

U.S. Country Commercial Guides



Russia
Year 2020

Table of Contents

<i>Doing Business in Russia</i> _____	4
Market Overview _____	4
Sanctions _____	4
Market Challenges _____	6
Market Opportunities _____	7
Market Entry Strategy _____	8
<i>Leading Sectors for U.S. Exports and Investment</i> _____	9
Agribusiness _____	9
Cosmetics & Toiletries _____	14
Construction & Infrastructure _____	16
Financial Services _____	18
Information & Communication Technology _____	21
Medical Equipment _____	23
Polymers, Plastics and Polymer Processing _____	26
Pharmaceuticals _____	28
Safety and Security _____	30
Water & Wastewater _____	32
<i>Customs, Regulations and Standards</i> _____	35
Trade Barriers _____	35
Import Tariffs _____	36
Import Requirements and Documentation _____	37
Labeling and Marking Requirements _____	39
U.S. Export Controls _____	41
Temporary Entry _____	42
Prohibited and Restricted Imports _____	43
Customs Regulations _____	44
Standards for Trade _____	44
Trade Agreements _____	48
Licensing Requirements for Professional Services _____	48
<i>Selling U.S. Products and Services</i> _____	49
Distribution & Sales Channels _____	49
eCommerce _____	55

Selling Factors & Techniques _____	57
Trade Financing _____	61
Protecting Intellectual Property _____	63
Selling to the Public Sector _____	64
<i>Business Travel</i> _____	67
Business Customs _____	67
Travel Advisory _____	68
Visa Requirements _____	70
Currency _____	71
Telecommunications/Electronics _____	71
Transportation _____	71
Language _____	72
Health _____	73
Local Time, Business Hours and Holidays _____	73
Temporary Entry of Materials or Personal Belongings _____	73
<i>Investment Climate Statement (ICS)</i> _____	75
<i>Political Environment</i> _____	76

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Doing Business in Russia

Market Overview

Russia presents significant challenges and some opportunities for experienced American exporters. While targeted American and European economic sanctions remain in place and have gradually expanded, there is no overall trade embargo on Russia. Due to tight fiscal and monetary policy and higher oil prices, Russia achieved GDP growth of 1.3% in 2019. The Russian economy is expected to **contract** in 2020 due to the international health pandemic, with Russia's Ministry of Economic Development projecting a 4.8% GDP drop, and the IMF predicting a 6.6% GDP drop. Despite these economic challenges, over 1,000 American firms of varying sizes continue to do business in Russia, due to its 144 million consumers, \$29k+ GDP per capita (as measured in purchasing power parity), growing middle class, and highly educated and trained workforce.

There are three broad factors that merit consideration when assessing business prospects in Russia: **geopolitics**, **market dynamics**, and **rule of law**. The situation with all three factors has worsened in 2020. Russia governmental support for separatists in Ukraine, interference in the 2016 U.S. elections, Russian-origin cyberattacks, and the role of Russian security services in the March 2018 poisonings of residents in the United Kingdom, as well as disagreements with the United States' positions on certain global security challenges such as in Syria, Libya, and Venezuela, have raised tensions with the United States and its allies, leading to increased economic restrictions during recent years. This type of behavior has continued in 2020 and continues to present risks for any U.S. company looking to do business in Russia. U.S. and European economic sanctions imposed in 2014 and subsequently augmented remain in place and are unlikely to be lifted in the near future. Sectoral restrictions on the energy sector (offshore, Arctic and shale oil and gas projects), the financial sector, and the defense industry continue. Additionally, a number of Russian entities and individuals are subject to a range of sanctions, requiring American firms to conduct careful due diligence on potential business partners. Since 2014, U.S. agricultural exporters have been hit with Russian countersanctions, one of a number of protectionist, import-substitution policies designed to provide Russian firms implicit or explicit advantages over international competitors. In 2018, the Russian Duma passed legislation endorsing further restrictions on Western imports in the event of the expansion of existing Western sanctions..

Sanctions

U.S. businesses should be aware that the United States imposes sanctions on Russian persons (individuals, entities, and vessels) in response to conduct including Russia's illegal annexation of Crimea, its invasion of eastern Ukraine, election interference, malicious cyber-enabled activities, human rights abuses, use of a chemical weapon, weapons proliferation, illicit trade with North Korea, and support to Syria and Venezuela. Further sanctions on Russian persons involved in the Nord Stream 2 projects are also under consideration. While U.S. companies and individuals can lawfully engage in a broad range of business activities involving Russia that are not subject to sanction, penalties for violating U.S. sanctions can be severe. Therefore, American companies are advised to familiarize themselves with potentially applicable sanctions and to conduct thorough due diligence to ascertain whether a particular type of business activity or particular customers, clients, suppliers or partners may be subject to sanctions.

The [Consolidated Screening List](#) can be a helpful tool for due diligence efforts. The Screening List is a web-based platform which consolidates eleven separate export screening lists of the Departments of Commerce, State and the Treasury into a single list of parties for which the USG maintains restrictions on certain exports, reexports, sanctions, and transfers of items. Companies can search the list by entity name, country, and other criteria to help ascertain whether potential transaction parties might be subject to export restrictions or other sanctions. The U.S. Department of the Treasury maintains a [Resource Center](#) with comprehensive information regarding Russia-related sanctions, particularly those pertaining to Ukraine. Additional information resources can be found in the "Export Controls" section of this *Country Commercial Guide*.

Summary: Sanctions against Russian persons may include blocking of assets subject to U.S. jurisdiction; limits on access to the U.S. financial system, including limiting or prohibiting transactions involving U.S. individuals and businesses; and denial of entry into the United States. The United States also tightly controls exports to Russia's energy and defense sectors. Following is a summary of current U.S. sanctions applied to Russia. A more complete overview of sanctions, periodically updated, is available from the [Congressional Research Service](#).

Most of the current U.S. sanctions are in response to Russia's 2014 invasion and annexation of Ukraine's Crimea region and Russia's fostering of conflict in eastern Ukraine. The basis for Ukraine-related sanctions is a series of Executive Orders (EOs 13660, 13661, 13662, and 13685) that were issued in 2014 and codified by the Countering Russian Influence in Europe and Eurasia Act of 2017 (CRIIEA; P.L. 115-44, Title II; 22 U.S.C. 9501 et seq.), a part of the broader "Countering America's Adversaries Through Sanctions Act" (CAATSA). These Executive Orders provide for sanctions against those that the President determines have undermined Ukraine's security and stability, misappropriated Ukrainian state assets, or conducted business, trade, or investment in occupied Crimea. They also provide for sanctions against any Russian government officials and those who offer them support, persons who operate in the Russian arms sector, and persons who operate in key sectors of the Russian economy.

Sectoral sanctions apply to specific entities in Russia's financial, energy and defense sectors. U.S. persons are restricted from engaging in specific transactions with these entities. Restrictions apply to new equity investment and financing for entities in Russia's financial sector; and new financing for identified entities in Russia's energy and defense sectors. Sectoral sanctions also prohibit U.S. trade related to development of Russian deep-water, Arctic offshore, or shale projects that have the potential to produce oil and, as amended by CRIIEA, such projects worldwide in which those entities have an ownership interest of at least 33% or a majority of voting interests.

The United States revised CAATSA Section 232 guidance in July 2020, opening up the possibility of sanctions on entities facilitating the completion of the Nord Stream 2 pipeline. The U.S. Congress continues to consider a number of proposals related to Nord Stream 2 with potential sanctions implications for Russian entities and their partners on the Nord Stream 2 and Turkstream projects.

In addition to Ukraine-related sanctions, the United States maintains certain sanctions in response to malicious cyber activities, under EO 13694, as amended by EO 13757 (and codified by CRIIEA). These measures target Russian individuals and entities that have engaged in cyberattacks against critical infrastructure, for financial or commercial gain, to significantly disrupt availability of computers or networks, or for the purpose of interfering with U.S. election processes and institutions. CRIIEA, at Section 224, enlarged the scope of cyber-related activities subject to sanctions to include a range of activities conducted on behalf of the Russian government that undermine "cybersecurity against any person, including a democratic institution, or government."

The Sergei Magnitsky Rule of Law Accountability Act of 2012 (P.L. 112-208, Title IV; 22 U.S.C. 5811 note) requires the President to impose sanctions on persons he identifies (U.S. Sanctions on Russia: An Overview www.crs.gov | 7-5700) as having been involved in either a "criminal conspiracy" uncovered by Russian lawyer Sergei Magnitsky or his subsequent imprisonment and death. The act also requires the President to impose sanctions on those he finds have committed human rights abuses against individuals who are fighting to expose the illegal activity of Russian government officials or seeking internationally recognized human rights and freedoms.

The Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014, as amended (SSIDES; P.L. 113-95; 22 U.S.C. 8901 et seq.), requires sanctions on those responsible for serious human rights abuses in "any territory forcibly occupied or otherwise controlled" by the Russian government. In November 2018, the Administration designated three persons for human rights abuses in Russian-occupied regions of Ukraine.

Use of a Chemical Weapon: In August 2018, the United States determined that Russia used a chemical weapon in violation of international law in the March 2018 nerve agent attack on a British citizen and his daughter. This finding triggered the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (CBW Act, P.L. 102-182, Title III; 22 U.S.C. 5601 et seq.). The CBW Act requires the President to terminate most foreign aid, arms sales, export licenses for controlled goods and services, and government-backed financial assistance. A second

round of CBW sanctions, [announced in August 2019](#), entails prohibition on U.S. banks' participation in the primary market for non-ruble denominated bonds issued by Russia and lending to the Russian government/sovereign; U.S. opposition to the extension of any loan or financial or technical assistance to Russia by international financial institutions; and tightening of restrictions on the export of certain products subject to restrictions administered by the Department of Commerce's Bureau of Industry and Security.

Weapons Proliferation: A number of Russian defense-industry entities, including state-owned arms exporter Rosoboronexport, are denied most U.S. government contracts, export licenses, and trade in U.S. Munitions List-controlled items Pursuant to the Iran, North Korea, and Syria Nonproliferation Act, as amended (INKSNA, P.L. 106-178; 50 U.S.C. 1701 note). Other Russian entities are subject to sanction under other legal authorities for providing certain goods or facilitating trade with North Korea or for their support to the Syrian government.

Market Challenges

Aside from sanctions, market characteristics including increasing state dominance of the economy, high costs of borrowing, and a lack of broad economic reform will likely continue to constrain economic growth and market potential. Large, publicly-traded U.S. multinational corporations, as well as small- and medium-sized enterprises, continue to carefully monitor the overall business climate in Russia, balancing opportunity with risk. Both Western and Russian firms approach 2021-2022 eager to capitalize on opportunities, but cognizant of the significant challenges facing Western market participants. Volatile oil prices, a drop in the ruble's value relative to the dollar, continued tight fiscal and monetary policy, and increased demand in some industry sectors will likely return the Russian economy to growth sometime in 2021, albeit slowly. Indeed, both Western and Russian firms report year-on-year demand growth for large industrial equipment in the mining, energy, and heavy equipment sectors. However, retail and residential construction are examples of sectors that remain weak. Early in 2018, Standard & Poor's assigned Russian debt ratings of BBB- (lower investment grade), while in early 2019, Moody's assigned Russian debt an improved rating of Baa3 (also lower investment grade). Despite the need for structural deeper economic reform, most analysts doubt there will be any major policy changes that would serve as a catalyst for significant economic acceleration. Finally, from a rule-of-law standpoint, 2020 has seen a continuation of past trends for foreign investors, who can be in weak positions when the Russian security services intervene on behalf of competitors or business partners apparently seeking to use governmental connections to rebalance business relationships in their favor.

