

Business Opportunities in RUSSIA - UKRAINE - BELARUS



COUNTRY NEWS

RUSSIA: Foreign direct investments up by 43%

Foreign direct investment into the Russian economy rose by 43 % reaching \$36 billion in the first ten months of 2011. In July, the government established a \$10.0 billion fund – the Russian Direct Investment Fund – to support international companies investing in the country. As Russian Prime Minister Vladimir Putin said, with inflation going down to 7%, lowest in Russian history, and foreign debt at only 2.5 % of GDP, the climate for foreign capital should become easier in 2012. Since 2009, over \$100 billion worth of foreign investments have been pumped into the Russian economy.

RUSSIA: \$ 200 million to boost pharmaceutical production

The Russian government has allocated around \$200 million to support local pharmaceutical production. Currently, over 70% of drugs sold in Russia are imported. Financial aid will be provided to foreign or domestic companies willing to develop local production of medicines. The value of the Russian pharmaceutical market is estimated to grow by 8%, reaching RUB 600 billion (USD 19 billion) in 2011.

RUSSIA: Russian car sales skyrocketing by 41%

The first eleven months of 2011 saw sales of new cars and light commercial vehicles in Russia increase by 41% compared with the same period in 2010, or by 694,457 vehicles, according to the Russian office of the Association of European Businesses (AEB). For the full year of 2011, the AEB estimates a growth of 37%, totaling 2.6 million cars sold. However, only 8% increase, to 2.8 million cars, is forecast for 2012.

REGIONAL NEWS

BELARUS: Innovation Week brings new deals for Belarus

Belarus signed a number of new contracts with foreign companies in energy, oil & gas and healthcare at the Innovation Week held on 15-18 November 2011. Swiss Leica Geosystems will conduct joint research with Belarus on the use of ground movement monitoring technologies. Danish C.C. Jensen A/S will implement new commercial oil filtration technologies. A protocol was signed on joint production of equipment for the power industry with a Polish-German corporation. Several other agreements were signed with German, Czech, Russian, and Ukrainian companies.

UKRAINE: China to invest \$10 billion in agriculture

China plans to invest \$10 billion in Ukrainian agriculture. The Export-Import Bank of China and China National Machinery Industry Corporation will establish fruit and vegetable storage facilities, as well as bases to breed livestock. Agriculture is one of the largest sectors of Ukraine's economy and second largest source of export revenues after steel industry. With 42.9 million ha of arable land, 75% of which is used to harvest crops, Ukraine is one of the world's biggest grain exporters. However, average yield in Ukraine is less than 35% of yields in Europe, due to insufficient spending on agro infrastructure, fertilizers and quality seeds. Ukraine lacks financial resources to replace its 90%-depreciated machinery and to invest in better seeds and fertilizers.

DID YOU KNOW...

RUSSIA

... celebrates Russian Orthodox Christmas on 7 January ?

...is one of the world's most dynamically developing economies with **average GDP growth since 1999 at 6.8% ?**

...is predicted to become **Europe's largest economy by 2050 ?**

... has an **attractive taxation** system – personal income tax of 13% for residents, corporate tax rate of 24%, VAT rate of 18% ?

MOSCOW

...is the **largest city in Europe** with 11 million residents ?



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COUNTRY IN A NUTSHELL

RUSSIA

- ◆ The world's largest country in terms of territory and one of the largest economies in Europe
- ◆ No. 1 exporter of natural gas, 2nd largest exporter of oil and 3rd largest exporter of aluminum and steel
- ◆ Some of the fastest growing sectors in the Russian economy include telecommunications, finance, construction, and energy production

Area / Capital	17,098,242 sq. km / Moscow
Population / Language	141.9 million / Russian
Currency	Russian Ruble (RUB)
GDP (2010)	EUR 926 billion / USD 1.49 trillion

MARKET AND SECTOR HIGHLIGHTS

RETAIL: RUSSIA

International retailers boosting presence to benefit from fast-growing Russian market

Russian shoppers are known to be among the most spending crowd in the world, which was confirmed by an expert study of the Economist Intelligence Unit. While Middle East buyers still spend more, but Russian spending is rising fast which has been attracting new retailers to enter the market. Benetton, Adidas, H&M, Zara, Massimo Dutti, Bershka, Pull & Bear, Stradivarius and others are boosting their presence. H&M tripled its Russian income from \$55m to \$135.5m in 2010. Adidas plans to generate about half of a targeted global 50% sales increase by 2015 in Russia, China and North America. Other largest retail chains, like Metro, IKEA, Auchan are expanding beyond Moscow and St. Petersburg to the regions.

