety of less expensive restaurants, including pizza, and fast food establishments. Russian food can be bland to American tastes, while many visitors find Caucasian, Georgian and Uzbek cuisines to be interesting contrasts. Regardless of the city or hotel, bottled water served with no ice is recommended.

Money: Russia is a predominately cash economy with the Russian ruble as the only legal tender for local transactions. It is illegal to pay for goods and services in U.S. dollars or other foreign currency. Old, worn, or marked bills are often not accepted at banks and exchanges. In Moscow and St. Petersburg, currency exchange offices are available in most shopping areas and provide reliable service. Credit cards are now accepted at many modern businesses in Moscow and St. Petersburg, and at some

hotels and restaurants in larger regional cities, but frequently only in major stores. Traveler checks are not widely accepted in Russia. Travelers to regional cities or towns are advised to carry enough cash to cover foreseeable expenses. Major hotels and the American Express offices in Moscow and St. Petersburg may be able to suggest locations for cashing traveler's checks or obtaining cash advances on credit cards. Rubles (and dollars, if needed) may be obtained from bank ATMs that are connected to the PLUS and CIRRUS systems using U.S. debit/credit cards. It is not recommended to use credit/debit cards for small purchases or in standalone ATMs (those not physically located at a bank). ATMs are common in the larger cities, although there have been some instances of theft from card numbers used in these systems. Western Union has many agents in Moscow, and other cities in Russia, which disburse money wired from the United States.

Mail Services: The following companies, with offices in Moscow, offer priority mail services between the United States and Russia:

- DHL
- Federal Express
- Pony Express
- TNT
- UPS

Personal Security

Incidents of unprovoked, violent harassment against racial and ethnic minorities regularly occur throughout the Russian Federation. The U.S. Embassy and Consulates General continue to receive reports of American citizens, often members of minority groups, having been victimized in violent attacks by "skinheads" or other extremists. Travelers are urged to exercise caution in areas frequented by such individuals and wherever large crowds have gathered. Americans most at risk are those of African, South Asian or East Asian descent, or those who, because of their complexion, are perceived to be from the Caucasus region or the Middle East. These Americans are also at risk of harassment by police authorities.

Visitors to Russia need to be alert to their surroundings. In large cities, they need to take the same precautions against assault, robbery, or pickpockets that they would take in any large U.S. city:

- keep billfolds in inner front pockets,
- carry purses tucked securely under arms,
- wear the shoulder strap of cameras or bags across the chest,
- walk away from the curb and carry purses and other bags away from the street.

The most vulnerable areas include underground walkways and the subway, overnight trains, train stations, airports, markets, tourist attractions, and restaurants.

Groups of children and adolescents have been aggressive in some cities, swarming victims, or assaulting and knocking them down. They frequently target persons who are perceived as vulnerable, especially elderly tourists or persons traveling alone. Some victims report that the attackers use knives. Persons carrying valuables in backpacks, in

back pockets of pants and in coat pockets are especially vulnerable to pickpockets. Recently, groups of older teen males have also swarmed Metro passengers and forcibly stolen personal belongings.

Foreigners who have been drinking alcohol are especially vulnerable to assault and robbery in or around nightclubs or bars, or on their way home. Some travelers have been drugged at bars, while others have taken strangers back to their lodgings, where they were drugged, robbed and/or assaulted. The Russian media report that the drug GHB is reportedly gaining popularity in local nightclubs, under the names butyrate or oxybutyrate. This drug can also cause amnesia, loss of consciousness, extreme intoxication when mixed with alcohol, and death. The drug, typically a capful of liquid mixed with a beverage, gained notoriety in the United States after incidents of date rape and death.

In many cases, stolen credit cards are used immediately. Victims of credit card or ATM card theft should report the theft to the credit card company or issuing bank immediately. Travelers are advised to be vigilant in bus and train stations and on public transport. Travelers have generally found it safer to travel in groups organized by reputable tour agencies. Visitors are strongly discouraged from using unmarked, "gypsy" taxis. Passengers have been victims of robbery, kidnapping, extortion and theft. Criminals using these taxis to rob passengers often wait outside bars or restaurants to find passengers who have been drinking and therefore more susceptible to robbery. Robberies may also occur in taxis shared with strangers. Although there are few registered taxi services in Russia, travelers should always use authorized services when arriving at major airports.

A common street scam in Russia is the "turkey drop" in which an individual "accidentally" drops money on the ground in front of an intended victim, while an accomplice either waits for the money to be picked up, or picks up the money him/herself and offers to split it with the pedestrian. The individual who dropped the currency then returns, aggressively accusing both of stealing the money. This confrontation generally results in the pedestrian's money being stolen. Avoidance is the best defense. Do not get trapped into picking up the money, and walk quickly away from the scene.

To avoid highway crime, travelers should try not to drive at night, especially when alone, or sleep in vehicles along the road. Travelers should, under no circumstances, pick up hitchhikers; they not only pose a threat to physical safety, but also put the driver in danger of being arrested for unwittingly transporting narcotics.

Extortion and corruption are common in the business environment. Threats of violence and acts of violence are commonly resorted to in business disputes. Organized criminal groups and sometimes local police target foreign businesses in many cities and have been known to demand protection money. Many Western firms hire security services that have improved their overall security, although this is no guarantee. Small businesses are particularly vulnerable. American citizens are encouraged to report all extortion attempts to the Russian authorities and to inform consular officials at the U.S. Embassy or nearest Consulate General.

