



# RUSSIA RESURGENT “RESET 2.0”

## Opportunities and Challenges in Europe’s Largest Market

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# Not An Easy Place to Do Business

- Government Corruption
- Challenge to find qualified business partners
- More Corruption
- Complicated and non-transparent regulatory regime
- Even More Corruption
- Large state role in the economy

# Your New Business Partners ???



# Closing the Deal ???



# Negative Stereotypes - to Make a Point

- Challenging Market – Not for Everyone
  - We often advise companies not to try this market
  - Part of our job is to provide accurate information and good advice
  - We do this to save you time and money
- Successful Market Entry Requires
  - Thorough market research and due diligence
  - Senior management long-term commitment
  - Creativity and persistence
  - Carefully following US and Russian laws from the start



# Successful Market Entry - Substantial Rewards

- A foothold in Europe's largest market
- Enjoy robust growth rates & profit margins
- Position Yourself for Expansion throughout the CIS Region in Eurasia – Customs Union
- New CS Region – Russia/Ukraine/Kazakhstan
- 700 AmCham member companies prosper here
- Thousands of European firms also thrive

# World's Largest Country



- Moscow – 12 million people; St. Petersburg – 4 million
- 9 other cities with a population over 1 million: Novosibirsk, Nizhny Novgorod, Yekaterinburg, Samara, Omsk, Kazan, Chelyabinsk, Rostov-Na-Don, and Ufa

# Soviet Union - - - - Modern Russia

## Traffic Then and Now





# Shopping – Then and Now



# Major Conspicuous Consumption





# MODERN RUSSIA – THE BUSINESS REALITY

- Significant progress over past 20 years.
- Impressive economic growth from 1999 – 2012.
- Rebounded strongly from the global financial crisis.
- Substantial structural, administrative, & economic reforms continue – WTO accession a reality (2012)
- Strategic market with huge natural resource endowment  
Natural Gas, Oil, Minerals, Timber
  - Provides financing for government procurement
  - Provides financing for economic diversification
- Ebay/PayPal – 2011 did \$300 million in sales
  - Successfully managing payment/customs issues

# Cracking Down on Corruption

- Long haul, but government getting serious
- WTO accession will help with more transparency
  - Standards cooperation and WTO TBT agreement
- Next up – OECD membership, will also help
- Recent Russian Government reforms
  - 2011 legislation requiring officials to declare their incomes
  - 2013 legislation requiring officials to declare expenses
  - Continuing efforts to raise salaries of government bureaucrats
  - New law—officials no foreign assets



## Benefits of Russia's WTO Accession

- U.S. manufacturers and exporters will have more certain and predictable market access as a result of Russia's commitment not to raise tariffs on any products above the negotiated rates.
- More liberal treatment for service exports and service providers.
- Stronger Commitments for Protection and enforcement of IPR.
- Rules-based treatment of Agricultural exports.
- Market access under country-specific tariff-rate quotas.
- Improved transparency in trade-related rule-making.
- More effective WTO dispute resolution mechanisms

# 2012 Economic Brief

- Real GDP growth: 3.6% 2012 (avg. +7% from '99-'08)
- Nominal GDP: \$1.953 Trillion
- Per capita GDP : \$13,400 (vs. \$5,300 in '05)
- Inflation (CPI): 6.7% (vs. 21% in 2000)
- Unemployment : 6.0%
- Population: 142 million (2010 census)
- World's 7<sup>th</sup> largest economy (PPP)
- Highest per capita income of "BRIC" countries.
- World's 3<sup>rd</sup> largest foreign exchange reserves.
- Dramatic reduction in sovereign debt.

# FOREIGN MERCHANDISE TRADE (U.S.\$ billions)

	2010	2011	2012
Russia Exports to World	400.6	522.0	441.0*
Russia Imports from World	248.6	323.8	304.0*
U.S. Exports to Russia	5.9	8.3	10.7
U.S. Imports from Russia	28.6	34.6	29.3

# Opportunity Drivers

- Presidential Modernization and Innovation Program

## **5 Priorities**

- Efficient Energy production, transportation and use
- Civilian Nuclear Technology – electric power
- Information Technology
- Ground & Space Infrastructure – telecom networks
- Medical Equipment



# Opportunity Drivers, cont.

- State-run Rusnano Corporation – Investing in technology commercialization
  - 2008 through 2010 invested \$12 billion in 104 projects
  - From 2011 plans to invest \$2.2 billion in:
    - solar energy
    - energy efficiency
    - medicine
    - biotechnology
    - metalworking
    - opto and nanoelectronics

# Opportunity Drivers, cont.

- Massive infrastructure needs
  - Road building upgrade and expansion
  - Railroad upgrade and expansion
- Sochi Winter Olympics 2014
- Soccer World Cup 2018 – 10+ Russian Cities

# Leading Sectors for U.S. Exports

- **Agricultural Equipment**
- **Apparel**
- **Auto Parts and Service Equipment/Accessories**
- **Aviation**
- **Chemicals/Plastics**
- **Construction**
- **Consumer Electronics**
- **Electrical Power Generation and Transmission Equipment**
- **Energy Efficiency/Green build**
- **Medical Equipment**
- **Refinery Equipment**
- **Safety and Security Equipment**
- **Travel and Tourism Services**

# Taking Advantage of Opportunity

- Proposed Trade Mission
  - Healthcare/Medical Equipment
- Completed trade missions
  - Aerospace suppliers – October 2010 - results
  - Automotive Supply Chain
  - Energy Efficiency



# Commercial Service Russia Results

- Past 2 years – Helped over 200 companies enter/expand in Russian market – documented export sales of \$4 billion
- Ohio graphite material science company
- Arkansas manufacturer of cables for the mining sector
- California enterprise software company
- Colorado franchising company marketing video-based, live-facilitated management and sales training
- Texas maker of in home gender prediction kits
- South Carolina distributor of reconditioned U.S. medical imaging equipment
- Texas manufacturer of industrial plant, dock and terminal use tractors used in cargo and materials handling
- California – based supplier of high performance automotive parts and tuning equipment
- Wisconsin manufacturer of special purpose heavy duty trucks
- North Carolina manufacturer of precision industrial controls

# Managing Risks & Reaping Rewards

- Commercial Service Russia on the ground in Moscow, St. Petersburg
- Russian staff of industry specialists writing original market research
- Practical advice on market entry and market planning
- Our main interest is your long-term success in the Russian market
- New Regional Focus + Ukraine and Kazakhstan
  
- Let us help you manage the risks and reap the rewards

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