Russia is a large country with varied market segments spread across eleven time zones. The major markets of Moscow and St. Petersburg are well-served and new market entrants will face stiff competition from established businesses. However, markets in other large cities such as Yekaterinburg, Kazan, Novosibirsk and Vladivostok may not be as developed, but can move quickly on a new product/service offering.

- Given U.S. sanctions against certain sectors, entities, and individuals in Russia, companies need to plan for compliance and assess future risk. The U.S. Embassy's Commercial Service can counsel your firm on such considerations and connect you with key U.S. Government resources to navigate the Departments of Treasury, State, Homeland Security, and Commerce for more information on export controls and economic sanctions.
- There has been a long-term trend of "import substitution" serving as an official policy of the Russian government. Preferential financing for Russian companies, soft guidelines that limit the purchase of foreign products, official "buy-Russian" preferences in government tenders, and mandatory storage of customer data on local servers are representative of policies that can inhibit U.S. firms' ability to compete from a price/quality standpoint.
- While business rule of law had improved in the last two decades in Russia, it remains weak by Western standards, and has arguably worsened, as illustrated by the high-profile arrest in early 2019 of a long-term American investor on criminal charges for issues relating to a business dispute..

- Burdensome regulations, the preponderance and strength of state-owned enterprises, and government policies encouraging localization present challenges to U.S. exporters. Russia is included on the Special 301 Priority Watch List due to significant shortcomings in protection of intellectual property rights (IPR). While the character and severity of these IPR risks varies by industry, the prospect of compulsory licensing for pharmaceuticals is among persistent challenges.
- With real incomes flat in recent years, Russian importers and consumers remain price-sensitive and will ask a lot of questions about the product/service offering. Prospective exporters need to come with convincing arguments to support a strong negotiating position.
- Outside of universities and the circle of internationally-active companies, English is not widely spoken, even in large cities such as Moscow and St. Petersburg. A little conversational Russian can go a long way, especially in de rigeur meals and toasts when you meet new business contacts. See more in *Business Travel*.

Market Opportunities

With a vast landmass, extensive natural resources, more than 142 million consumers, and pressing infrastructure needs, Russia remains a major potential market for U.S. exporters. Russia is the world's eleventh largest economy by nominal gross domestic product (GDP) and the sixth largest by purchasing power parity (PPP), as cited by the International Monetary Fund (IMF). According to the IMF, 2019 GDP per capita (PPP based) was \$29,642. Russia is a high-income country, with an educated, trained workforce and sophisticated, discerning consumers.

A combination of low oil prices, structural limitations, and sanctions pushed Russia into a recession in 2015, with the economy contracting by 4 percent, followed by a 0.6 percent drop in 2016, and a return to positive growth in 2017. In 2018, the real GDP growth rate was 2.5% and according to IMF estimates, the real GDP growth rate in 2019 was 1.3%. Pre-COVID, *The Economist* estimated that structural weaknesses, low levels of investment, and fiscal tightening would keep GDP growth at about 1-2% a year in the medium term. The IMF has forecast 2020 GDP growth at -6.6 percent, in large part due to the worldwide health crisis.

In terms of trade in goods, Russia was the United States' 40th-largest export market and the 20th-largest exporter to the United States in 2019. Russia was the United States' 26th-largest trading-partner overall. [U.S. exports to Russia](#) in 2019 were \$5.8 billion, a decrease of 13% from 2018 (although U.S. exports of products other than commercial aircraft actually dropped very modestly in 2019). [Russian exports to the United States](#) in 2019 were \$22.3 billion, an increase of 7% from 2018. In 2019 Russia's [leading individual trading partners](#) were China, the Netherlands, Germany, Belarus, the United States, Turkey, Italy, South Korea, Japan, and Kazakhstan.

In 2018, the [latest available data](#) showed that the U.S. direct investment position in Russia was \$14.8 billion, an increase of 6.5% from 2017. The direct investment position of Russia in the United States was \$3.9 billion, a decrease of 7.1% from 2017. Given the prevalence of third-country trade and investment channels, official figures for U.S.-Russian trade and investment likely understate U.S. companies' levels of business with Russia. Many American firms view the Russian market as a long-term, strategic play given its large population, natural resources, growing consumer class, and access to a relatively low-cost yet well-skilled labor force.

Russia joined the World Trade Organization (WTO) in August 2012. In the same year, Congress also enacted legislation to establish permanent normal trade relations with Russia. Russia's commitment to not raise tariffs on any product above the negotiated rate meant that U.S. manufacturers and exporters experienced more certain and predictable access to the Russian market.

For American businesses, Russia's accession to the WTO also provided the following benefits, although Russia has been slow to fulfill or has backtracked on certain of its WTO obligations:

- 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; and
- More effective WTO dispute resolution mechanisms.

In some areas, subsequent Russian government actions, such as prohibitions it has placed on imports of U.S. and European agricultural products since August 2014, have effectively negated market-opening measures that resulted from Russia's entry into the WTO.

Market Entry Strategy

Russia is a market for internationally experienced U.S. firms of all sizes with compelling product/service offering. Be prepared to invest significant time, personnel and capital on the front-end to ensure success down the road.

Given the complexities and challenges, the U.S. Commercial Service in Russia has devised two unique programs to assist U.S. Companies operate in the non-sanctioned portions of the economy. For more information, please contact our office directly.

- 50 State Strategy -With the goal of having companies engage in productive business to business engagements, the U.S. Commercial Service in Russia has created a platform for U.S. states and Russian regions to engage and bring together potential business partners in the non-sanctioned portion of the Russian economy.
- Trade Talks - Recognizing that U.S. Companies do not have the same opportunities to engage with senior decision makers due to the bilateral relationship, the U.S. Commercial Service in Russia has created the "Trade Talk" series, sectoral focused high-level events that allow multiple U.S. companies to deliver important messages about their solutions to a select audience of decision makers.

General:

- Use the resources of the U.S. Commercial Service in Russia to get to market more cheaply, quickly and for the long-term. We work with the U.S. Foreign Service's economic officers and the U.S. Foreign Agricultural Service to help American firms find reliable partners quickly and expand existing business in Russia and throughout Eurasia.
- Network with the American Chamber of Commerce in Russia and the U.S.-Russia Business Council. These two organizations have in-depth knowledge of the market and can help you network with other American companies who have "been there."
- Face-to-face business is an important factor to Russian partners. Frequent travel and communication will help your business grow and manage the inevitable problems that will arise in this developing market.
- Think long-term. Russia is not a market for quick and easy wins.

Leading Sectors for U.S. Exports and Investment

Agribusiness

Agricultural machinery and food processing equipment are not subject to U.S. sectoral sanctions or to Russia's "countersanctions" on agricultural products and are generally allowed to be sold without restriction. Russia's agricultural market has immense potential, with 220 million hectares (544 million acres) and the potential to feed two billion people, according to the Food and Agriculture Organization of the United Nations (FAO). Four federal districts (the Central, North Caucasus, Urals and Volga) produce 73% of agricultural outputs in Russia.

Russia's agricultural revenues grew 4% in 2019 to \$91 billion. Crop production increased by 6,1%, while livestock production increased by 1.6% comparing to 2018. According to Russia's Ministry of Agriculture, agricultural production will keep positive trend in 2020 even in view of Covid-19 pandemic and estimates growth in the range of 2-3%.

Grain harvest in Russia in 2019 increased by 6.5% compared to last year and amounted to 120.6 million tons. In 2019, Russia was the world's largest producer of barley; the third-largest producer and the largest exporter of wheat; the second-largest producer of sunflower seeds; the third-largest producer of potatoes and milk; and the sixth-largest producer of eggs and chicken meat.

In 2018, the Russian Government announced a \$51 billion plan to boost domestic agricultural production, setting the ambitious goal of increasing food exports by 70 percent by 2024 (to \$45 billion). The increase in exports could further drive growth in domestic meat and feed production.

According to the Russian Association of Specialized Machinery and Equipment Producers ("Rosspetsmash") and Russian Customs statistics, the Russian agricultural equipment market in 2019 stayed at the same level as in 2018 and totaled about \$3 billion. In quantitative terms the largest product groups manufactured in Russia were tractors, combine harvesters and harrows. Overall, tractors and combine harvesters accounted to 54% of the total sales of agricultural machinery in Russia in 2019.

Russian Agricultural Machinery Market, 2016-2018

Indicators	2016	2017	2018
Total market size, USD billions	2.3	3.0	2.8
Y-O-Y market growth in current RUB prices, %	+25	+16.7	-1.3
Sales of tractors for agriculture and forestry, thousand units	11.3	11	10.5
Sales of combine harvesters, thousand units	6.2	6.2	5.2
Share of imported machinery, %	46	44	40
Ratio of agricultural machinery exports to domestic sales, %	5.3	4.9	6.2
For reference:			

Number of agricultural machines, units per 1,000 hectares (2,471 acres) of arable land:			
-Tractors	3.3	3.1	3
-Combine harvesters	2	2	2
Machinery renewal rate, %			
-Tractors	3.3	3.6	3.4
-Combine harvesters	6.6	6.4	5.6
Exchange Rates (Ruble to \$1)	66.8	58.3	62.9

Source: Rosstat, Rosspetsmash, Ministry of Industry and Trade of the Russian Federation

The Russian government has made it a priority to increase domestic production of agricultural equipment, and is providing manufacturers incentives to localize as part of its strategy to achieve the goals of having 80% of agricultural machinery used in Russia produced domestically, tripling overall equipment production, and increasing exports of agricultural equipment by a factor of 12 by 2030.

Since 2013, Russia has maintained several federal programs offering subsidies to local equipment producers. However, there have been concerns that not all manufacturers receive equal treatment under the law and certain foreign-headquartered producers are excluded from these programs, despite having localized manufacturing. Overall, from 2013 to 2019, the production of agricultural machinery in Russia increased 3.4 times, the share of locally produced machinery increased 2.2 times and amounted to 58% in 2019 (Source: Rosspetsmash).

Imports of Certain Categories of Agricultural Machinery to Russia in 2019

Category	Total Imports, \$ mln	Imports from US, \$ mln	US Imports Share, %
Tractors (HS Code 8701)	1,131	69	5
Harvesting or threshing machinery (HS Code 8433)	534	33	6
Agricultural, horticultural or forestry machinery of soil preparation or cultivation (HS Code 8432)	391	38	10

Source: Russian Customs Statistic

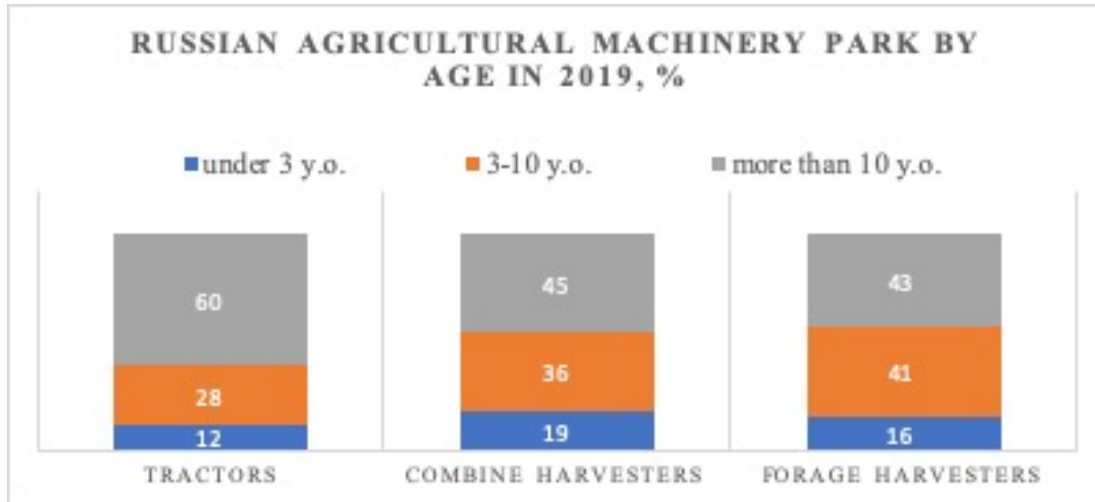
However, Russia's agricultural machinery market still remains highly dependent on imports. In 2019, the share of the imported machinery accounted to 42% (2% growth from 2018). In the total number of tractors produced in Russia in 2019, the share of Russian brands was 51.1%. The rest 48.9% were tractors assembled in Russia from foreign-made parts, 26.9% of which were products of Minsk Tractors Plant (Belarus), 4.6% -- of Kharkov Tractors Plant (Ukraine), and 17.4% belonged to foreign brands such as John Deere, Claas, Versatile, New Holland, Agtron, Axion, and Xerion.