Travelers should be aware that certain activities that would be normal business activities in the United States and other countries are either illegal under the Russian legal code or are considered suspect by the Federal Security Service (FSB). U.S. citizens should

be particularly aware of potential risks involved in any commercial activity with the Russian military-industrial complex, including research institutes, design bureaus, production facilities or other high technology, government-related institutions. Any misunderstanding or dispute in such transactions can attract the involvement of the security services and lead to investigation or prosecution for espionage. Rules governing the treatment of information remain poorly defined.

It is not uncommon for foreigners in general to become victims of harassment, mistreatment and extortion by law enforcement and other officials. Police do not need to show probable cause in order to stop, question or detain individuals. If stopped, travelers should try to obtain, if safe to do so, the officer's name, badge number, and patrol car number, and note where the stop happened, as this information assists local officials in identifying the perpetrators in cases where the incident is not for legitimate purposes. Authorities are concerned about these incidents and have cooperated in investigating such cases. Travelers should report crimes to the U.S. Embassy or the nearest Consulate General.

Consular Services: All Americans who travel to Russia are encouraged to register at the U.S. Embassy or at one of the U.S. Consulates, listed below. In addition to providing updated travel and security information, registration facilitates replacement of a lost or stolen passport as well as contact in case of emergency.

U.S. Embassy - Moscow

John Beyrle, Ambassador
8 Bolshoy Deviatinsky Pereulok, Moscow 121099
American Citizen Services, Consular Section
21 Novinskiy Blvd, Moscow 123242
Tel: 7 (495) 728-5577, Fax: 7 (495) 728-5084
After-hours (emergencies): Tel: 7 (495) 728-5025/728-5000

U.S. Consulate General - St. Petersburg

Consul General Sheila S. Gwaltney
15 Furshtadskaya Street, St.Petersburg 191028
Tel: 7 (812) 331-2600, Fax: 7 (812) 331-2852
After-hours emergencies: Tel: 7 (812) 271-6455 or 939-5794

U.S. Consulate General - Vladivostok

Consul General Sylvia Curran
32 Pushkinskaya Street, Vladivostok 690001
Tel: 7 (4232) 300-070, Fax: 7 (4232) 499-371/2
(4232) 300-091 (visa section)
After-hours emergencies: Tel: 7 (4232) 710-067

U.S. Consulate General – Yekaterinburg

Consul General Mike Reinert
15 Gogol Street, 4th Floor, Yekaterinburg 620151
Tel: 7 (343) 379-3001/379-4619/91, Fax: 7 (343) 379-4515

The Russian government requires visas and residence permits for businessmen and investors. Work and residence permits must be renewed periodically -- a cumbersome process. Russia's visa system for residence and work permits is very complicated, and potential investors would be well-advised to consult the State Department and U.S. Embassy websites for the latest information on Russian visas: <http://moscow.usembassy.gov/russian-visas.html> and http://travel.state.gov/travel/cis_pa_tw/cis/cis_1006.html. In some sectors, requirements that a certain percentage of staff be Russian citizens may have a negative impact on foreign investors.

ENTRY/EXIT REQUIREMENTS: The Russian government maintains a restrictive and complicated visa regime for foreigners who visit, transit, or reside in the Russian Federation. A U.S. citizen who does not comply with Russian visa laws can be subject to arrest, fines, and/or deportation. Russian authorities will not allow a U.S. citizen traveler with an expired visa to depart the country, effectively stranding the person for up to 20 days, until local authorities grant an exit visa.

The Government of Russia does not consistently recognize the standing of the U.S. diplomatic mission to intervene in visa matters, including situations in which an American is stranded because of an expired visa. U.S. citizens should also be aware that Russian immigration and visa laws change regularly, and the implementation of new regulations has not always been transparent or predictable; it is recommended that Americans consult with the U.S. Embassy and, possibly, an immigration specialist for assistance in more complex residency and work-related issues.

The Russian visa system includes a number of provisions that may be unfamiliar to Americans, including:

- [Sponsorship](#)
- [Entry Visas](#)
- [Limitations on Length of Stay](#)
- [Exit Visas](#)
- [Migration Cards](#)
- [Visa Registration](#)
- [Transit Visas](#)
- [Work Visas](#)
- [Restricted Areas](#)

[Dual citizens](#) who also carry Russian passports face additional complicated regulations.

Sponsorship: Under Russian law, every foreign traveler must have a Russian-based sponsor, which could be a hotel, tour company, relative, employer, university, etc. Even if a visa was obtained through a travel agency in the United States, there is always a Russian legal entity whose name is indicated on the visa and who is considered to be the legal sponsor. Russian law requires that the sponsor must apply on the traveler's behalf for replacement, extension, or changes to a Russian visa. U.S. citizens are strongly advised to ensure that the sponsor listed on their visa is a known, legal entity, and that the traveler holds contact information for the visa sponsor prior to arrival in

Russia, as the sponsor's assistance will be essential to resolve any visa problems or assist in cases of emergency.

Entry Visas: To enter Russia for any purpose, a U.S. citizen must possess a valid U.S. passport and a visa issued by a Russian Embassy or Consulate. It is impossible to obtain an entry visa upon arrival, so travelers must apply for their visas well in advance. U.S. citizens who apply for Russian visas in third countries (e.g., countries bordering the Russian Federation) where they do not have residence, may face considerable delays in visa processing. Travelers who arrive in Russia without an entry visa will not be permitted to enter the country, and face immediate return to the point of embarkation at their own expense.

