

# Business Opportunities in RUSSIA - UKRAINE - BELARUS



## **RUSSIA/BELARUS:** Russian truck producer KamAZ and Belarusian truck maker MAZ to merge their assets.

Belarus and Russia negotiate setting up an alliance of Minsk Automobile Plant (MAZ) and the Russian mechanical engineering company KamAZ to form a joint holding company Rosbelavto, with each of the companies transferring 49% of its shares to the combined entity. Belarus is seeking a 46% stake in the joint venture, handing control to Russia with 54%. Currently 49.9% in Russian Kamaz is owned by the state-owned industrial conglomerate Rostekhnologii, 27% belongs to the investment company Troika Dialog, German automaker Daimler holds 11% and the European Bank for Reconstruction and Development has 4%. MAZ is 100% owned by the Belarusian government.

## DID YOU KNOW...

### RUSSIA

...is considered a European country although two thirds of its territory are in Asia

...is divided into 10 time zones

... winter temperature in Eastern part of Siberia (Sakha Republic) is around  $-60^{\circ}\text{C}$ ; it is the only place in the world where **people permanently live** in such cold climate

... Russians are very **collectivistic**; they often take/give advice, value opinion of the others and make collective decisions

...the Trans-Siberian Railway is the **world's longest railway**, with 10,555 km (6,560 miles) from Moscow to Vladivostok; the journey takes 6 days 5 hours and 20 minutes

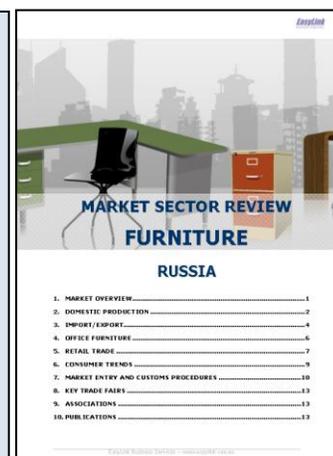
## Furniture Market in Russia

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## **UKRAINE:** New Customs Regulations since June 2012

A new Customs Code was enacted on June 01, 2012 in Ukraine, bringing important changes to customs clearance procedures. The new rules are a step forward in Ukraine's commitments towards the World Trade Organization (WTO). The new provisions include the following:

- if a law or legislative act is not clear, decisions should be taken *in favor of the business entities or individuals concerned*
- customs applicants have a *right to appeal against actions and decisions (or lack of actions) by customs authorities*
- maximum time required for *customs clearance must not exceed 4 hours*
- branches, subsidiaries or independent divisions of legal entities can *declare goods at any local customs office* (not only by registered headquarters)
- various types of *free customs zones* are established
- customs applicants are entitled to *receive interim decisions* in respect of coding of goods before delivery, which will later be binding for any customs authority during the actual clearance process
- customs authorities are allowed to *conduct scheduled and unscheduled audits of importers* to check compliance with the customs legislation

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## MARKET AND SECTOR HIGHLIGHTS

### INTERNET/E-COMMERCE: RUSSIA

#### Russia became Europe's largest Internet market with 70.8 million users

The number of Internet users in Russia has been increasing by 27% per year and reached 70.8 million people in early 2012, according to the Russian Ministry of Communication. This makes Russia Europe's biggest Internet market by number of users before Germany (with 50.1 million users in 2011). It is predicted that next year this

figure may reach 90 million users, which is more than a half of the country's population of 142.9 million. The growth of Russia's online audience combined with the country's vast territory and underdeveloped retail sector makes it ideal for online marketing. In financial terms, the market is estimated to reach USD 12.6 billion by the end of 2012, and Russia may become the Europe's largest e-commerce market by 2019.

## SALES LEADS – PRODUCTS WANTED!

### Passenger car tires and car rims

...request by a retail company in Rostov-on-Don (South of European part of Russia) that distributes car wheels, tires and disks

### Automobile heaters

...request by a Yekaterinburg-based supplier of equipment for motor vehicles

### Fertilizers, monoammonium phosphate, diammonium phosphate

...request by a Moscow-based distributor of mineral fertilizers from foreign producers

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### LUXURY: RUSSIA

#### Russia – a fast growing luxury market

After being scrubbed from the list of the 10 biggest luxury markets by the financial turmoil in 2009, this year Russia returns back to the 'team' of the most luxury-addicted nations. With 20% sales growth of high-end items, the country one of the fastest growing luxury markets in the world together with India and China. In 2011, Russia's luxury market reached USD 6.3 billion, which is still 2.5 times smaller than China's USD 16.4 billion. The Asian region accounted for half of the world luxury market in 2011.

### FAST-FOOD: UKRAINE

#### McDonald's increases investments in Ukraine by 25% this year

McDonald's Ukraine is planning to increase investment by 25% in 2012, to USD 25 million. These funds will be invested in the

opening of 3-4 new restaurants, the upgrading of 8 restaurants, as well as the opening of at least 3 McCafe outlets. The first McDonald's restaurant in Ukraine was opened in Kyiv on May 24, 1997. Today, the McDonald's chain in Ukraine consists of 71 outlets in 21 cities, employing 7,000 people and serving about 300,000 visitors daily.

### RUSSIA: INDUSTRY LEADER PROFILE

#### AUTOMOTIVE: Zavod imeni Likhachova (ZIL) – Likhachov's Plant

Zavod Imeni Likhachova (Likhachov's Plant) is a major Russian truck and heavy equipment manufacturer, founded in 1916, which also produces hand-built limousines and high-end luxury sedans primarily for the Russian government. Recently Sberbank, the largest bank in Russia and Eastern Europe, announced its plans to cooperate with the Moscow government in a joint venture investing USD 378 million into the development of the ZIL plant. At the beginning of 2013, ZIL will start production of cars for **Renault** and **Hyundai**, creating about 3,100 new jobs. It is planned that production capacity will reach 100,000 Light Commercial Vehicles (LCV) per year by 2019. Circassian Derways, a Russian automaker located in North Caucasus, as well as Latvian Amo Plant JSC, manufacturer of busses and tractors, are set to join the venture, increasing production numbers to 150,000 cars per year.



Newsletter resources: Russia Today (RT), the Voice of Russia, Kyiv Post, The European Commission, RIA Novosti, BSR-Russia, BelaPAN and other local news media outlets.