

# **Russia. The Second Coming....**

**Alexander Hotel, Feb 19, 2010**

**Mike Hogan  
Enterprise Ireland  
Moscow**

# Snapshots

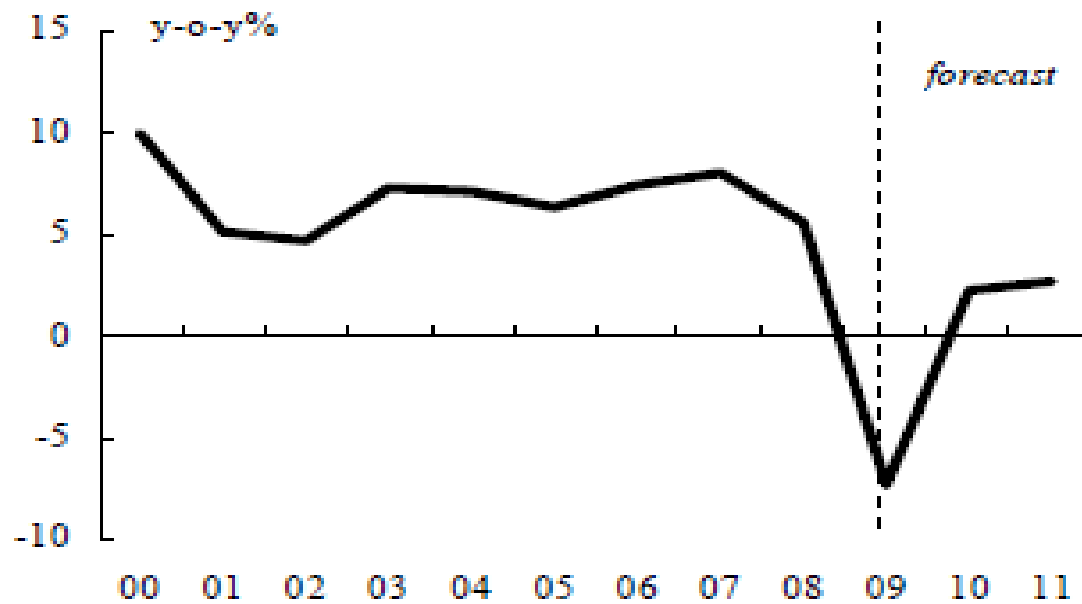
- **Population: 143m (approx)**
- **Moscow and St Petersburg, Europe's 1<sup>st</sup> and 4<sup>th</sup> Largest Cities**
- **Moscow – World's 3<sup>rd</sup> Most Expensive City – down from 1<sup>st</sup> place;**
- **Largest car market in Europe in 2008;**
- **Largest mobile phone market in Europe (26m units) with an average cost of USD275 per unit;**
- **World's largest producer and exporter of energy;**
- **Ireland's largest companies active in Russia – CRH, Smurfit Kappa, Quinn Group;**
- **Ireland has been the 7<sup>th</sup> largest provider of FDI since 1991;**
- **Irish service exports continue to grow, now at the same level as Sweden;**
- **Retraction in physical trade in 2009, especially in H1 2009;**

## When is a BRIC not a BRIC?

- Russia was the only one of the BRIC countries to suffer economic decline in 2009;
- Russia as a BRIC – but should it be included?
- GDP per head was USD 12,000 in 2008, 4 times Chinese level;
- Social indicators – slightly ahead of Brazil and way ahead of India and China;
- Over 2/3 of the university age population are at university;
- 14 times more cars and 3 times as many computers per capita than China;
- 4<sup>th</sup> largest Social Networking Market in Europe;
- Most of Russia's foreign trade is with Europe, US accounts for only 4%;
- Russia is a European Market and should be regarded as such by Irish companies as part of their export strategy;

