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CASE STUDY

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Singapore's exports to Russia increased to S\$754.9 million and Singapore-Russia trade turnover was recorded at S\$1.8 billion in 2007. Russia plans to increase bilateral trade to US\$5 billion.

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Grow your business by exploring opportunities in Russia

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MARKET FOCUS
The Less Trodden Path: Venture onto Russian Terrains

International Enterprise (IE) Singapore's Centre Director in Moscow offers tips and insights

Russia, market of more than 140 million people, is in its second transition to undergo a major economic diversification, following its first transformation from socialism to capitalism. Its re-entry into the global economy has opened up a largely unexploited market and its rapid economic growth translates into opportunities in the retail sector. This includes areas like automobiles, furniture, food products, apparels, electronics, and consumer healthcare.

On the industrial front, Russia's infrastructure needs are estimated to consist of the following investments:

- Energy projects, US\$ 60-80 billion
- Transport, US\$ 100-120 billion
- Municipal utilities, US\$ 80-100 billion

In addition, projects such as E-government solutions, environmental services, transport planning, power management and industrial park establishments, are also seeking foreign collaborations.

inews interviewed Ms Jaisey Yip, IE Singapore's Centre Director in Moscow to gather insights on how Singapore companies can leverage on these business opportunities in Russia.

Q: How favourable is Russia for foreign investors?

A: Russia is one of the fastest-growing emerging markets today, with new investments, innovative goods and sophisticated lifestyles topping the list of its greatest demands. While it may find itself termed as a 'high risks; high returns' market due to the lack of legal protection, foreign direct investments in Russia have expanded more than eight-fold since the last crisis in 1998, especially in the sectors of oil & gas, mining, retail and wholesale.

Most business types have the potential to flourish in Russia given the wide gap between internal demand and supply, but they first need to equip themselves with 'CPF' – Commitment, Perseverance and Flexibility.

Q: Which industry sectors hold the most promise for Singapore companies looking to expand into Russia?

A: For companies looking to export into the Russian Federation, promising sectors include food products, furniture, apparel, consumer healthcare products and industrial components and equipment. Russian export opportunities will also be discussed in IE's upcoming iAdvisory Seminar Russia. You can find out more information on the seminar and financial schemes is available through the links in the box story on the right, **Resources from the IE offices.**

For Singapore-based companies interested to invest in Russia, they can participate in the country's infrastructure projects such as seaports, airports, waste and water treatment


Resources from the IE offices

The Russian office can assist in developing connections through:

- Market Intelligence
- Business Networks
- Government Advocacy
- Leads and Partner Sourcing

Financial schemes such as the Export Coverage Scheme help Singapore companies export to more risk adverse markets. For more information, visit www.aoniacs.sg.

Russia iAdvisory Seminar

17 June 2009
IE is also organising the Russia iAdvisory Seminar for Singapore companies to garner more market knowledge and discuss Russian export opportunities.

More information on the seminar is available at the [IES Activities Calendar](#).

Russia-Singapore Business Forum (RSBF) 2009

Jointly organised by International Enterprise (IE) Singapore, Troika Dialog and the Singapore Embassy in Moscow, the RSBF is Asia's only leading business and networking platform for Russian/CIS, Singaporean and Asian businessmen to network and discuss business opportunities.

From 27-29 September 2009, plenary sessions dedicated to urban infrastructure projects in Russia will be held, with experts invited to discuss the

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There are several government-led projects and initiatives in the pipeline across various sectors. In 2005, then-President Vladimir Putin introduced four Priority National Projects (PNP) aimed to drive the most crucial areas of national development – housing, health, education and agriculture. A portion of the federal budget has been set aside for each of the PNPs led by their respective Ministries. Current President Dmitry Medvedev then promoted his doctrine of the "Four I's" – Innovation, Investment, Infrastructure and Institutions - after taking office.

Last year, Russia introduced a master plan to develop its nanotechnology industry by 2015 with a total of US\$4.3 billion allocated to state-owned company RusNano. This has prompted Singapore government agencies to explore the prospect of attracting RusNano and other major Russian technology companies to look at establishing their investment houses in Singapore.

In addition, the upcoming international events to be held in Russia such as the APEC 2012 and Sochi Winter Olympics 2014, creates new opportunities for foreign investors to participate in the construction of hospitality facilities.

Q: Generally, what are the initial steps that Singapore companies should take when expanding to Russia?

A: It is important to make an exploratory trip to Russia in person to know your counterparts. Many businessmen tend to rely on internet searches to conduct due diligence and search for online offers by Russian companies, which is an unwise move due to the prevalence of web scams. When fraud cases are encountered, they develop inaccurate and negative perceptions of Russia that do no justice to the market.

Basic Tips:

- Taking shortcuts in evaluating business opportunities and selecting local partners is not advisable.
- Always engage the services of a reliable lawyer and consultant locally to conduct comprehensive due diligence
- Building trust is pertinent in all transactions.

Potential Obstacles that Singapore Companies should expect

- 1. Language Barrier**
Most local service personnel neither speak nor understand English, and business correspondences and legal documents are usually worded in Russian. Basic business information about regulations, company ownership and credit worthiness are sometimes hard to find.
- 2. Business Etiquette**
Russian business culture is relatively formal, with an emphasis on business protocol. Foreign companies are expected to request for the first meeting on formal correspondences, and furnish their Russian counterparts with extensive information on their company profile and meeting agenda. In addition to this, meetings are always to be arranged at the convenience of the local businessmen. Most Singapore companies are unaccustomed to such business etiquette.
- 3. High Operating Costs**
Moscow has been ranked as the world's most expensive city for expatriates for the third consecutive year.¹ One should enter the market with the realistic mindset that even though the cost of doing business in Russia is high, it could commensurate with high returns.
- 4. Difficulty in Market Navigation**
Further obstacles that Singapore businesses may find difficult to cope with will be the lack of operational know-how, complex Russian bureaucratic procedures and the uncertain regulatory framework. Finding a reliable local partner could overcome this, and aid a successful venture.
- 5. Difficulty in Obtaining Visas, Licenses and Permits**
Many Singapore companies have encountered difficulty trying to obtain visas, licenses, permits and certifications for operating in and exporting goods to Russia. It is highly recommended to work through a local third party agent to speed up application processes, though fees will be incurred. These agents are often equipped with the required know-how to make inroads into the Russian system.

In Russia's unsettled business environment, early advice on tax and legal issues will ultimately save both time and money. Many of these challenges can be overcome by speaking to other Singapore and foreign companies which have built up their network, and seeking tried and tested connections for new entrants. In this aspect, IE Singapore Moscow Office is well-suited to direct you to the right path.

For more information, please visit [IE Singapore website](#).

1. Cost of Living Survey, Mercer 2008

ASK THIS IADVISOR A QUESTION