Russian tourist visas are often granted only for the specific dates mentioned in the invitation letter provided by the sponsor. U.S. citizens sometimes receive visas valid for periods as short as 24 hours. Even if the visa is misdated through error of a Russian Embassy or Consulate, the traveler will still not be allowed into Russia before the visa start date or be allowed to leave after the visa expiration date. Any mistakes in visa dates must be corrected before the traveler enters Russia. It is helpful to have someone who reads Russian check the visa before departing the United States. Travelers should ensure that their visas reflect intended activities in Russia (e.g., tourism, study, business, etc.). Travelers are advised to request visas for a period of five days before and after the anticipated stay, if possible, in order to manage unanticipated changes of travel plans.

U.S. citizens who are denied visas may seek a clarification from the Ministry of Foreign Affairs, 32/34 Smolenskaya-Sennaya Pl., Moscow, Russia, 119200, e-mail ministry@mid.ru.

Limitations on Length of Stay: Unless a visa specifically authorizes employment or study, a foreigner may stay in Russia only 90 days in any 180-day period. This applies to business, tourist, humanitarian and cultural visas, among other categories.

Exit Visas: A valid visa is necessary to depart Russia. Travelers who overstay their visa's validity, even for one day, will be prevented from leaving until their visa is extended (usually at the airport). If a visa has expired more than three days prior to departure, Russian authorities may take up to 20 calendar days to authorize an exit visa, during which time the traveler will be stranded in Russia at his or her own expense. The ability of the Embassy or Consulates General to intervene in these situations is limited.

Russian law prohibits licensed lodging establishments in Russia from housing foreign travelers with expired visas. There are few adequate public shelters or safe havens in Russia, and neither the U.S. Embassy nor the Consulates General have means to accommodate such stranded travelers.

Visitors who lose their U.S. passports and Russian visas to accident or theft must immediately replace their passports at the U.S. Embassy or one of the Consulates General. The traveler must then enlist the visa sponsor to obtain a new visa in order to depart the country. It is helpful to make a photocopy of your visa in the event of loss, but a copy is not sufficient to permit departure.

Visas for students and English teachers sometimes allow only one entry. In these cases, the sponsoring school is responsible for registering the visa and migration card and obtaining an exit visa. Obtaining an exit visa can take up to twenty days so students and teachers need to plan accordingly. Please see the section below regarding Teaching in Russia.

Migration Cards: All foreigners entering Russia must fill out a two-part migration card upon arrival. The traveler deposits one part of the card with immigration authorities at the port of entry, and keeps the other part for the duration of his or her stay. Upon departure, the traveler must submit his or her card to immigration authorities. Foreign visitors to Russia are normally required to present their migration cards in order to register at hotels.

Migration cards, in theory, are available at all ports of entry from Russian immigration officials (Border Guards). The cards are generally distributed to passengers on incoming flights and left in literature racks at arrival points. Officials at borders and airports usually do not point out these cards to travelers; it is up to the individual travelers to find them and fill them out.

Replacing a lost or stolen migration card is extremely difficult. While authorities will not prevent foreigners from leaving the country if they cannot present their migration cards, travelers could experience problems when trying to re-enter Russia at a future date.

Although Russia and Belarus use the same migration card, travelers should be aware that each country maintains its own visa regime. U.S. citizens wishing to travel to both nations must apply for two separate visas. A traveler entering Russia directly from Belarus is not required to obtain a new migration card, but at his or her option may do so if blank ones are available at the time of entry.

Visa Registration: Travelers must register their visa and migration card through their sponsor, in any location in Russian at which they spend more than three days. If a traveler chooses not to register a stay of less than three days, he or she is advised to keep copies of tickets, hotel bills, or itineraries in order to prove compliance with the law.

U.S. citizens should be aware that Russian police officers have the authority to stop people and request their identity and travel documents at any time, and without cause. Due to the possibility of random document checks by police, travelers should carry their original passports, migration cards, and visas with them at all times.

Transit Visas: Travelers intending to transit through Russia en route to a third country must have a Russian transit visa. Even travelers who are simply changing planes in Moscow or another international airport in Russia for an onward destination will be asked to present a transit visa issued by a Russian Embassy or Consulate. Russian authorities may refuse to allow a U.S. citizen who does not have a transit visa to continue with his or her travel, obliging the person to immediately return to the point of embarkation at the traveler's own expense.

Work Visas: There are quotas on invitations to foreigners to enter Russia in order to work. These quotas are established by territorial agencies in the regions and are approved annually by the Russian Government. According to the law, quotas take into account the demographic situation in the relevant region of Russia and its ability to

accommodate foreign nationals. This is theoretically based on the principle that priority should be given to the use of domestic labor. The prospective employer must initiate the application process for this type of visa at Pasportny Stol/PVU. Prospective employers who hire foreigners must also receive permission from the local branch of the Ministry of Interior's Federal Migration Service. The Federal Migration Service then issues the foreigner a document confirming his legal employment. Please note that Russian authorities may require tests for drugs and infectious diseases for holders of work visas.