# Emerging from the Global Financial Crisis

*Graph II.35.1: Russia - GDP*



## World Bank – 2009 World's Largest Economies

<b>Rank</b>	<b>Country</b>	<b>GDP (millions of USD)</b>
—	<b>World</b>	<b>60,587,016</b>
1	United States	14,204,322
—	Eurozone	13,565,479
2	Japan	4,909,272
3	China	4,326,187
4	Germany	3,652,824
5	France	2,853,062
6	United Kingdom	2,645,593
7	Italy	2,293,008
8	Brazil	1,612,539
<b>9</b>	<b>Russia</b>	<b>1,607,816</b>
10	Spain	1,604,174
11	Canada	1,400,091
12	India	1,217,490

## Russia

- Construction / Engineering Services
- Food and Food Processing
- Wireless and Fixed Telecoms
- Banking and Financial Services
- ICT
- Education
- Healthcare / Wellness / Medical Devices
- Agriculture – Machinery / Animal Nutrition / Medicines
- Aerospace
- Automotive

- Construction Sector reported to be worth **USD 335bn** between now and 2020 (Source Oxford Economics) – 5<sup>th</sup> Highest in the World;
- Severely hit by the worldwide liquidity crisis, but beginning to re-emerge;
- Huge infrastructure deficit to be addressed;

## Opportunities in:

- Project Management;
- Power Stations – extra 40,000 Mw required by 2020
- Data Centres;
- Building Fit-Out and Systems;
- Niche Opportunities to Support Oil and Gas Sector;
- Building Supplies and Construction Materials;

# Food and Food Processing

- Bulk of Irish Exports to Russia is in the Food Sector and Fluctuates and is largely Beef / Pork based – need to move up the value chain;
- Expansion of Supermarkets / Hypermarkets as a Russian retail format;
- Russia likely to be Europe's largest grocery market by 2020;
- Emergence of Strong Russian Food Retailers such as: Sedmoy Continent; Magnit; Pyaterochka; Paterson; and Azbooka Vkusa
- Entrance of Foreign Food Retailers such as: METRO, Auchan, Billa, REAL;
- Diversifying Food Tastes;
- Opportunities in Fish and Seafood;



## Food and Food Processing








- Building Out of Food Production Facilities, especially in Meat and Dairy Processing;
- Purchase and Development of Local Food Production by Foreign companies such as: Campino; Danone; and Nestle;
- Creation of large Russian Food Companies such as Wim Bill Donn and Lebededskaya;
- Brewing – Russia a Top 3 Target Market for International Brewers, who have bought up domestic production facilities (SAB Miller, InBev, Heineken etc.) Guinness is now brewed in Saint Petersburg;
- Irish food companies yet to made a serious impact in Russia in terms of investment and facilities;

## Wireless and Fixed Line Telecoms

- Liberalisation of Fixed Line and Long Distance;
- Build-out of Broadband and ADSL;
- Cable Systems;
- Accelerating Build-out of WiMAX
- Yota has the largest WiMAX population coverage in the world;
- Convergence;
- Improved infrastructure in the Russia's Regions;
- Partial Privatisation of State Monopolies;



# Wireless Telecoms

	Operator		Subscribers Sept 2009	Sub. Growth 2008/2009
1	MTS		70,100,000	11%
2	Vimpelcom		51,778,000	14%
3.	MegaFon		49,824,000	16%
4.	Tele2		13,302,000	34%
5.	Uralsvyazinform		5,700,000	5%
6.	Sibirtelecom		5,382,000	15%
7.	SMARTS		3,292,848	43%
8.	Other Operators		7,300,000	12%

# Telecoms Opportunities for Irish Companies

- Billing Systems
  - Content Management and Content Supply
  - Network System Optimisation
  - Customer Profiling and Service Targeting
  - Interconnectivity
  - Convergence Technology Fixed/Mobile/WiMAX/Cable
  - Convergence GSM/CDMA
  - Consulting
- 
- If you are an Irish provider of wireless solutions and systems active in Europe, and are not in Russia/CIS, then you should be