Top 5 leading Russian manufacturers of agricultural machinery (as of April 2019):

- Rostselmash (Rostov-on-Don)
- St. Petersburg Tractor Plant (St. Petersburg)
- KLEVER (Rostov-on-Don)

- Eurotekhnika (Samara)
- ALMAZ (Rubtsovsk Plant of Spare Parts, Rubtsovsk)

There is an acute need for modernized agricultural machinery in Russia, but equipment purchase growth is further constrained by high credit costs and geopolitical uncertainty. The government is attempting to compensate for these challenges and stimulate investment in capital purchases by offering various subsidies for strategically important subsectors, including meat and milk production.



Source: Ministry of Agriculture, Rosspetsmash

Food production and processing represents a key component of Russia's economy. As of 2019, there were more than 22,000 food processing companies operating in Russia, employing an estimated 2 million people (Source: Agroprod mash-expo). Over the last three years, Russia's food processing has grown by an annual average of five percent. Globally, Russia has the eighth largest market for packaged food products. In 2019, revenues from Russia's food and drink processing sectors reached \$102.4 billion. Food production turnover increased 6.5 percent from 2018, while the beverage sector increased 11.9 percent.

Russia's growth is stimulating investment and innovation not only in equipment, but also in product development. The fast-moving consumer goods (FMCG) segment has remained the most stable sub-sector with 80% share of food products. Additionally, the demand for packaged products is expected to increase and reach 29 million tons by 2020.

Over the past 10 years, the import of food processing and packaging equipment has doubled in Russia and accounts for 87% of the market. The volume of imported food processing and packaging equipment in Russia (HS code 8438) amounted to about \$557 million in 2019 including \$16 million from the United States (Source: Statimex.ru).

The Russian packaging market consists of the following segments: metal (10%), glass (12%), soft plastic (21%), hard plastic (21%), paper and cardboard (36%). There are currently more than 2,000 companies involved in the packaging process and about 900 companies involved in the production or distribution of packaging machinery. Russian food and food processing industry enterprises often buy equipment directly from manufacturers, and large businesses enterprises typically prefer new, imported equipment. Less expensive, second-hand models are often purchased by small- and medium-sized businesses.

Government policies in the food and agriculture sectors offer U.S. food processing and packaging technology providers new commercial opportunities. The domestic consumer goods and packaging industry is under pressure to improve its competitive edge and offset the decline in imports. The ban on imports of food from a number of countries, along with the Russian government's import substitution policy, means that the Russian food industry will continue to develop and expand in a favorable competitive environment, incentivizing investment in modern technology for processing and packaging.

Leading Sub-Sectors

- Forage, irrigation and soil preparation equipment including plows, harrows, cultivators, seeders, and fertilizer spreaders;
- Equipment for dairy livestock breeding, swine, and poultry production; milk processing and animal feed preparation equipment;
- Equipment for vegetable production including greenhouse technologies;
- Meat and poultry processing equipment (the highest demand is in turkey processing and packaging);
- Dairy processing and packaging equipment;
- Baking equipment, both for small bakeries and large bread-making factories.

Opportunities

- One of the biggest consumer markets in Europe with 144 million consumers;
- Russian food industry will continue to develop and expand in a favorable competitive environment, incentivizing investment in modern technology for processing and packaging;
- Increasing sales of meat, fruits, and vegetables are driving corresponding equipment sales in these sectors.

Challenges

- High interest rates for purchasing agricultural equipment. Current interest rates for the purchase of foreign equipment from Rosselkhozbank, Rosagroleasing and Sberbank vary from 11 to 20%;
- Reduction in government subsidies for agricultural producers;
- Low growth in foreign investments in the sector;
- Unstable demand for agricultural equipment, due to the financial instability of Russian farming enterprises; and
- A “utilization” fee introduced in February 2016, which imposes prohibitive fees for agricultural equipment older than three years.

Trade Events

U.S. firms interested in the Russian agricultural market may wish to consider setting up exhibitions at one of the key Russian agricultural trade shows or working with the U.S. Commercial Service to organize a booth at one. Such events often lead to direct sales and are powerful marketing tools that serve to reassure Russian buyers that the U.S. supplier is committed to establishing and maintaining a presence in the market. To be successful in the long-term, it is important to remain connected with potential customers and use every opportunity to maintain a presence in the market.

Major agricultural trade shows in Russia (the dates can be moved, please check actual info on websites):

[Meat & Poultry Industry Russia](#)

October 06-08, 2020

Moscow, Russia

[AgroSalon](#)

October 06-09, 2020

Moscow, Russia

[YugAgro](#)

November 24-27, 2020
Krasnodar, Russia

[AgroFarm](#)

February 2020 (TBC)
Moscow, Russia

[RosUpak](#)

June 15-18, 2021
Moscow, Russia

[Agroprod mash](#)

October 5-9, 2020
Moscow, Russia

Web Resources

[Ministry of Agriculture](#)

[Ministry of Industry and Trade](#)

[RosSpetsMash, the Association of Russian Specialized Machinery and Equipment Producers](#)

[UNIPACK, major packaging industry web portal](#)

[Russian Customs Service](#)

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Cosmetics & Toiletries

Overview

	2017	2018	2019	2020 estimated
Total Exports	657 251	683 982	772 310	800 000
Total Imports	3, 112 753,	3, 338 849	3,475 227	3, 500 000
Imports from the US	188 671	226075	246000	268000
Total Market Size	8,600 000	8,800 000	12,500 000	11,000 000
Exchange Rates	58,25	62,78	64,55	73

(total market size = (total local production + imports) - exports)

Units: \$ millions

Source: Russian [Foreign Trade](#)

Since 2013, the Russian beauty market experienced annual growth and reached around \$12.5 billion in 2019. Even after this growth, the Russian beauty market still has great business potential, taking into account market research that roughly 40% of women and 35% of men in Russia highly value the role of beauty products in their daily routines. Market experts forecast further growth at a compound annual growth rate (CAGR) of 5.09% during from2020-2024. Growth drivers for that period will be premium beauty and personal care products with high quality ingredients.

In Russia, the perfumery and cosmetic sector heavily rely on imports; the share of imported beauty products in the Russian market reached 65% in 2019. According to Rosstat, reports on monetary volumes of imported cosmetics the import leaders are the following countries: France, Germany, Italy, the United States, Poland, the United Kingdom, Korea, China, Ireland and Spain.

The leading players on the Russia beauty and personal care market are L'Oreal Group, Procter & Gamble, Beiersdorf AG, Avon Products, Inc., Unilever, The Estée Lauder Companies Inc., and the Shiseido Company.

Over the past five years, there have been no major changes in the structure of sales. Distribution is done through retail in shopping malls or standalone shops, while e-commerce is rapidly developing into a strong competitor to direct sales for all mass and premium brands. Leading market players tend to have presence in all forms of distribution channels. Due to increasing competition, innovation in the beauty sector is rather high. Companies focus on digital content and pricing.

According to M.A. Research, by the beginning of 2019, 276 drug store chains were operating in Russia that specialize in the sale of household chemicals, household goods, cosmetics and similar formats. Perfume and cosmetic chains and retail pharmacy chains operate more than 19,500 stores in Russia. For the last three years, the total number of retail pharmacy chain stores has more than doubled from 9,600.

Leading retail pharmacy chains in Russia:

Magnit Kosmetik — 5187 stores

Ulibka Radughi — 799 stores

Rubble Boom — 605 stores

Novex — 270 stores

Seven Days — 250 stores

Podruzhka — 237 stores

Fortuna — 198 stores

Parfum-Leader — 148 stores

Sem+Ya — 132 stores

Vprok — 104 stores

In 2019, there was nearly 25% growth in e-commerce trade in Russia. The majority of consumers still preferred offline shopping, but almost half of them also purchased beauty products online. According to market statistics, female consumers spent more in online beauty stores than in traditional shops. Males visited online stores less.

In 2020, while offline shopping traffic had a negative dynamic, especially in Moscow, major cosmetic retailers adjusted their businesses, investing and relying on e-commerce and on sales of various hygienic products. The sales of beauty products in online marketplaces such as Ozon and Wildberries are the main growth drivers. For example, in the first half of 2019, sales of beauty products in Wildberries grew by 158% compared to the same period in 2018, in Ozon in the first half of 2019, sales increased by 250%. Key sales drivers here are: large assortment of brands not represented in retail, constant discounts and promotions, as well as all-Russia expansion.

Based on the results of the first two quarters of 2020, market experts expect a sales decrease of no more than 10-15%: during the pandemic, online sales of cosmetics held at a steady pace. In addition, in Russia, the peak of sales of cosmetics fall from November - March, when restrictions on offline retail due to the pandemic are projected to lessen.

Leading Sub-Sectors

The Russian beauty market is showing significant structural changes that indicate a change in consumer priorities and, as a consequence, a change in their purchasing behavior. Among the main changes - a significant reduction in the share of spending on decorative cosmetics and perfumes and an increase in the cost of skin care cosmetics. Over the 2019 sales of skin care products increased by 3% in monetary terms and 10% in units, outpacing market growth in other sectors. The category has seen an increase in products that are positioned as natural, and anti-aging. Facial masks and patches are the main drivers of the skin care segment. Their sales grew by 33% in monetary terms in 2019.

Opportunities

- Masks and face patches
- Skin care products
- Hair care products
- Baby cosmetics

Trade Events

[Intercharm](#)

October 28-31, 2020

Moscow

[Intercharm Professional](#)

April 22-24, 2021

Moscow

Web Resources

[Association of Manufacturers of Perfumery, Cosmetics, Household and Hygiene goods Russian Association of Perfumery and Cosmetics Spa and Wellness](#)

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Construction & Infrastructure

Overview

After average annual growth of 12% from 2010–2014, the Russian construction industry experienced a decline of 7.4% in 2015 and 2.1% in 2016, in real terms. This was due to Western sanctions, a fall in revenue generated from oil exports, and weak European market conditions. Together, these factors reduced the government’s ability to spend on infrastructure projects. However, the industry has started to recover since 2017, due to the government’s focus on developing the country’s manufacturing sector to diminish its reliance on oil exports. In 2017, the industry was supported by government plans to complete transport infrastructure, energy and utilities projects, and residential buildings in anticipation of the 2018 FIFA World Cup. Robust and modern infrastructure is vital to economic growth and international competitiveness and therefore, the government is focusing on infrastructure development.