There are a few categories of foreigners who can be employed without such a permit: those who have a Russian residency permit or permanent registration with police; church employees; technical experts who come for a short period to assemble imported equipment; and those who come for educational activities

Restricted Areas: U.S. citizens should be aware that there are several closed cities and regions in Russia. Travelers who attempt to enter these areas without prior authorization are subject to arrest, fines, and/or deportation. A traveler must list on the visa application all areas to be visited and subsequently register with authorities upon arrival at each destination. Travelers should check with their sponsor, hotel, or the nearest office of the Russian Federal Migration Service before traveling to unfamiliar cities and towns.

American Citizens Also Holding Russian Passports: Dual U.S./Russian nationals who enter Russia on Russian passports face several possible difficulties. Russian authorities will not permit departure from Russia if the person's Russian passport has expired or has been lost, whether or not the traveler also has a valid U.S. passport. In these cases the traveler will be required to obtain a new Russian passport, a process that can take several. In order to apply for a Russian visa in a U.S. passport, however, Russian consular officials require a person to renounce his or her Russian citizenship.

Russian external passports extended by Russian Consulates or Embassies overseas are not considered valid for departure from Russia no matter how long the extension. Bearers of such passports will have to apply for a new passport inside the country. Males of conscript age (18 - 27 years old) who are deemed to be Russian citizens may experience problems if they have not satisfied their military service requirement.

For further information, please see the Department of State's webpage on [dual nationality](#).

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov>

U.S. Embassy Moscow website: <http://moscow.usembassy.gov/visas.html>

For visitors to Russia, it is mandatory to carry your passport and visa with you at all times. Random document checks by police on foreigners are frequent. Failure to present proper documentation can lead to detention and/or fines.

Below is contact information for the Russian Embassy and Consulates in the U.S.

Russian Embassy and Consulate in Washington, D.C.

Tel: (202) 939-8902/07/13/18

Fax: (202) 483-7579

Russian Consulate in New York City

Tel: (212) 348-0926/55

Fax: (212) 831-9162

Russian Consulate in San Francisco

Tel: (415) 928-6878, 202-9800/01

(415) 929-0862 (visas)

Fax: (415) 929-0306

Russian Consulate in Seattle

Tel: (216) 728-1910

Fax: (216) 728-1871

Russian Consulate in Houston

Tel: (713) 337-3300

Fax: (713) 337-3305

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

Telecommunications

[Return to top](#)

Internet Accessibility: The level of penetration and Internet awareness continues to increase in Russia. Recent figures show that about 43.6% of the Russian population uses the Internet on a regular basis and this figure is expected to grow to 52% by the end of 2011. The largest players in Russian language e-mail services and search engines are Mail.ru, Rambler and Yandex. Internet is widely available in the major cities.

Wi-Fi is increasingly available in Russia. Currently, there are about 3,500 hot spots active in Russia that are primarily located in Moscow, St. Petersburg and other large cities. Launching WIMAX services combined with Wi-Fi will be the driver for further proliferation of wireless Internet access.

Mobile Technology: Mobile services are provided in the GSM, CDMA-450, AMPS and DAMPS standards. GSM dominates the market, with 3G gaining some share. The major cellular operators in the market are Mobile TeleSystems (MTS), Vimpelcom and Megafon.

Long distance telephone calls can usually be made from any place in the city using IP phone cards or SKYPE, if you have an available Internet connection. Check with your provider to make sure coverage is available. With a pre-paid, locally purchased phone

card, you can also make calls from phone kiosks located near metro and train stations, tourist attractions and in downtown areas.

A rudimentary knowledge of Russian is extremely helpful for those placing a call through local telephone and telegraph offices. Moscow is eight hours ahead of Washington, D.C. To reach Moscow by phone from the United States you need to access an international line, and then dial Russia Country Code "7," Moscow City Code "495" followed by the phone number. Some new numbers use "499" for Moscow, and calling cell phones in Russia often require a different dialing string.

Transportation

[Return to top](#)

The U.S. Federal Aviation Administration (FAA) has assessed the Russia government as being in compliance with the ICAO international aviation safety standards for oversight of Russia air carriers operations. See <http://www.faa.gov/about/initiatives/iasa/> for more information.

Travelers should be aware some local airlines do not have advance reservation systems but sell tickets for cash at the airport. Flights often are canceled if more than 30% of the seats remain unsold. Travelers should have their passport with them at all times. Air travel within western Russia is occasionally erratic but generally stays on schedule; the quality of service continues to improve. Flights within the Russian Far East are often delayed or cancelled in winter months due to snow or fog. International Russian carriers such as Aeroflot and Transaero usually use western equipment and meet higher standards than domestic carriers.

Moscow has three major airports (Sheremetyevo, Domodedovo and Vnukovo); a fourth airport, Bykovo, deals primarily with cargo and emergency flights. International flights generally enter Moscow through Sheremetyevo and Domodedovo. Most international flights arrive in Sheremetyevo-2 (renamed SVO-F in December 2009) while Sheremetyevo-1 (renamed SVO-B in March 2010) handles most domestic traffic. With the opening of terminal C (SVO-C) in March 2007 and the opening of terminal D (SVO-D) in November 2009, some international and domestic travel has been diverted to these facilities. Terminal E (SVO-E) was completed in April 2010 and also receives international flights. In July 2010, terminals F, D, and E were connected to allow for more convenient passenger movements throughout the terminals.

Travelers may continue to other Russian cities from Sheremetyevo, Vnukovo or Domodedovo airports. However, travel time between airports or to the city center can take as much as three hours, and ample time must be allowed for passport control, customs clearance and baggage retrieval. St. Petersburg's airport has two terminals: Pulkovo-1 (domestic flights) and Pulkovo-2 (international flights).