## Banking and Banking Systems

- The Top 200 Russian Banks were worth around USD 1 trillion pre-crisis, dropped to 10% of value mid-crisis, but are expected to claw back to pre-crisis levels in two years;
- Mortgage Market equal to 3% of GDP only;
- Consumer Finance re-emerging – Car Loans, Personal Loans, Hire Purchase, but personal debt overall very small;
- Foreign Banks active in the market e.g. Citibank, SocGen, Raiffeisen etc.
- Dominance of Sberbank, but strong emerging Russian Retail Banking Sector: Alfa Bank; UralSib; MDM;



# Banking and Banking Systems

## Irish Opportunities

- In the past, Consultancy Services and providers such as Kindle were active in 1990s

## Now

- Retail Banking Systems
- Specialist Treasury / Currency Exchange / Risk Solutions
- Compliance and Regulatory Systems
- CRM Technologies and Strategic Consultancy
- Internet Banking and ATM Linkage
- Credit Card Processing solutions;

# Why Aren't More Irish Companies Doing Business in Russia?

## External Factors – Getting them to Russia

- Perceived as difficult market;
- Lack of information about opportunities;
- Russia is viewed in terms of the stereotypes of the 1990s and the 1998 Financial Crash, yet few remember the 1997 Asia Crash
- Obstacles of Language and Culture
- Visas and Russian Bureaucracy
- Perceived as Corrupt
- Russia doesn't get a good press
- Russia doesn't market itself

# Why Aren't More Irish Companies Doing Business in Russia?

## Internal / Client Factors

- Lack of Resources – Moscow is not a cheap place to do business, but there are opportunities outside of Moscow
- Lack of Follow-Up
- Lack of Materials – Most Irish Companies will not translate materials into Russian a World Top 7 Language
- Failure to Use Available Resources – Over 40,000 Russian language speakers in Ireland
- Lack of Creativity in Structuring Deals
- Failure to Risk Share

## How Do We Bring EI Clients to Market?

- Proactive Information to Generate Interest
- Promoting Ireland and Irish Information – i.e Website and Events
- Promoting Sectors / Clusters to Russian/CIS Companies via Presentation “Roadshows”
- Running Information Events in Ireland and Visiting EI Clients which we have Matched to the Market
- Reactive Information and Advice
- “Hand Holding” Especially During First Visit to Market
- Expanding our Contact Base throughout CIS
- Monitoring Follow-Up
- Feedback

Enterprise Ireland - Microsoft Internet Explorer

File Edit View Favorites Tools Help

**ENTERPRISE IRELAND**

enterprise-ireland.ru

О нас Экономика Промышленность и услуги Деятельность в России и СНГ Образованию в Ирландии Контакты

Ирландская торговля и технология

## Поддержка и развитие ирландских компаний

Ирландский Совет по Торговле и Технологии, ирландское государственное агентство, уполномоченное заниматься развитием отечественной ирландской промышленности и услуг, проводит активную деятельность, представляя и рекламируя ирландские товары и услуги для экспорта за рубеж. Московский офис Ирландского Совета по Торговле и Технологии помогает компаниям из Ирландии находить новые рынки, покупателей и развивать партнерские взаимоотношения в следующих странах:

- Российская Федерация
- Украина
- Беларусь
- Молдова
- Армения
- Азербайджан
- Грузия
- Казахстан
- Узбекистан
- Туркменистан
- Киргизстан
- Таджикистан

В дополнение к роли по рекламе экспорта, Ирландский Совет по Торговле и Технологии в Москве так же работает с местными партнерами в области научных исследований, обмена


Помощь

Занесены ли в продукты и услуги ирландских компаний?

Работа ирландских компаний в России

Корпоративный сайт

Полезные ссылки



### Новости

[Самая динамично развивающаяся страна Европейского Союза. Во встречах с лидирующими украинскими компаниями приняли участие руководители ведущих специалисты 21 ирландской компании. 29.06.2006](#)

[Представители Ирландии проведут переговоры на Украине 19-22 июня, 2006 г., Киев, Украина. Ирландский Совет по Торговле и Технологии рад сообщить о впервые проводимой Торговой Миссии Украина, мероприятие пройдет 19 по 22 июня 2006 года. 04.05.2006](#)

[Конвергентные технологии в телекоммуникациях](#)

Done Internet