The Russian government is pursuing a 6.3 trillion-ruble (\$87.5 billion) modernization plan to revamp the country's highways, airports, railways, ports and other transportation infrastructure through 2030. In addition, the Russian government allocated another 4.8 trillion rubles (\$66.6 billion) to the “Safe and High-Quality Highways” project. This comprehensive plan is geared toward improving the connectivity of Russia’s regions and developing strategic road routes, including the Europe-Western China transport corridor and the Northern Sea Route.

By 2030, the government is planning to install 6,835 miles/11,000 km of fresh railroad tracks, linking the cities of Moscow, St. Petersburg, Samara, Krasnodar, and Novosibirsk. New railways mean that demand for new train depots, stations, and connecting roads is anticipated. High-speed rail is a significant component in Russia’s transport upgrade regime. Russia’s rail network is currently seeing major construction work under the guidance of rail monopoly RZD (Russian Railways). RZD is currently building 12,427 miles / 20,000 kilometers of new lines, to be completed by 2030 at an estimated cost of \$61 billion.

Russia has apportioned hundreds of billions of dollars for new roadways, including major highways. For instance, there are plans to construct a new highway along the Black Sea coast between Dzhugba and Sochi. The 130 mile / 210 kilometer, four-lane route has an estimated cost of \$19 billion and will become a key artery for trucks hauling goods from European Russia into its southern regions.

Another large project work underway is a 1243 mile / 2,000 kilometer stretch of road called the Meridian Highway. This falls under China’s global, One Belt One Road (Belt and Road) project, of which Russia is a member. The Meridian Highway spans Russian territory from the border of Kazakhstan to the border of Belarus. According to government officials, this new route will be oriented to freight transportation. A high percentage of loads will be east-west cargoes from Europe to China and vice versa. A final section of the new Moscow-St. Petersburg highway is also due to be commissioned by 2020, improving links between Russia’s two major cities, both of which are major logistics hubs.

Residential construction is also reinvigorating Russia’s infrastructure sector. Moscow broke its apartment building record in Q1 2016, with the number of units rising by 4%. The need to provide housing for middle-to-low income groups is ingrained in the government’s construction plans. Its “Housing for Russian Families” program is aiming to boost housing construction significantly from 2018 to 2020. Some 500,000 two-room apartments are to be built by the completion of this plan.

Large U.S. multinationals like Caterpillar, John Deere, Wirtgen, AECOM, GE, Amsted Rail, 3M and Wabtec are quite active in segments of the Russian infrastructure market and are involved in large-scale construction projects in their respective areas of expertise.

Opportunities

There are excellent business opportunities for the U.S. construction sector (machinery, tools, technologies) in infrastructure and residential construction projects in Russia.

Trade Events

[City Build Russia](#)

October 28-29, 2020

Saint Petersburg

[Cement. Concrete. Dry Mixes](#)

November 10-12, 2020

Moscow

[Batimat Russia](#)

March 3-6, 2021

Moscow

[MosBuild](#)

March 30-April 2, 2021

Moscow

Web Resources

[Ministry of Construction of the Russian Federation](#)

[Ministry of Transport of the Russian Federation](#)

[National Projects](#)

[Federal Road Agency](#)

[Russian Asphalt Pavement Association](#)

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Financial Services

Overview

The banking sector is the key component of the financial system. Credit institutions conduct settlements, safeguard clients' funds in bank accounts and transform these funds into loans to the economy. As per the Central Bank of Russia, of July 1, 2020 there are 388 operating banks (257 banks with a universal license and 131 banks with a basic license) and 39 non-bank financial institutions in Russia.

Banks and non-bank financial institutions offer financial services to clients based on banking licenses issued by the Bank of Russia. There are two types of banking licenses in the Russian Federation: a universal license issued to banks whose equity exceeds 1 billion rubles, and a basic license for banks whose equity ranges from 300 million to 1 billion rubles. A basic license provides for simplified regulation, but it also involves a number of restrictions. Two-thirds of the banks in Russia hold universal licenses (they account for over 95% of total assets in banking), while the remaining banks have basic licenses.

Russia also has a deposit insurance system in place protecting depositors' interests. It covers the funds of consumers, individual entrepreneurs and small businesses. Most banks have joined this system, and the maximum insurance coverage established by the system amounts to 1.4 million rubles, including interest accumulated.

In Russia, the ratio of bank assets to GDP is approximately 90%. Over one-half of credit institutions' assets is accounted for by loans, of which two-thirds are corporate loans and one-third is retail loans. Bank liabilities are dominated by the funds of clients—businesses and individuals.

The primary pieces of banking legislation are:

- The Civil Code of the Russian Federation;
- Federal Law No. 395-1 “On Banks and Banking Activities” dated 2 December 1990;
- Federal Law No. 86-FZ “On the Central Bank of the Russian Federation” dated 10 July 2002;
- Federal Law No. 177-FZ “On the Insurance of Deposits in the Banks of the Russian Federation” dated 23 December 2003;
- Federal Law No. 353-FZ “On Consumer Credits (Loans)” dated 21 December 2013 (“Consumer Credit Law”); and
- Federal Law No. 115-FZ “On Combating Money Laundering and the Financing of Terrorism” dated 7 August 2011 (“Anti-money Laundering Law”).

A foreign bank may establish a subsidiary in Russia in the form of a Russian legal entity (joint-stock company or limited liability company).

The total share of foreign investment in the charter capital of all credit organizations in the Russian banking system may not exceed 50%. If this limit is reached, the Bank of Russia is entitled to refuse to register Russian credit organizations with foreign investments and to issue banking licenses to them.

According to the International Monetary Fund Report, the Russian banking sector is better positioned to face the current stress than in previous crises. To reduce the immediate economic impacts and support the financial sector, the Russian Government and the Central Bank have announced a range of policy responses aimed at injecting liquidity and easing monetary conditions, supporting the banking sector and its borrowers, stabilizing financial markets, supporting non-bank financial institutions and facilitating the use of digital payments. In Russia, this includes measures such as:

- continuously providing support for the ruble and FX liquidity;
- allowing regulatory forbearance for banks and micro-finance organizations to allow the restructuring of loans to SMEs, to firms in the most affected sectors and to individuals affected by the pandemic as well as softening requirements for lending to the most affected industries;
- expanding subsidized lending and partial credit guaranty programs for SMEs and affected industries;

- simplifying the use of digital payments;
- postponing a number of changes to the regulation of credit organizations;
- reducing the regulatory and supervisory burden on financial institutions;
- maintaining the availability of insurance services;
- supporting professional participants in the securities market and the trading and clearing infrastructure; and
- supporting collective investment market participants, among others.

The Central Bank of Russia and the government have demonstrated their willingness and capacity to provide support to the sector when required. The Russian government bought control of Sberbank, Russia's largest financial institution, from Russia's Central Bank; the transaction will help compensate for the lost revenues due to the slump in oil process and to meet social obligations increased by the pandemic. In April, the Russian government completed the purchase of a majority stake in Sberbank from the Central Bank of Russia in a 2.1 trillion-ruble (US\$28.5 billion) deal.

In Russia, where digital payments are already prevalent, the pandemic could be a significant catalyst for further advancement of the use of digital financial services. In 2018, the Russian Central Bank created a regulatory instrument in order to encourage new financial services and technologies such as a system of fast payments, a unified system of biometric identification and a financial supermarket.

Fintech partnership programs designed to help early-stage startups to meet market needs were set up in 2018 by Sberbank, Raiffeisenbank, Tinkoff, and Alfa Bank. Several banks also acquired startups in the field of loyalty and payments, including Alfa Bank (Cardsmobile) and Tinkoff (Cloudpayments). The UK fintech unicorn Revolut also entered Russia in 2018 via a licensing deal with Qiwi Bank.

In 2018, the Bank of Russia approved the Guidelines for Financial Technology Development for 2018-2020. In order to develop financial technologies in 2018-2020, the Bank of Russia has set the following objectives:

- promoting competition in the financial market;
- raising financial inclusion, and increasing the quality and range of financial services;
- reducing risks and costs in the financial sector;
- ensuring security and stability in applying financial technologies;
- raising the competitiveness of Russian technologies.

Russia's Central Bank also launched a Fintech Association in 2016.

Leading Sub-Sectors

According to EY Russia Financial Services Growth forecast, by 2035:

- 96.3% of all transactions in Russia will be performed using innovative services for making payments and remittances;
- 36.7% of financing will be provided using innovative financing services;
- 46.1% will be paid to FinTech service operators to maintain insurance;
- 9.8% Insurance (InsurTech) of assets will be managed using innovative services for investments and capital management;

Online banking and digital payments

Digital payments and personal finances are the two major segments of the fintech industry in Russia.

According to Statista, in 2019, the total value of electronic payments was over 613 trillion Russian rubles (\$8.5 trillion), while the value of bank card payments constituted to about 27 trillion Russian rubles (\$375 billion). Bank cards were the second most employed method of payment after cash in the country as of 2019, among which MasterCard, Visa and the National Payment System Mir were the market leaders and recognized as socially important by the Central Bank of Russia.

According to the Digital Market Outlook, the Digital Payments segment in Russia was expected to grow to nearly 69 billion U.S. dollars in 2024. Personal financing was the second major FinTech segment in the region, with an expected value of over 20 billion dollars by 2024.

Neobanks

Neobanks are fully digitalized financial institutions that lack physical branch networks and operate with products related to financial technologies. Founded in 2006 as a branchless bank card issuer, Tinkoff Bank with its 8-10 million customers is one of the largest virtual banks in Russia.

Opportunities

Online payments, Digital payments, Neobanks, FinTech start-ups

Web Resources

Ministry of Finance

Central Bank of Russia

The Association of Russian Banks

Russian FinTech Association

Sberbank

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Information & Communication Technology

Overview

With a population of 144 million, Russia's IT market is one of the world's largest, with significant potential. By 2025, there are expected to be 124 million Internet users in Russia. According to the International Data Corporation (IDC), a global leader in market intelligence for IT, the value of the Russian IT market grew 7% to a value of \$24.8 billion in 2019. The main growth drivers in 2019 were concentrated in software, services and hardware solutions.

As of 2019, 1.3 million people were employed in the IT sector (1.7% of the employed population of Russia, 2.7% of GDP). In terms of its share in GDP, the sector is comparable to energy supply (2.9% of GDP), and is lower than agriculture (4.4%), the financial sector (4.2%), construction (6.4%), and mining industry (10.4%).

Increases in IT spending have been noticeable in the banking and oil and gas industries as well as the public sector. Reflecting the structure of the economy, IT expenditures are concentrated among the 100 largest Russian companies, which account for 85% of total IT spending.

The industry's fastest growing segments are hosting, software maintenance and administration, consulting, software customization and information security services. Market leaders believe ongoing digitalization of the Russian economy will lead to an increase in demand for IT services.

The Russian government is striving to enhance the use of modern technologies in everyday life, while attempting to maintain significant control over the information available on the web. For the past few years the industry's regulatory framework exhibited very positive development trends which resulted in the adoption of the Telemedicine Law (2018), Law on Critical Infrastructure (2017), Online Cash Register Law (2017), amendments to the Public Private Partnerships Law (2018), allowing the IT infrastructure to be managed under Concession agreements, and a number of tax incentives for the industry were introduced.