Train travel in Russia is generally reliable and convenient as stations are located in the city center. From St. Petersburg to Moscow, travelers often ride overnight trains, although unaccompanied passengers are reminded to keep an eye on their valuables and lock their doors at night (if in a sleeping compartment), as some incidents of pick-pocketing have been reported. Inclement weather, erratic maintenance and a culture of aggressive driving make road conditions throughout Russia highly variable. Drivers and pedestrians should exercise extreme caution to avoid accidents. Traffic police

sometimes stop motorists to levy cash "fines," and criminals occasionally prey on travelers, especially in isolated areas.

In Moscow and St. Petersburg, the metro (subway) can be an efficient and inexpensive means of transportation. However, for non-Russian speakers, it can be difficult unless prepared in advance. Be sure to carry a metro map with you and learning Cyrillic alphabet is helpful. Marked taxis are increasingly present in Moscow and St. Petersburg. Short-term business travelers may wish to consider renting a car and driver for extensive excursions, or hire taxis through their hotels for shorter jaunts. Car rentals are another option that has opened up in the last couple of years, although driving in Russia can be difficult for the uninitiated.

Language

[Return to top](#)

Though many better-educated Russians in major cities speak English, you should be prepared to conduct business in Russian. Many first-time visitors are surprised by how difficult it can be to find anyone who speaks English. U.S. businesses should hire a reputable interpreter when conducting important negotiations. Not having product literature in Russian will put your company at a disadvantage relative to your European and Asian competitors, not to mention local firms.

Health

[Return to top](#)

As in many countries of the world, travelers should drink only boiled or bottled water, with the possible exception of Moscow. Medical care is usually below western standards, with occasional shortages of basic medical supplies. In Moscow and St. Petersburg, there are now a number of Western managed medical and dental clinics that provide adequate ambulatory care. Such facilities usually require cash payment at Western rates upon admission. The U.S. Embassy and Consulates maintain lists of such facilities and of English speaking doctors (<http://moscow.usembassy.gov/medical.html>). For serious medical conditions, it may be necessary to travel to western Europe or return to the U.S., and this can be very expensive if undertaken under emergency conditions. The cost of a medical evacuation (in an air ambulance) from some Russian regions exceeds \$100,000. The Embassy strongly urges all travelers who visit Russia to purchase traveler's medical insurance, which includes coverage for a medical evacuation. Elderly travelers and those with pre-existing health problems may be at particular risk. Further information on health matters can be obtained from the Centers for Disease Control and Prevention's international traveler's hotline at 1-877-394-8747, or via the CDC home page at <http://www.cdc.gov>.

Local Time, Business Hours, and Holidays

[Return to top](#)

There are 9 time zones across Russia. Moscow is eight hours ahead of Eastern Standard/Daylight Time. Russian changes relative to daylight savings time are made on the last Sundays of March and October, at 2 am. In February 2011, President Medvedev announced the abolition of daylight saving time starting autumn 2011. Most companies and offices maintain business hours of 9:00 a.m. - 6:00 p.m. Many shopping centers and supermarkets are open from 10:00 a.m. - 8:00 p.m. Increasingly, major supermarket chains are open 24 hours, 7 days per week.

Russian Holidays: The holidays listed on the U.S. Embassy's website are not an exclusive list. Occasionally days off will be declared by the government to create a long weekend, particularly at Christmas (when holidays fall on weekends, Russian authorities generally announce during the week prior to the holiday whether it will be celebrated on the previous Friday or the following Monday). Travelers should be aware that little business is done from mid-December through mid-January. The country essentially shuts down for business from New Years to Russian Orthodox Christmas (January 7). Government offices, most businesses and even much of the press close during this period. The period from May 1 through May 9 is similar.

U.S. Embassy Official Holidays for 2011:

<http://moscow.usembassy.gov/holidays.html>

Temporary Entry of Materials and Personal Belongings

[Return to top](#)

Russian customs procedures include entry and exit declaration forms. Foreigners are allowed to export up to \$3,000 without providing a customs declaration or proof of how the money was obtained. Foreigners may also export up to \$10,000 by simply filling out a customs declaration upon exit. More than \$10,000 can be exported upon proof that it was imported into Russia legally (a stamped customs declaration or proof of a legal bank or wire transfer must be presented to export currency). Failure to follow these procedures can and does result in delays, detentions, confiscation of the currency, and even imprisonment. Lost or stolen customs forms should be reported to the Russian police, and a police report (spravka) should be obtained to present to customs officials upon departure. Often, however, the traveler will find that the lost customs declaration cannot be replaced.

Generally speaking, you should obtain a receipt for all items of value – including caviar – purchased in Russia. Furthermore, old artifacts and antiques must have a certificate indicating that they have no historical value. For further information, call Russian Customs at 7 (495) 265-6628 or 208-2808. Additional information can also be found at www.customs.ru.

Export duties may be imposed on any items that are determined by customs officials at the point of departure to be of commercial use. Items which may appear to have historical or cultural value -- icons, rugs, art, antiques, etc. -- may be taken out of Russia only with prior written approval of the Ministry of Culture and payment of a 100% duty. Occasionally, dealers of quality items may be able to arrange this approval at considerably less cost. Certain items, such as caviar, medications, jewelry, precious/semi-precious stones or metals, and fuel may be exported duty-free in limited amounts only.