E-COMMERCE: RUSSIA

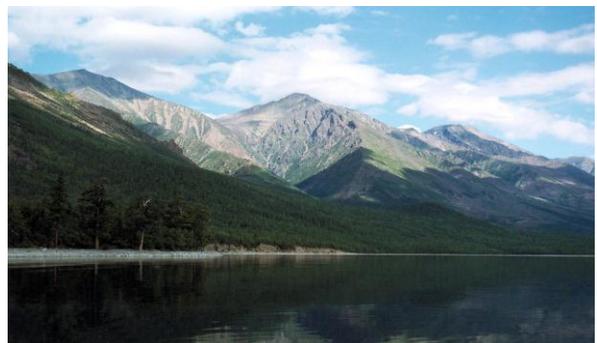
Russia overtakes Germany as largest Internet market in Europe

Russia overtook Germany as Europe's biggest Internet market in September 2011 with about 60 million users, while a penetration rate of around 43 % means e-commerce is still at an early stage of development. A PwC survey of 2,000 Russian online users found 92 % of them shop at least occasionally on the web, up from 80 % in 2009, but only 12 % do it weekly compared to 28 % in the UK. This significant lag is due to insufficient logistics in Russia – shoppers outside of major cities typically wait for a week to get their purchase. Data Insight reports that Russia's e-commerce market reached 240 billion rubles (\$8.5 billion) in 2010, 1.6% of the country's GDP. The agency estimates the number of online shoppers in Russia to grow by 120% in the next 5 years, pushing market value up by 145%. Most popular e-shop items are household appliances, books, mobile phones, computers and software. Largest growth in the number of customers (since 2009) was reported in clothing and footwear (13%), video and audio (12%), online booking of tickets and trips (11%), and entertainment (10%).

TOURISM: RUSSIA

\$1 billion to create Alps in the heart of Siberia

EurAsia Capital Partners of Hong Kong and Russia's Rusresorts are to turn ski slopes along Bychya Mountain in the Lake Baikal region (Siberia) into the Alps of Central Asia. The total cost of the year-round resort will be \$1 billion. The resort will boast 3,500 hotel rooms as well as 2,500 homes and is meant to attract Asian tourists to the Baikal region. Baikal is the world's oldest and deepest lake containing about 20% of the world's unfrozen surface fresh water. The lake is completely surrounded by mountains.



WHAT DOES RUSSIA EXPORT BESIDES OIL & GAS?

INDUSTRY LEADER PROFILE: TIMBER AND PAPER

Ilim Group

Ilim Group is largest in Europe and 6th largest in the world in terms of forest resources and timber production. Headquartered in St. Petersburg, the company produces over 65% of pulp and 25% of containerboards manufactured in Russia. Annual production capacity exceeds 2.3 million tones of products (containerboards, kraftliners, fluting, offset printing paper, corrugated boxes, paper, and pulp). Ilim also supplies wood chemicals and biochemical products. Ilim Group is among the top Russian exporters with the largest geography of foreign trade – its exports target Europe, Middle East, North America, China and South-East Asia.



Newsletter resources: Russia Today (RT), Kyiv Post, PMR, RIA Novosti, BSR-Russia, BelaPAN and other local news media outlets.

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BUSINESS SERVICES

CURRENT & RECENT PROJECTS BY EASYLINK

- ◆ Distributor search completed for a U.S. manufacturer of cryosurgical products in Russia and Ukraine, including business meeting arrangements.
- ◆ Support for a metal powder exporter targeting Russia and Belarus.
- ◆ Distributor search for a Singaporean manufacturer of luxury stationery products, including meeting itinerary and in-market support with on-site assistance at a trade fair in Moscow.
- ◆ Support to a leading U.S. software company in assessing potential for implementation of its mobile payment transfer technology in Russia