However, the beginning of 2020 has shown signs of recession for ICT market as the industry experienced the adverse effect of the pandemic after its moderate growth in 2019, according to IDC experts. The alarming situation attracted the government's attention, and the Russian President convened a meeting in June 2020 devoted to the development of the ICT industry, setting out an unprecedented strategy to support it by creating globally competitive conditions for IT businesses and IT specialists in Russia. The government has published the "IT tax maneuver" law, which decreases the corporate tax rates from 20% to just 3%. The new legislation will reduce social security tax rates to 7.6%, compared to 30% in other sectors of economy.

The United States is one of the leading suppliers of IT products and technologies in Russia's highly competitive market. The quality level of most of domestic products is lower than that of foreign manufacturers, but Russian firms are frequently trying to sell products and services at lower prices. Google, Apple, IBM, Cisco, Oracle, Intel, Dell, and HP are among U.S. market participants that face competition from Russian firms including Kaspersky Lab, Yandex, 1C, Cognitive Technologies, EPAM Systems, CFT, Luxoft, Abbyy, Acronis, Parus, CBOSS, and Mail.Ru.

The largest local IT companies in Russia in 2019, according to *TAdviser*, a Russian IT-focused media outlet.

- Rostech Corporation (Diversified ICT Services and Products)
- NCC (Diversified ICT Services and Products)
- Lanit (System Integrator, Engineering and Consulting)
- Softline (Digital Transformation, Cyber Security, Cloud Services)
- 1C (Data Analyses, IT Services)

As projected by the various industry experts (Baker McKenzie, Deloitte, IDC) the new conditions in the ICT industry will result in higher software prices for consumers and increased prices for mobile Internet. The remote

working patterns will require investment in hardware, in tackling information security incidents, and in IT infrastructure development.

The main barriers mentioned by the industry players are difficult political conditions, restrictions on doing business with sanctioned industry sectors (energy, finance, and defense), and immaturity of solutions based on breakthrough technologies. Experts mention the government's policy of building the digital economy and the rapid development of the IT services sector as a main driver of industry growth. Overall, the experts emphasize positive trends in the ICT sector, including the formation of a highly favorable institutional environment, expansion of international cooperation, inclusion of SMEs into the digitalization processes, and the accelerated implementation of the Internet of Things (IoT) concept, which is anticipated to lead the ICT industry to recovery in 2021-2022.

Leading Sub-Sectors

Government, Banking Industry, Oil and Gas, Metals and Mining Industry, Transportation, Data Centers, Utilities and eCommerce

Opportunities

Best Prospects: Cloud Computing, Artificial Intelligence, Internet of Things, Virtual Reality, Big Data, Telemedicine.

Trade Events

[Integrated Systems Russia \(Audio Visual Equipment\)](#)

October 27-29, 2020

Moscow

[Svyaz Expo \(Telecom\)](#)

April 21-24, 2020

Moscow

Web Resources

[Ministry of Digital Development, Communications and Mass Media of the Russian Federation](#)

[Roskomnadzor](#)

[IDC Research Agency \(Information Technology Sector in Russia\)](#)

[TAdviser \(Media Portal for IT Industry in Russia\)](#)

[CNews \(IT Media\)](#)

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Medical Equipment

Overview

	2017	2018	2019	2020 estimated
Total Local Production	1,355.8	1,508.8	N/A	N/A
Total Exports	160.1	166.6	N/A	N/A
Total Imports	3,336.3	3,682.8	N/A	N/A
Imports from the US	N/A	N/A	N/A	N/A
Total Market Size	4,532	5,025	5,189	5,075
Exchange Rates	58.5	60.4	64.7	71.0

(total market size = (total local production + imports) - exports)

Units: \$ millions

Source: Fitch Solutions (former Business Monitor International)

The Russian medical device market is very attractive for U.S. companies, and is one of the largest in central and eastern Europe. Despite Russian Government efforts to develop a strong and robust medical technology industry, public medical facilities prefer to buy medical devices from foreign manufacturers if they have the choice and means. In February 2017, the Russian government extended the re-registration deadline for medical devices until 2021, which averted the need for rushed re-registration efforts that would have cost much time, effort, and money for medical device manufacturers currently present on the Russian market.

In addition, the five countries of the Eurasian Economic Union (EAEU) are moving toward a common market for medical devices. This process commenced in January 2016 and should be completed by January 2021, when manufacturers will have a choice to apply for solitary marketing authorization or a registration certificate valid for all EAEU five member-countries. The Eurasian Economic Union Commission, the main governing body of EAEU [publishes](#) the most recent information about registration process, notified bodies and already registered medical devices.

Russia's 2018 market for imported medical devices was segmented as follows: diagnostic imaging: 19.6%; consumables: 15%; dental products: 9.8%; orthopedics & prosthetics: 9.3%; patient aids: 14%; and "other medical devices:" 32.3%. Industry experts generally foresee growth in medical device imports in the coming years.

Principal U.S. exports include high-tech medical products, diagnostic imaging, and orthopedics and prosthetics. Chinese exports consisted mostly of bandages and dressings, and therapeutic appliances. The following American medical device manufacturers are among those present in the Russian market: J&J, GE Healthcare, Medtronic, Varian, Baxter, and Stryker. Among the leading European manufacturers present in Russia are Philips and Siemens.

Leading Sub-Sectors

In February 2015, Russia barred foreign medical device manufacturers from participating in government tenders for a specific list of medical devices (mostly low-technology goods) if at least two producers from EAEU member countries participated in the tender. In December 2016, the Russian government expanded the list of covered goods to include 86 additional products (such as gauze and cotton dressings, glucometers, defibrillators, and certain types of tomography scanners). Despite this preference, there are still opportunities for U.S. suppliers where EAEU analogs do not exist. These devices usually use innovative technologies and require large investments in R&D, including diagnostics and visualization, cardiovascular, ophthalmology, orthopedics, laboratory diagnostics, and urology equipment.

Opportunities

Russia's aging population contributes to the medical device market's growth potential. As a result of the Russian national project "Health," carried out from 2005 to 2011, over 10,000 municipal polyclinics received new high-tech medical equipment. This equipment needs servicing, spare parts, and disposables, providing an opportunity for U.S. companies to supply these products and services.

During President Putin's May 7, 2018, inaugural address, he spoke about healthcare issues and his comments were reflected in the decree, "On the National Goals and Strategic Objectives of the Development of the Russian Federation through 2024." As part of this initiative, Russia is undertaking efforts to enhance systems for early disease detection and distance monitoring. The main areas of focus are cancer, cardiovascular and pediatrics; anticipated total healthcare investments for the next six years will be approximately \$160 billion.

Opportunities for U.S. medical device producers exist not only in Moscow and St. Petersburg, but also in Russia's other regions. The ["Russian Strategy for the Development of Medical Science until 2025,"](#) which was approved in 2013, indicates concrete opportunities for U.S. companies that can provide scientific equipment for use in research and development.

Because of the pandemic, the Russian government signed [Resolution No. 233](#) on March 2, 2020 that temporarily banned the export of 16 types of medical devices including face and surgical masks, respirators, protective glasses and clothes. Though this ban was supposed last until June 1, 2020, it was lifted on April 30, 2020, a really good indicator for potential investment by U.S. companies.

In addition, the Russian government adopted [Resolution No. 299](#) on March 18, 2020, which made state registration much simpler and faster (5 days) for 36 types of low-risk protective medical devices, including surgical and protective face masks, respirators, medical protective clothes, surgical suits, medical gloves, etc.

On April 3, 2020, another simplified registration procedure (6 days) for medical devices and IVDs intended to diagnose and treat COVID-19 was established by the Russian government in [Resolution No. 430](#). In addition, there was a list of some medical devices and IVDs that can be imported without registration until December 31, 2020.

Trade Events

[Moscow International Optical Fair \(MIOF\)](#)

September 12-14, 2020

Moscow

[Russian Congress of Laboratory Medicine](#)

July 23- December-17, 2020 (series of online events)

Moscow

[Dental Expo](#)

September 21-24, 2020

Moscow

[International exhibition of equipment for non-destructive testing and technical diagnostics \(NDT\)](#)

October 27-29, 2020

Moscow

[International exhibition of testing and measuring equipment, testing and control](#)

October 27-29, 2020

Moscow

[Zdravookhraniye, International Exhibition for Health Care, Medical Engineering and Pharmaceuticals](#)

December 7-11, 2020

Moscow

[Analitika Expo](#)

September 22-25, 2020

Moscow

Web Resources

[Ministry of Health Care](#)

[Ministry of Industry and Trade](#)

[Federal Customs Service](#)

[Federal Service for Surveillance in Healthcare \(Roszdravnadzor\)](#)

[International Medical Device Manufacturers Association \(IMEDA\)](#)

[Dentons](#)

[Remedium](#)

[Vademecum](#)

[Fitch Solutions \(former Business Monitor International\)](#)

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Polymers, Plastics and Polymer Processing

Overview

The Russian polymer market has dynamically developed in the last decade. According to the Russian Federal Statistics Service, production of all polymers in Russia was 8.756 million tons in 2019, including 2.357 million tons of polyethylene, 1.046 million tons of polyvinylchloride and 550 thousand tons of polystyrene.

The Russian polymer market is far from saturated, as evidenced by the very low consumption of polymers, which in 2019 was 46.3 kg per person, a figure two times lower than in developed countries. The consumption has been growing consistently for the last couple of years: 6340 thousand tons in 2017, 6530 thousand tons in 2018. and 6791 thousand tons in 2019.

Polymer demand has been growing faster than local production. Polymer imports soared by 50% and led to an increase in polymer prices, especially for polyethylene. With the increase in production volumes, new international companies have entered the Russian market.

Russia had been forecast to discontinue imports of polypropylene and become an exporter in 2014. However, some major import substitution projects were delayed, pushing back implementation of polypropylene import substitution policies.

The market of polymers is not only determined by local production, but also is affected by the share of imported plastics materials, the share of which was around 20%. Total imports to Russia of polymer products (HS codes 3916–3926) from 2013 to 2019 was 8.9 million tons, valued at about \$35.2 billion. As for the categories of imported goods, there were few cardinal changes since 2013, as the majority of imported plastic products are films - 28.7% of the total deliveries (in metric tons), followed by sheets -13.6%, goods included in the category of consumer goods (like stationery, accessories) - 11.6%, as well as pipes, hoses and fittings - 8.1%.

Nizhnekamskneftekhim (TAIF) is Russia's leading petrochemical producer, producing a significant amount of polypropylene and polyethylene. In 2019, ZapSibNeftekhim (SIBUR), the largest petrochemical complex was opened, which will lead to an increase of polyolefins production by two million tons per year. Other Russian manufacturers include Kazanorgsintez (TAIF), Tomskneftekhim (SIBUR), Gazpromneftekhim Salavat, (Gazprom), Ufaorgsintez (Bashneft and Rosneft).

The average unit value of imported equipment for plastics processing by injection, extrusion, and blow molding increased from 8% to 57%. The data includes all types of equipment for primary processing of polymers and rubber, and all types of machinery and tools for post-processing of semi-finished or finished products, as well as peripheral equipment, tooling, spare parts and accessories. Import duties on all types of equipment have not changed and are still set at 0%.