Computers, electronic notebooks and related hardware must be presented to customs officials at the airport for scanning at least two hours prior to departure. The Embassy understands that customs officials may require "information storage devices" to be submitted 24 hours before departure. The law is often neglected but can be enforced on a case-by-case basis. Failure to follow the customs regulations may result in penalties ranging from confiscation of the property in question and/or imposition of fines or arrest.

To prevent possible difficulties in taking currency and valuables back out of Russia, travelers are highly advised to ensure that their passenger declaration form is completed

and is stamped by customs officials at the point of entry. This customs declaration should be kept and made available when exiting Russia.

Web Resources

[Return to top](#)

U.S. Department of State Website: <http://www.travel.state.gov>

Centers for Disease Control and Prevention: <http://www.cdc.gov>

U.S. Embassy Moscow Website: <http://moscow.usembassy.gov>

U.S. Federal Aviation Administration (FAA)

<http://www.faa.gov/about/initiatives/iasa>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 9: Contacts, Market Research and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

Contacts

[Return to top](#)

RUSSIAN GOVERNMENT OFFICES

Ministry of Economic Development

Ms. Elvira Nabiullina, Minister

1/3, 1st Tverskaya-Yamskaya Street, Moscow 125993

Tel: 7 (495) 694-0353; 950-9263 (The Americas Dept.), Fax: 7 (499) 251-6965

<http://www.economy.gov.ru>

Ministry of Finance

Mr. Aleksey Kudrin, Minister

9 Ilyinka Street, Entrance 1, Moscow 103097

Tel: 7 (495) 987-9101/-9130/-9140/-9868; Fax: 7(495) 625-0889

<http://www.minfin.ru>

Ministry of Industry and Trade

Mr. Viktor Khristenko, Minister

7 Kitaigorodskiy Proyezd, Moscow 109074

Tel: 7 (495) 710-4888; Fax: 7 (495) 710-5150 (International Dept.)

<http://www.minprom.gov.ru>

Ministry of Energy

Mr. Sergey Shmatko, Minister

42 Shchepkina Street, GSP-6, Moscow 107996

Tel: 7 (495) 631-98-58; Fax: 7 (495) 631-8364

<http://minenergo.com>

Ministry of Information and Mass Communications

Mr. Igor Shegolev, Minister

7 Tverskaya Street, Moscow 125375

Tel: 7 (495) 771-8100; Fax: 7 (495) 771-8710

<http://english.minsvyaz.ru/enter.shtml>

Ministry of Transportation

Mr. Igor Levitin, Minister

1/1 Rozhdestvenka Street, Moscow 109012

Tel: 7 (495) 626-1000, Fax: 7 (495) 626-9128, 626-9038

<http://www.mintrans.ru>

Ministry of Health and Social Development

Ms. Tatyana Golikova, Minister
3 Rakhmanovsky Per., GSP-4, Moscow 127994
Tel.: 7 (495) 628-4453, Fax: 7 (495) 627-2944
<http://www.minzdravsoc.ru>

Ministry of Agriculture

Ms. Yelena Skrynnik
1/11 Orlikov Pereulok, Moscow 107139
Tel: 7 (495) 607-8000; Fax: 7 (495) 607-8362
<http://www.mcx.ru>

Ministry of the Interior

Mr. Rashid Nurgaliyev
Economic Security Department
16, Zhitnaya St., Moscow 119049
Tel: 7 (495) 667 2221
<http://eng.mvdrrf.ru>

Ministry of Regional Development

Mr. Viktor Basargin
Sadovaya-Samotechnaya St., 10/23, bldg. 1, Moscow 127994
Tel: (495) 980-25-47; Fax: (495) 699-38-41
<http://www.minregion.ru>

Federal Customs Service

Mr. Andrey Belyaninov
11/5, Novozavodskaya St., 121087 Moscow
Tel: 7 (495) 449 7252
<http://www.customs.ru/en>

Federal State Statistics Service (Goskomstat)

Mr. Alexander Surinov
39 Myasnitskaya St., Moscow 107450
Tel: 7 (495) 607 4902; Fax: 7 (495) 607 4087
<http://www.gks.ru/wps/wcm/connect/rosstat/rosstatsite.eng/>

Russian Agency for Patents and Trademarks (Rospatent)

Dr. Boris Simonov, Director General
30-1 Berezhkovskaya Nab., G-59, GSP-5, Moscow 123995
Tel. 7 (495) 240-6138, 240-6015; Fax: 7 (495) 243-3337
<http://www.fips.ru/rospatent/index.htm>

Central Bank of Russia

Mr. Sergey Ignatyev, Chairman
Sergey Tatarinov, Head of External and Public Relations
12 Neglinnaya Street, Moscow 107016
Tel: 7 (495) 771-9100; Fax: 7(495) 621-6465
<http://www.cbr.ru/>

SELECTED REGIONAL GOVERNMENTS

Moscow City Administration

Sergey Sobyenin, Mayor of the City of Moscow
13 Tverskaya Street, Moscow 125032
Tel/Fax: 7 (495) 692-1637
<http://www.mos.ru>

St. Petersburg City Administration

Valentina Matvienko, Governor of St. Petersburg
Aleksander Prokhorenko, Chairman
Committee for External Relations
Smolny, St. Petersburg 191060
Tel: 7 (812) 576-7113; Fax: 7(812) 576-7633
<http://www.kvs.spb.ru/?lang=eng>
<http://eng.gov.spb.ru>

