

Doing business in russia

[Business](#)



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With a vast landmass, extensive natural resources, more than 140 million consumers, a growing middle class, and almost unlimited infrastructure needs, Russia remains one of the most promising and exciting markets for U. S. exporters. Russia is the world's 11th largest economy by nominal gross domestic product (GDP) and 7th largest by purchasing power parity (PPP). It has the highest per capita GDP (\$13, 400) of the BRICS countries (Brazil, Russia, India, China, and South Africa). Russia is an upper middle income country, with a highly educated and trained workforce and sophisticated, discerning consumers.

Russia's economy is still recovering from the economic crisis that began in 2008, with GDP growth estimated at 2. 8% for 2013. In terms of trade in goods, Russia was the United States' 27th largest export market and the 16th largest exporter to the United States in 2012. Russia was America's 21st largest trading partner overall. U. S. exports to Russia in 2012 were \$10. 7 billion, a new record and an increase of almost 30% from 2011. This is six times more than the growth rate for overall U. S. exports worldwide, which rose by 5%. Russian exports to the United States in 2012 were \$29 billion, a decrease of 15% from 2011.

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Russia's leading trade partners were recently Netherlands, China, Germany, Italy, Ukraine, and Turkey. U. S. accumulated investment in Russia is approximately \$10 billion. According to Russian data, the United States is Russia's 10th largest foreign investor. Russia joined the World Trade Organization (WTO) in August 2012. This brought the world's largest economy outside the WTO into the organization and bound it to a set of rules governing trade. Congress also enacted legislation to extend permanent normal trade relations to Russia in the same year.

Russia's membership in the WTO will liberalize trade with the rest of the world and create opportunities for U. S. exports and investments. For industrial and consumer goods, Russia's average bound tariff rate declined from almost 10% to under 8%. U. S. manufacturers and exporters will have more certain and predictable access to the Russian market as a result of Russia's commitment not to raise tariffs on any products above the negotiated rates. For American businesses, Russia's accession to the WTO will also bring the following:

- 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. The United States is working vigorously to expand bilateral trade and investment cooperation to benefit both Russia and the United States. In the last several years, the positive atmosphere resulting from the "reset" of bilateral relations has led to an unprecedented advance in economic cooperation between our countries.

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From 2009 to 2011, U. S. exports to Russia rose markedly by about 57%, and total United States-Russia trade increased by more than 80%. There is much more room for growth in this important relationship. Return to top • Market Challenges • • • Russia is the largest country in the world, spanning nine time zones and encompassing over 17 million square miles. Seriously underdeveloped infrastructure poses logistical challenges, especially in accessing markets outside of major cities.

An incomplete transition from central planning has led to an insufficiently integrated economy and disparities in wealth distribution, both geographically and demographically. Conducting business might be impeded by: burdensome regulatory regimes; inadequate intellectual property rights (IPR) protection and enforcement; widespread corruption and inadequate rule of law; inconsistent application of laws and regulations; lack of transparency; and the continued presence of large state-owned, or state-controlled, enterprises in strategic sectors of the economy.

Investments in “ strategic sectors” of the Russian economy are subject to Russian Government control. 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.

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Establishing an Office Franchising Direct Marketing Joint Ventures/Licensing
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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. The Northwest Federal District consists of the northern part of European Russia and includes eight federal subjects (equivalent to U. S. states), including Russia's second largest city, St. Petersburg. St. Petersburg and the surrounding Leningrad Region are home to Russia's largest port facilities, and the area has significant natural resources, especially in forest products and oil and gas. The region's population of over 13 million provides a stable and highly educated workforce. In addition, the region shares a long border with Finland, and nearly 40% of European Union-Russia trade takes place along this border.

American companies have made significant investments in northwest Russia: Caterpillar, Ford, GM, International Paper, Kraft Foods, Wrigley and ConocoPhillips are some of the U. S. brand names with investments there.

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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 and 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. With a high concentration of mineral resources (diamonds, gold, silver, tin, tungsten, lead and zinc), fishing, and timber resources, the Russian Far East also represents business opportunities for U. S. exporters. The Russian Government is promoting a shift in the region to deep processing of natural resources and fostering local production of high value-added products, while preserving a reasonable focus on resource extraction.

Deep processing is focused on the timber, fishing, and agricultural (meat and milk production) industries and will create a need for equipment in these areas. Local and international environmental groups are supporting this strategy, aimed at more sustainable economic development in the region. The Russian Government has mega-projects in the fuel and energy sectors, including continued development of the major Sakhalin oil and gas project at a cost of over 1. 8 trillion rubles. Chemical production facilities using natural gas will likely be built along the pipeline routes.

A large-scale petro- and natural gas chemical industry is expected to develop in the Russian Far East along the main pipeline routes to include methanol,

ammonia, and fertilizer products, as well as manufacturing of polymeric plastics. These new projects will require procurement of equipment and machinery to support their production. The mining sector is also expected to be developed, including continued development of gold deposits in the Amur and Magadan regions and the Chukotka Autonomous Region.

New projects in the mining sector will drive up the demand for expanded fleets of road construction machinery, and other equipment by local companies. The development of regional aviation as a means to connect population centers in the Russian Far East is another Government priority. A new Federal program (adopted in April 2013) plans to allocate 101 billion rubles to support regional aviation, including the upgrade of local airports' infrastructure. This will create business opportunities for suppliers of regional aircraft and equipment, as well as for service providers specializing in airport modernization.