Leading Sub-Sectors

- High-tech and sophisticated polymers, like polyvinyl chloride (PVC-E)
- Polymer processing equipment like injection molding machines, extrusion and blow-molding equipment
- High quality plastics product, like sheets, pipes, hoses, fittings used in special industries

Opportunities

The modernization of Russian polymer and plastics processing companies has been underway for several years. In 2018, \$540.2 million was spent on the purchase of extrusion lines, excluding the cost of the extruders themselves, a 17% increase from 2017. The most vivid example was NTC Nizhnekamskneftekhim, which installed five lines that allowed the company to produce more than 60% of polystyrene products produced in the country. Three lines utilized American "FINO" technology, allowing the production of both general-purpose polystyrene and high-impact polystyrene. The fourth line, provided by the Italian company Polymeri Europa, ensures the production of ABS plastic with a minimal amount of additives. The fifth line was created using the Japanese technology of the

Mitsui company, allowing polystyrene production with a narrow molecular weight distribution. Other Russian manufacturers (there are more than 300 of them) are also modernizing, which offers potential opportunities for U.S. manufacturers of plastics processing equipment to enter the Russian market.

The best opportunities for U.S. exporters are in production equipment and materials that can enable local manufacturers to gain a higher market share with quality chemical products, such as polyvinylchloride, acrylonitrile butadiene styrene (ABS), and polyethylene.

Investment in the chemical sector is crucial for the Russian economy, which provides U.S. machinery suppliers with an opportunity to sell their chemical and plastic-processing equipment. [The Russian Strategy for the Development of Chemical Industry](#) is a key source for funding these purchases. Both injection-molding machines and extrusion equipment are in demand.

Domestic producers of chemical and plastic materials can currently meet the market demand for basic polymers, though foreign companies more typically supply more sophisticated products,. The market provides good prospects for chemicals and plastics from U.S. suppliers. Up to 80% of emulsion polyvinyl chrofile (PVC-E) is imported because there are not enough Russian manufacturing capabilities, and no plans to increase local production. Likewise, the share of imported polyethylene (PET) is also high, though there are some distant plans to increase local production.

Other products in demand include polyethylene materials, polyvinyl chloride sheets and films (furniture, posters), polyolefin films, polyethylene films, and many others.

COVID-19 changed the behavior of the majority of the world's population towards plastics, and Russia is no exception. Plastic products like gloves, shields, and protective gear became invaluable in fighting the disease. As the overall demand for plastics will continue to grow, the demand for polymers and monomers will also increase.

Trade Events

[Composite-Expo](#)

September 08-10, 2020

Moscow

[Polyurethanex](#)

September 08-10, 2020

Moscow

[Chemistry](#)

October 28-30, 2020

Moscow

[Interplastica](#)

January 24-26, 2021

Moscow

Web Resources

[Media Platform for Plastics](#)

[Plastics.ru](#)

[Union of Plastics Processors](#)

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Pharmaceuticals

Overview

The Russian pharmaceutical market has tremendous promise and warrants consideration by U.S. exporters. In 2019, per capita spending on medicines was \$160 per person, placing Russia 19th out of 32 central and eastern European (CEE) economies. \$19.9 billion of pharmaceuticals were sold in Russia in 2019, equal to 1.2% of GDP and 22.6% of the nation's health spending.

The Russian pharmaceutical market can be divided into prescription drugs and over the counter (OTC) medicines. Prescription drug sales have traditionally dominated the market, and this trend continued in 2019; prescription medications represented 63.3% of sales. Of this amount, sales of generics constituted 68.4% of Russian prescription sales in 2019.

	2017	2018	2019	2020 estimated
Pharmaceutical Sales	20,088	19,263	19,859	19,254
Prescription drugs sales	12,280	12,005	12,566	12,345
OTC drugs sales	7,808	7,257	7,293	6,908
Generic drugs sales	8,236	8,115	8,589	8,539
Exchange rates	58.5	60.4	64.7	71.0

Units: \$ millions

Source: Fitch Solutions (formerly known as Business Monitor International)

For many years, the Russian government accounted for approximately half of health care expenditures. However, industry anticipates a significant shift towards private healthcare spending.

The Russian healthcare system is funded by the federal government, social spending, and the Federal Mandatory Insurance Fund (FOMS). The FOMS's budget consists of two revenue streams: companies paying for their employees and the federal government paying for the unemployed. The FOMS operated at a deficit in both in 2017 (\$516 million) and 2018 (\$1.25 billion), but experts project a 2019 surplus (\$801 million) due to the scheduled increase in the payroll deduction for FOMS from 5.1% to 5.9%.

Drug manufacturers prefer not to work with retail pharmacy chains or pharmacies directly, relying instead on distributors to promote their products to retail outlets. Distributors operate vast networks of contacts and work to direct retail distribution channels. Protek, Pulse, Katren, R-Pharm, Pharmkomplekt, Grand Capital, BCC, and Profit-Med are some of the major distributors in the Russian market. The number of pharmacy chains is growing and currently exceeds 50,000. Major sales are coming from the following chains: Asna, Rigla, Erkapharm, Apteka 36.6.

U.S. pharmaceutical exporters face a complex regulatory landscape in Russia. Russia's new Good Manufacturing Practices regime may lead to delays in foreign pharmaceutical products' receiving market access, and there is relatively weak protection of intellectual property rights for patented drugs. IPR issues include erosions in regulatory data protection and patent rights, and the risk of compulsory licensing.

Leading Sub-Sectors

Cardiovascular diseases, cancer and HIV are the most prevalent diseases in Russia and are driving demand for associated pharmaceutical products. High rates of smoking and alcohol consumption also contribute significantly to illnesses. Per a 2015 WHO report, 39.1% of the Russian population smokes compared to a rate of 22.7% globally

and 27.3% in Europe. In addition, per capita alcohol consumption of 15.1 liters of pure alcohol per year between 2008 and 2010 far exceeded the global average of 6.04 liters.

Opportunities

Demographic factors will continue to drive pharmaceutical market growth as the population ages. However, the Russian government's desire to curb imports may constrain opportunities for U.S. exporters.

The Russian government is focused on creating its own pharmaceutical industry as outlined in its "Pharma 2020 Strategy," which aims to reduce the reliance of the Russian economy on imported pharmaceuticals. In July 2016, Prime Minister Medvedev said that he expected domestic production to increase from 28.5% to 75% of all medicine sold in Russia by 2020. Despite the challenges that U.S. companies face as the result of this strategy, profitable opportunities persist, including licensing agreements/technology transfers by U.S. manufacturers of pharmaceutical products, as well as U.S. manufacturers supplying pharmaceutical production and packaging equipment. The Ministry of Industry and Trade is developing the "Pharma 2030 Strategy," which will be a continuation of the existing "Pharma 2020 Strategy." In the short-to medium-term, the market for generic drugs will continue its growth due to incentives from the Russian government, as well as population's preference for cheaper drugs.

Current pandemic showed

Trade Events

[Pharmtech & Ingredients, International Exhibition of equipment, raw materials and ingredients for pharmaceutical production](#)

November 10-13, 2020

Moscow

[Zdravookhraniye, International Exhibition for Health Care, Medical Engineering and Pharmaceuticals](#)

December 7-11, 2020

Moscow

Web Resources

[Ministry of Health Care](#)

[DSM Group - Russian pharmaceutical marketing agency](#)

[Association of International Pharmaceutical Manufacturers \(AIPM\)](#)

[Association of Pharmaceutical Companies «Innovative Pharma» \(InPharma\)](#)

[Remedium](#)

[Pharmaceutical Herald](#)

[Vademecum](#)

[Fitch Solutions \(formerly known as Business Monitor International\)](#)

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Safety and Security

Overview

Russian Security and Safety Market has the potential for steady development due to the country's vast infrastructure, large geographic area, and high number of potential security threats. Traditionally dominated by foreign vendors, this market has experienced substantial changes in the last two years due to the rapidly changing political and economic climate. A weak ruble and sanctions have prompted import replacement and localization efforts.

According to the market experts, the Russian safety and security market's revenue is expected to show an annual growth rate (CAGR 2020-2024) of 20.3%, resulting in a projected market volume of US\$391m by 2024. This assessment includes the sale of electronic equipment and video surveillance systems (VSS), access control systems (ACS), security and fire alarms and alerts (FSA) excluding fire extinguishing equipment, security, integration services, and the implementation of technical means.

Starting in 2008, the Russian market of electronic physical security equipment (EPS) grew 20% per year. Over 80% of technical security equipment sales take place in the Moscow and Saint Petersburg regions. The structure of the Russian security systems market is divided into three main segments (by market size). The largest segment of the Russian market is VSS. Its share is approximately 45%. The FSA segment is quite close to it with a share of about 35%. By some estimates, it is close to 50%, due in part to a significant volume of consumers from the public sector and regular inspections for compliance of other facilities with fire safety requirements. The share of ACS reaches 20%.

Since 2018, the FSA segment of foreign production dropped the most due to the concentration of local production (more than 65%). The growth drivers for the FSA segment in Russia are the following: growth of construction and increased requirements for facilities at the legislative level.

The VSS market showed positive dynamics. While market saturation did not allow the sub-sector to expand rapidly, an overall increase in demand for security systems preserved positive growth. Nonetheless, growth is projected for the coming years.

The growth of the ACS market is associated with the general stabilization of the market situation in the past. Further growth of the ACS market in Russia will be fueled by the spread of new technologies, the emergence of new office and retail space, as well as political and legislative measures to stimulate business during the 2021-2024.

Market segment share has shifted. The segment of middle-class systems has sharply decreased. The share of the budget segment - products with basic functionality and focused on mass demand - has grown. The weight of the premium segment has increased - costly powerful systems with a wide range of capabilities, aimed at a wealthy and demanding consumer. A significant portion of orders are related to large and especially large systems. An increasing number of manufacturers and large distributors offer engineering support to their sales partners. This is because systems have become more complex, and customers are guided by the effects, and not by the presence or absence of a sensor or video camera. Large consumers show no interest in security components. They demonstrate the demand for systems that solve problems. If more expensive components are needed to solve a problem, for example, to lower the cost of ownership or get additional effects from the use of EPS, customers go for such purchases.

Leading Sub-Sectors

Video Surveillance Systems

According to the marketing research agency Discovery Research Group, the volume of the Russian market of cameras for video surveillance (VS) and security in 2019 reached 4.53 million units, against 3.82 million a year earlier (an increase of almost 19%). During this time, deliveries of devices made in Russia increased from 357,155 to 400,796 units. The share of such devices remained practically unchanged - about 9%.

The volume of imports of cameras for video surveillance and security in 2019 amounted to \$196 million. The largest share of this figure was occupied by box cameras. Among box cameras, models with a classic appearance are

popular. According to Discovery Research, most of the cameras for video surveillance and security in Russia are imported by the following brands: Hiwatch, Dahua, Hikvision, RTI, Trassir, and Axis. The largest volume of imported video surveillance and security cameras to Russia in 2019 came from China, and the largest share of the piece volume of equipment exports from Russia was taken by Dahua.

One of the main trends during the crisis is the pursuit of simple budget solutions. Customer requirements for VS systems are growing, and the barrier to entry for new market entrants is constantly increasing. At the same time, the market receives support at the legislative level (laws on information protection, on personal data, on countering terrorism, industry security standards, etc.), as VS systems become mandatory and regulated.

Key investment projects are ongoing: in the production and transportation of hydrocarbons, in the defense industry, in the segment of urban infrastructure, including the construction of sports facilities in the regions.