Vladivostok City Administration

Igor Pushkaryov, Mayor of Vladivostok
Okeanskiy prospect, Vladivostok 690950
Tel: 7 (4232) 614-223
<http://www.vlc.ru>

Chukotsky Autonomous Okrug Government

Roman Kopin, Governor
20 Bering Street, Anadyr 689000
Tel: 7 (42722) 290 86, Fax: 7 (42722) 290 87
<http://www.chukotka.org/en/main>

Kamchatka Oblast Territorial Administration

Aleksey Kuzmitskiy, Governor
1 Lenin Square, Petropavlovsk Kamchatsky 683040
Tel: 7 (4152) 412 096; Fax: 7 (4152) 423 503
<http://www.kamchatka.gov.ru/en/>

Natalia Labkovskaya, Director
Department of Foreign Economic Relations and Protocol
Tel/Fax: 7 (4152) 42 53 06
E-mail: orgotdel@kamchatka.gov.ru
<http://www.kamchatka.gov.ru>

Khabarovsk Territorial Government

Aleksandr Levintal, Vice-Chairman, Minister
Ministry of Economic Development & Foreign Relations
19 Muravjeva-Amurskogo Street, Khabarovsk 680002
Tel: 7 (4212) 329 739; Fax: 7 (4212) 324-153
E-mail: econ@adm.khv.ru
<http://gov.khabkrai.ru/>

Leningrad Oblast

Vladimir Kolesnikov, Chairman

Committee for International and Regional Relations
67 Suворovskiy Prospekt, St. Petersburg 193311
Tel: 7 (812) 274-4742; Fax: 7 (812) 274-5986
E-mail: kvs@lenreg.ru
<http://www.lenobl.ru/>

Primorskiy Territorial Administration

Yevgeniy Markin, Director
Department of International Relations and Tourism
22 Svetlanskaya Street, Vladivostok 690110
Tel: 7 (4232) 208 340; Fax: 7 (4232) 209 259
E-mail: intnlcmt@primorsky.ru
<http://www.primorsky.ru>

Sakhalin Regional Administration

Vadim Rokotov, Chairman
Committee for International, Foreign Economic and Regional Relations
32 Kommunisticheskoy Prospekt, Yuzhno-Sakhalinsk 693000
Tel: 7 (4242) 727 494; Fax: 7 (4242) 727 493
E-mail: kom_mvms@adm.sakhalin.ru
<http://www.adm.sakhalin.ru/>

Sverdlovsk Oblast Administration

Ministry for International and Foreign Economic Relations
Alexander Kharlov, Minister
1 Oktyabrskaya Ploshchad, Yekaterinburg 620031
Tel: 7 (343) 217-86-72/73; Fax: 7 (343) 217-89-07/11
<http://www.midural.ru/>

Tatarstan Republic Administration

Interantional Foreign Economic Relations Department
Eskander Muflikhanov,
1 Ploshchad Svobody, Kazan
Tel: 7 (843) 264-7723
<http://prav.tatar.ru/eng/>

Yekaterinburg City Administration

Svetlana Garipova, Chairman
Foreign Relations Department
24a Lenina Prospekt, Yekaterinburg 620014
Tel: 7 (343) 377-55-67, 51-43-83; Fax: 7 (3432) 51-90-05
Email: garipova@adm-ekburg.ru
http://www.ekburg.ru/english_version/

AMERICAN CHAMBER OF COMMERCE IN RUSSIA

American Chamber of Commerce in Russia

Andrew Somers, President
Tatiana Raguzina, Sr. VP for Policy and Membership

7 Dolgorukovskaya Street, Moscow 127006
Tel: 7 (495) 961-2141; Fax: 7 (495) 961-2142
E-mail: amcham@amcham.ru
<http://www.amcham.ru>

American Chamber of Commerce in St. Petersburg

Ms. Maria Chernobrovkina, Executive Director
"Na Novo-Isaakievskoy" Business Center
Ulitsa Yakubovicha 24, left wing, 3rd floor
St. Petersburg 190000
Tel: 7 (812) 448 1646; Fax: 7 (812) 448 1645
E-mail: all@spb.amcham.ru
<http://www.amcham.ru/spb/>

RUSSIA-FOCUSED CHAMBERS OF COMMERCE AND INDUSTRY AND TRADE ASSOCIATIONS IN THE UNITED STATES

U.S.-Russia Business Council

Edward Verona, President and CEO
1110 Vermont Avenue, NW, Suite 350, Washington, DC 20005
Tel: (202) 739-9180, Fax: (202) 659-5920
<http://www.usrbc.org>

Lotte Plaza Business Center
Novinskiy boulevard 8, office 907
Moscow 121099
Tel: 7 (495) 228 58 96; Fax: 7 (495) 228 58 97
<http://www.usrbc.org>

American-Russian Chamber of Commerce and Industry

Helen Teplitskaya, President
Aon Center, 200 E Randolph St., Suite 2200
Chicago, IL 60601
Tel: (312) 494-6562; Fax: (312) 494-9840
E-mail: info@arcci.org
<http://www.arcci.org/>

Foundation for Russian-American Economic Cooperation

Carol Vipperman, President
2601 Fourth Avenue, Suite 600, Seattle, WA 98121
Tel: (206) 443-1935; Fax: (206) 443-0954
E-mail: fraec@fraec.org
<http://www.fraec.org>