Opportunities

- As with any crisis, physical security companies will have the opportunity to adapt to the new reality of COVID-19. For example, contactless access control readers and mobile identification technologies could see rapid growth in demand.
- It is likely that intelligent video analytics can play an important role in maintaining order in the streets, while law enforcement agencies are concerned about compliance with measures to counter the spread of infection.
- One big trend is the provision of security during mass events, as well as the creation of "safe cities."
- The locomotive of sales growth will be the economy segment (the so-called boxed solutions in all main EPS directions, intended for small wholesale and retail buyers) and premium-class systems.
- In the 2021-2022 perspective, the demand for autonomous or semi-autonomous video surveillance and video analytics systems may increase.

Trade Events

[Securika 2020](#)

August 11-14, 2020

Moscow

[Sfitex 2020](#)

November 10-12, 2020

Saint Petersburg

[Interpolitex](#)

October 20-23, 2020

Moscow

[XXVI International Forum of Security & Safety Technologies](#)

February 9-11, 2021

Moscow

Web Resources

[Russian news agency "Security Industry"](#)

[Ministry of Emergency Situations](#)

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Water & Wastewater

Overview

Against a backdrop of increasingly scarce natural resources, climate change, and major environmental disasters, the sustainable management of resources plays a more important role than ever in the economic and environmental performance of business.

As the government and the civil society pays ever closer attention to the environmental impact of companies, water management represents a major challenge for every sector of industry, from power, oil and gas (upstream and midstream, downstream and petrochemicals), to mining and metals, chemicals and pharmaceuticals, pulp and paper, food and beverage, utilities. Both businesses and households are driven to optimize water consumption, improve water treatment, especially industrial, and implement water reuse technologies. Overall industry already accounts for almost 22% of water consumption, behind agriculture, but well ahead of human consumption. According to the Russian National Research Institute's Highest School of Economics, the industrial water market in Russia is worth an estimated \$93 million.

One-fifth of the world's fresh surface and groundwater is located in Russia. Only 4 per cent of the surface water sources in Russia meet hygienic requirements ensuring the safety of the public drinking water.

The water utilities sector is one of the largest in Russia with a total of 8,801 water supply systems and centralized water supply utilities. These systems are used by more than 120 million people residing in almost 1100 towns and more than 200 small villages. However, the centralized water supply caters to the needs of only 85.5 per cent of the total population of Russia according to Rosstat data for 2019.

According to different estimates, the total 2019 Russian market size for environmental technologies and products, including the water, wastewater, and waste management segments, was estimated at \$187 million with potential future annual growth of 20-25%. (Sources: Russian Federal Service of State Statistics, Russian Association of Water and Wastewater, Russian Customs, Ministry of Natural Resources)

The majority of the public utilities' infrastructure is municipally owned and managed by the local Vodocanals (Waterworks), municipal unitary enterprises. The Russian municipal water supply system includes water lines, pumping stations, water treatment and water purifications systems, water supply networks and water sanitation stations. The number of Vodocanals in the Russian Federation exceeds 800.

The majority of water supply and wastewater treatment facilities are worn down, depreciated, and require immediate modernization. According to the Russian Association of Water (Supply) and Wastewater (Disposal) approximately 60% of the infrastructure must be replaced within the next five to 10 years.

The past decade brought a considerable change to the government and business attitude to the industry, clearly manifesting itself in the growing percent of the municipal assets' privatization, improvement of the state legislation, large-scale state modernization programs such as the State Program "Pure Water" (2011-2017) and the National Project "Ecology" (2019-2024). The biggest portion of the "Ecology" project deliverables relates to the preservation of Russian surface water resources, industrial wastewater elimination, and sustainable operation of municipal water systems and improvement of the drinking water quality. According to the "Ecology" project, the Russian government has committed to secure some \$56.5 billion to tackle the acute environmental issues related to the water treatment and waste management and stimulate the development of the industry. The funds will be provided by the federal sources and by the private businesses.

Leading Sub-Sectors

The majority of capital expenditures is invested into imported equipment, raw materials, and products. Russia has a deficit of domestic water treatment equipment and treating agents production such as coagulant aids, flocculants, oxidizing agents, anti-degradants, sorbents and drying agents,

The most advanced technologies for the water treatment industry are in high demand in the largest Vodocanals of Moscow and St. Petersburg, and managed under concession agreements for regional Vodocanals in Voronezh, Nizhny Novgorod, Kazan, Perm, Rostov-on-Don, Samara, Volgograd, Ufa, and Omsk. Significant innovations in the area of industrial water treatment are being implemented in the border regions of Russia, such as Vladivostok (having border surface waters with Japan), St. Petersburg (having border surface waters with Finland), Kaliningrad, the Arctic region, etc.

Large global companies such as P&G, International Paper, BAT, Siemens, JTI, Fortum, Unilever and many others, having production facilities and operations in Russia, along with the biggest Russian industrial and production companies such as Severstal, Uralkali, Norilsk Nickel, Novatek, Rusagro, Rusal etc., located throughout the country are more concerned about their ecological footprint, closely monitor their ecological impact, and have access to funds to invest in sustainable operations. They require the most efficient technologies and products from the entire water, wastewater and process value chain, including design and build projects, specialty chemical services, equipment and system offerings, outsourced services and digital water management solutions.

Opportunities

The demand for pure drinking water in Russia will be growing, according to the forecast of Russian environmental consultants, and to meet this demand, the water and wastewater sector will have an increased need for equipment and technologies to help them complete a major refurbishment of the water infrastructure. These environmental issues are getting more attention from the government and are addressed in the Strategy of Ecological Safety which was approved by the Russian President in 2017. The strategy was aimed at tackling the environmental issues throughout 2024. In 2019, the action plan to implement the strategy was finalized, and supported by the major Federal Project “Ecology”.

Industry experts see a lack of domestically produced equipment and state-of-the-art technologies, reflected in the import numbers for 2019, comprising almost 30% of the market, according to the Russian Customs’ data. The biggest share of imports belongs to Germany (18%), China (17%), Italy and France (12% combined?), and the U.S. (6%). Rising demand, increased focus on ecology, and a lack of domestically produced equipment and technologies mean the water and wastewater sector offers plenty of opportunities for the U.S. companies pursuing a long-term commitment to the Russian market.

Trade Events

[All Russia Water Congress](#)

October 1-3, 2020

Moscow

[ECWATECH](#)

September 8-10, 2020

Moscow

Web Resources

[Ministry of Natural Resources](#)

[Russian Association of Water and Wastewater](#)

[Federal Customs Service](#)

[Mott Macdonald](#)

[GE Water Solutions](#)

[National Research Institute The Highest School of Economics](#)

[Russian Federal Service of State Statistics](#)

[Ministry of Industry and Trade](#)

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Customs, Regulations and Standards

Trade Barriers

U.S. companies face a number of tariff and non-tariff trade barriers when exporting to Russia. According to Article 12 of the [Federal Law of December 8, 2003 No. 164-FZ "On the Foundations of State Regulation of Foreign Trade Activity."](#), state regulation of foreign trade is carried out by:

- Customs and tariff regulations
- Non-tariff regulations
- Prohibitions and restrictions on foreign trade in services and intellectual property

More detailed information may be found on the federal law adopted in June 2018 that allows the imposition of bans and restrictions on imports to Russia of certain goods (products or raw materials) that originate from unfriendly foreign states ([Federal Law No. 127-FZ dated 4 June 2018 On Retaliation Measures \(Counteraction\)](#) to Unfriendly Actions of the United States of America and Other Foreign States). Currently, the regulation is connected with the need to introduce the marking of goods with control identification tags (informally called the “track & trace system”). Below there is a list of ten product groups required to be marked with such tags. Such goods include:

- Tobacco products
- Footwear
- Apparel and light industry products
- Tires and tire casing
- Perfumery products
- Photographic equipment
- Dairy products

The Agreement on the marking of goods with identification tags entered into force on March 29, 2019. The goal of product marking with identification tags is to counteract the manufacture and turnover of counterfeit and adulterated products. This system makes it possible to track a product from the production facility to a specific end-user.

On June 29, 2020, two new Bureau of Industry and Security (BIS) rules of the U.S. Department of Commerce came into force, which further restrict the export of sensitive technologies to Russia.

The first rule, [Elimination of License Exception Civil End Users \(CIV\)](#), cancels the exception for American exporters, who previously could supply a wide range of goods to Russia without a license if they are intended for civilian use by civilian consumers. The cancellation affects bearings, semiconductors, computers and other goods. Now, even if these goods are intended for civilian use, the exporter will have to obtain a special export license from the Bureau of Industry and Security (BIS).

The second rule, [Expansion of Export, Reexport, and Transfer \(in-Country\) Controls for Military End Use or Military End Users in the People's Republic of China, Russia, or Venezuela](#) (MEU), expands the definition of "military use" of goods. It will reduce the ability of the Russian defense sector to purchase American goods, technology and software. “Military end-user” means the military, police, national guard, intelligence services, and “any person or organization whose actions or functions are intended to support the military use” of the product. Generators for use in nuclear power plants, sensors and lasers, propulsion systems, certain equipment for sea vessels, acoustic equipment for detecting underwater objects, etc., have been added to the list of goods that can no longer be supplied to military users.

U.S. companies cite technical regulations and related product testing and certification requirements for a range of imported goods. Russian authorities require product testing and certification as key elements of the product approval process for a variety of products, and only an entity registered and residing in Russia can apply for the necessary documentation for those product approvals. Testing and certification should be performed by competent bodies in

Russia. A “Supplier’s Declaration of Conformity” is meant to confirm the safety of products for the environment and the health of people and animals.

Russian Government Resolution No. 1236, in effect since the start of 2016, requires Russian government agencies to give priority to Russian software based on a registry published and updated by the Russian Communications Ministry. Government agencies may only buy foreign software when a suitable domestic substitute is not available. Moreover, on July 21, 2014, President Putin signed the Personal Data Localization Law 242-FZ that requires companies to store personal data of Russian citizens only on servers physically located within Russia.

Russia developed a global navigation positioning technology called Global Navigation Satellite System (GLONASS) as an alternative to the U.S. Global Positioning System (GPS) system. Russia’s Ministry of Transport issued a rule in March 2012 requiring that GLONASS compatible satellite navigation equipment be installed on all Russian-manufactured aircraft, with varying deadlines depending on the use, age, and size of the aircraft, but in all circumstances no later than January 2016. In addition, any foreign-manufactured aircraft listed on a Russian airline’s Air Operator Certificate was required to have GLONASS or GLONASS/GPS compatible satellite navigation equipment installed by January 1, 2018 or earlier, depending on the size of the aircraft, requiring modifications to non-GLONASS-configured aircraft to meet this rule. The same issue applies to cars imported into the Russian Federation: all vehicles, both new and used, that are imported should be equipped with a GLONASS system. Any vehicle without GLONASS-capable equipment cannot be imported into Russia, as established in technical regulation TR TS 018-2011 of January 1, 2017.

There is a single list of goods in which measures that regulate trade are applied.

Import Tariffs

On January 1, 2015, the Eurasian Economic Union (EAEU) was launched, incorporating the tariff regulations previously set forth in the Russia-Belarus-Kazakhstan Customs Union (CU) established in 2010. Armenia's accession into the EAEU came into force on January 2, 2015, while Kyrgyzstan's accession came into effect on August 6, 2015. The Unified Customs Tariff of the EAEU/CU has undergone periodic revisions since 2011, with the rates of import customs duties now set in accordance with the obligations outlined in Russia’s WTO Accession Protocol. All issues such as tariffs, tariff rate quotas, technical regulations, licensing, and certification are being harmonized by the Eurasian Economic Commission (EEC), the multilateral entity originally established by the member countries to manage the Customs Union which now oversees the Eurasian Economic Union. Current information on the harmonized tariffs of the EAEU/CU can be found on the [Eurasia Economic Commission’s](#) website.