Mid-Atlantic Russia Business Council

Val Kogan, President and CEO
1760 Market Street, Suite 1100, Philadelphia, PA 19103
Tel: (215) 708-2628; Fax: (215) 963-9104
E-mail: info@ma-rbc.org
<http://www.ma-rbc.org>

Russian-American Chamber of Commerce

Sergio Millian, President
1552 Pennsylvania St.
Denver, CO 80203
Tel/Fax: (303) 831-9181
E-mail: sergio@russianamericanchamber.com
<http://www.russianamericanchamber.com>

RUSSIAN CHAMBERS OF COMMERCE AND INDUSTRY AND TRADE ASSOCIATIONS**Council for Trade and Economic Cooperation (Russia-USA)**

Boris Alekseyev, President
3 Naberezhnaya Tarasa Shevchenko, Moscow 121248
Tel: 7 (495) 243-5514, -5494; Fax: 7 (495) 243-4156
E-mail: info@ctec.ru
<http://www.ctec.ru/eng>

Veronika Krashenninnikova, Ph.D., President
445 Park Avenue, 10th Floor
New York, NY 10022
Tel: (212) 829 5724; Fax: (917) 322 2105
Email: info-usa@ctec.ru

Moscow Chamber of Commerce and Industry

Leonid Govorov, President
38/1, Sharikopodshipnikovskaya Street
Moscow, 115088 Russia
Tel.: 7 (499) 132-0733
Fax: 7 (499) 132-764
E-mail: mtp@mtpp.org
<http://www.mostpp.ru/eng>

Chamber of Commerce and Industry of the Russian Federation

Yevgeniy Primakov, President
6 Ilyinka Street, Moscow 109012
Tel: 7 (495) 620-0009
Fax: 7 (495) 620-0360
E-mail: tp@tpprf.ru
<http://www.tp@tpprf.ru/>

Russian Union of Industrialists and Entrepreneurs (RSPP)

Alexander Shokhin, President
10/4 Staraya Ploshad, Moscow 103070
Tel: 7 (495) 748-41-11
Fax: 7 (495) 606-11-29
E-mail: rspp@rspp.ru
<http://www.rspp.ru>

St. Petersburg Chamber of Commerce and Industry

Vladimir Katenev, President
Ms. Tatyana M. Radion, Director of External Relations Department

46-48 Chaikovskogo Street, St. Petersburg 191123
Tel: 7 (812) 273-5908; Fax: 7 (812) 272-8612
E-Mail: spbcci@spbcci.ru
<http://www.spbcci.ru/english>

Russian-American Business Council (RABC)

Ednan T. Agayev, Vice President
17 Kotelnicheskaya Nab. Office 324, Moscow 115184
Tel: 7 (495) 970-13-89
Fax: 7 (495) 970-13-88
E-mail: rabc@rabc.ru
<http://www.rabc.ru>

U.S. COMMERCIAL SERVICE CONTACTS IN RUSSIA

CS Russia has offices in Moscow, St. Petersburg, and Vladivostok. For a complete list of services, upcoming events and industry specific contacts, please visit:
<http://www.buyusa.gov/russia/en>

Moscow

U.S. Embassy, U.S. Commercial Service
8, Bolshoy Deviatinsky Pereulok
Moscow 121099, Russia
Phone: 7 (495) 728-5580, Fax: 7 (495) 728-5585
Email: Moscow.Office.Box@mail.doc.gov

St. Petersburg

U.S. Consulate General, U.S. Commercial Service
15 Ulitsa Furshtatskaya
St. Petersburg 191028
Tel: 7 (812) 326-2560, Fax: 7 (812) 326-2561
Email: StPetersburg.Office.Box@mail.doc.gov

Vladivostok

U.S. Consulate General, U.S. Commercial Service
32 Pushkinskaya Street, Vladivostok, 690001
Phone: 7 (4232) 499-381, Fax: 7 (4232) 30-00-92
Email: Vladivostok.Office.Box@mail.doc.gov
Vladivostok.Office.Box@mail.doc.gov

U.S. EMBASSY AND CONSULATE CONTACTS

U.S. Embassy

8 Bolshoy Deviatinsky Pereulok
Moscow 121099, Russia
Tel: 7 (495) 728-5000; Fax: 7 (495) 728-5159
After-hours (emergencies):
Tel: 7 (495) 728-5025
<http://moscow.usembassy.gov>

U.S. Consulate-General - St. Petersburg

15 Ulitsa Furshtatskaya, St. Petersburg

Tel: 7 (812) 331-2600; Fax: (812) 331-2852

After-hours emergencies:

Tel: 7 (812) 331-2600

<http://stpetersburg.usconsulate.gov/>

U.S. Consulate General - Vladivostok

32 Pushkinskaya Street, Vladivostok 690001

Tel: 7 (4232) 300-070, Fax: 7 (4232) 499-372

<http://vladivostok.usconsulate.gov/>

U.S. Consulate-General – Yekaterinburg

15 Gogolya Street, 4th Floor, Yekaterinburg

Tel: (343) 379-30-01, 379-46-19, 379-46-91, 379-45-51

Fax: (343) 379-45-15

<http://yekaterinburg.usconsulate.gov/>

Market Research[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

(Add link to trade events section of local buyusa.gov website here or just delete this text.)

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)