Tariffs for customs operations are established by the [Resolution of the Government of the Russian Federation No. 863 of 28.12.2004](#). In 2020, the previously approved rates continue to apply. When submitting a declaration for goods in electronic form, customs duties are paid in the amount of 75% of the established ones.

Rates for customs clearance (taking into account 75% for electronic declaration):

- Customs value of goods up to ₱200000 (approx. \$2860) inclusive - the amount of customs duty ₱375 (approx. \$5)
- Customs value of goods from ₱200000,1 to ₱450000 (approx. \$2860,1 – \$6428) inclusive - the amount of customs duty is ₱750 (approx. \$11)
- Customs value of goods from ₱450000,1 to ₱1200000 inclusive (approx. \$6429 – \$17142) - the amount of customs duty is ₱1500 (approx. \$21)
- Customs value of goods from ₱1200000,1 - to ₱2500000 inclusive (approx. \$17143 – \$35714) - the amount of customs duty ₱4125 (approx. \$59)
- Customs value of goods from ₱2500000,1 to ₱5000000 inclusive (approx. \$35715 – \$71428) - the amount of customs duty is ₱5625 (approx. \$80)

- Customs value of goods from ₱5000 000,1 to ₱10000000 inclusive (approx. \$71429 – \$142857) - the amount of customs duty ₱15000 (approx. \$214)
- Customs value of goods from ₱10000000 (approx. \$142858) - the amount of customs duty ₱22,500 (approx. \$321)

The list of goods exempted from customs duties:

Goods of gratuitous (humanitarian) aid; property belonging to diplomatic missions, consular services, official missions of foreign states and their employees; cultural values belonging to museums, archives, repositories of state or non-state forms of ownership; goods, intended for demonstration at exhibition events on a national scale, including at air shows; cash currency of the Eurasian Economic Union member states, excluding commemorative coins; goods with a total value of less than 200 € at the rate of the Central Bank on the day of declaration; goods, owned by private individuals for household use; international transport vehicles and spare parts and equipment at the same time as the vehicle.

Also, customs duty is not charged for the import/export of goods intended for sports competitions and filming, professional equipment for the release of media, scientific samples and international mail.

The customs fee is carried out simultaneously with the customs filing. In case of customs escort, payment must be made before it starts, in case of customs storage - until the goods are handed over to the owner or the person representing him.

The declarant or his representative (customs broker) is responsible for the payment of customs duties. If the fact of non-payment or incomplete payment of customs duties is discovered, the collection is made either from the owner of the goods or from the customs broker.

In addition to Customs duties, import excise taxes may be applied for limited categories of products, such as luxury goods, alcohol and tobacco products, cars, diesel and motor oil, and other petroleum products. Import excise taxes range from 20% to 570%.

Since August 6, 2018, as part of the sanctions struggle for some imported goods from the United States, duties have increased. A complete list of these goods can be found in the Resolution of the Government of the Russian Federation, dated July 6, 2018 N 788 "On approval of rates of import customs duties in respect of individual goods, the country of origin of which are the United States of America"

Import Requirements and Documentation

This chapter summarizes the general requirements and standards for import requirements and documentation in Russia.

In order to import/export products into the Russian Federation, legal entities will need to take the following steps:

- Conclude an agreement and receive all necessary primary documents
- Execute the necessary contract of shipment with a transportation company
- Pay for customs clearance
- Preliminarily inform the customs of the Russian Federation about crossing the border with the cargo
- Submit a transit declaration, if required
- Deliver the cargo within a specific timeframe from the border to the place of delivery to the internal customs post and place it in the customs control zone or a temporary storage warehouse
- Prepare and submit customs declaration (see the general list of documents required to obtain the declaration below)
- Pay customs fees
- Transport the product from the customs warehouse

List of documents for obtaining a customs declaration:

- Transport documents: CMR, bill of lading, air waybill, railway waybill. They are filled in by the exporter. In some cases, the broker will help to make them on the carrier's letterhead or blank letterhead, followed by certification with your seal and the carrier's seal.
- Commercial documents: invoice, documents for payment for goods, proforma invoices.
- Contract and its annexes. It is important to prepare the contract and additional agreements in advance in Word or another text editor, as they will be needed to prepare them in electronic form (formalization). The formalized document is sent simultaneously with the declaration to the customs authority via electronic data exchange.
- Unique contract number. From March 1, 2018, the transaction passport has been ceased to exist as such. Instead, one needs to obtain a Unique Contract Number (UNK) from an authorized bank. It is necessary to obtain a unique contract number when the amount of the import contract exceeds 3 million ₺ (approx. \$ 43000).
- Technical information about the product. It is highly desirable that the document comes from the manufacturer of the product. These can be catalogs, user manuals, quality certificates, safety data sheets. These documents must reflect the data that is mentioned in the declaration in order to confirm the HS Code. Such data may contain (depending on the type of product) information about manufacturer, material of manufacture, manufacturing method, technical characteristics, purpose and use of the product.
- Country of origin certificate
- Payment orders. One or two days before the submission of the declaration, neither payment of customs duties should be submitted.
- Data on insurance or non-insurance of the cargo. If the cargo was insured at the stage of transportation, one should provide an insurance contract in Word and an insurance policy. If the cargo was not insured, there should be an information letter prepared, that states that the cargo was not insured. It can be written in free form. Some customs offices do not require this letter.
- Documents confirming the declared customs value. The minimum list of documents is as follows: price list (official offer of the seller), export declaration of the country of the seller with translation, documents for setting previously released goods under this contract for accounting, and if the delivery is the first under the contract, then a letter stating that the delivery is the first and you cannot provide such documents.
- In special cases, they will additionally request for accounting documents for the implementation of previous and/or current deliveries, calculation of the sales price, information from open Internet resources on the price level for similar goods in the Russian market, information on the level of exchange prices for such goods, explanations on price changes downward (if the price has decreased) and other documents limited by the imagination of the inspector.
- Declaration of conformity

Article 183 of the Federal Law “[On customs regulation in the Russian Federation](#)” regulates this list.

Customs payments generally include import/export customs duties, taxes, and customs processing fees. Some goods may also require payment of utilization fees (e.g. wheeled vehicles), or the new ecological fee, introduced on January 1, 2015 for the following groups of goods and packaging subject to recycling:

- Textile articles (other than apparel)
- Plastic building products
- Carpets and rugs
- Other articles of plastic
- Protective overalls
- Shaped and treated sheet glass
- Other outer garments

- Hollow glass
- Underclothes
- Barrels and similar containers of ferrous metals
- Other clothing and accessories
- Light metal packaging
- Knitted and crocheted garments
- Computers and peripherals
- Wooden building materials and millwork
- Communication equipment
- Wooden packaging
- Consumer electronics
- Corrugated paper and paperboard packaging
- Optical instruments and photographic equipment
- Household and sanitary products and toiletries
- Accumulators
- Paper stationery
- Storage batteries
- Electric lighting equipment
- Oil products
- Electric domestic appliances
- Rubber tires, casings and inner tubes; retreading of rubber tires
- Non-electric domestic appliances
- Other articles of rubber
- Power-operated hand tools
- Plastic packaging articles
- Industrial refrigeration and ventilation equipment

Rates of the ecological fee may be revised annually.

The website of Russia's [Federal Customs Service](#) contains the link to the portal for electronic declarations –

Labeling and Marking Requirements

In general, Russian Customs will require specific product information, as per field 31 on the Customs declaration form (e.g. name, trademark, manufacturer, country of origin, composition, etc.).

Additional labeling and marking requirements have generally been harmonized across the Eurasian Economic Union (EAEU) member states for products entering the territory, according to Technical Regulations (TR) for each product category. Where required, the official certification mark logo (“EAC” – sometimes referred to as “conformity mark”) should be applied to each production unit, packaging, or instructions for use (as specified by the appropriate TR) and should be clearly visible throughout the lifetime of the product. The “EAC” mark indicates conformity with TR’s established by the EAEU and should only be used for products which have been formally tested and approved by officially recognized certification authorities. [All specifications regarding the design and dimensions of the “EAC” mark are outlined in the Eurasian Customs Union Commission \(precursor to the Eurasian Economic Commission\) decision No. 711 of July 15, 2011.](#)

The Technical Regulation (TR) on Safety of Packaging (TR CU 005/2011) is a key provision which governs standards and requirements for packaging, including that of food products, produced both as a finished product and as part of the product’s manufacturing process. The TR was adopted via Customs Union Commission decision No. 769 of August 16, 2011 and has been in effect since July 1, 2012. [Several changes were made, and the most recent version was completed by the Eurasian Economic Commission \(EEC\) in its Decision 96 of October 18, 2016.](#)

It covers main rules for the packaging of the ready goods and regulates following areas:

- Market Circulation Rules;
- Safety Requirements; and
- Requirements for Marking of Packaging (Closures).

An English translation of the original Technical Regulation TR CU 005/2011 is available [the U.S. Department of Agriculture website](#).

In general, labels on food items must feature the following information in the Russian, Kazakh, Armenian, Kyrgyzstani and Belarussian languages:

- Type and name of the product;
- Legal address of the producer (may be provided in the Latin alphabet);
- Weight/volume of the product;
- Food contents (name of basic ingredients/additives listed by weight in decreasing order);
- Nutritional value (calories, vitamins if their content is significant or if product is intended for children, for medical, or for dietary use);
- Conditions of storage;
- Expiration date (or production date and period of storage);
- Directions for preparation of semi-finished goods or children's foodstuffs;
- Warning information regarding any restrictions and side effects; and
- Terms and conditions of use.

For additional requirements for food labeling and certification, [visit the Foreign Agricultural Service GAIN Reports search page](#):

Labels on nonfood items must include:

- Name of the product;
- Country of origin and name of manufacturer (may be given in Latin letters);
- Usage instructions;
- Main characteristics, rules and conditions for effective and safe use of product; and
- Any other information determined by the state regulation body.

The Russian Ministry of Industry and Trade enacted Governmental Order No. 791-r Model Rules for the Mandatory Marking System of Consumer Products on April 28, 2018.

This Order specifies the list of consumer goods that must be marked with special identification marks containing individual information about the goods in 2019. All information generated by all participants of the marking system will be stored during the life cycle of the goods.

This Order defines a list of goods which will be subject to the special marking:

- From March 1, 2019: tobacco products
- From July 1, 2019: shoes

- From December 1, 2019: perfume, tires, leather clothing, shirts and blouses for women and girls, coats and outdoor jackets, bed linen and tablecloths, cameras (except video cameras) and camera flashes.

This order also mandates the creation of a single catalogue of goods in Russia.

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counseling exporters, and drafting and publishing changes to the [Export Administration Regulations](#); and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end-use and end-user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end-uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "[red flags](#)", or warning signs, and compiled "[Know Your Customer](#)" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry-specific topics. Interested parties can check [list of upcoming seminars and webinars](#) or reference BIS provided [online training](#).

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations) and is updated as needed. The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

objectives. BIS's Export Enforcement (EE) is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure. In accordance with the EAR, BIS officials conduct site visits, also known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR, to verify compliance.

An EUC is an on-site verification of a party to a transaction to determine whether it is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of recipient(s) of items subject to the EAR, to include: confirming their legitimacy and reliability relating to the end use and end user; monitoring their compliance with license conditions; and ensuring such items are used and/or re-exported or transferred (in-country) in accordance with the EAR.

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "[red flags](#)", or warning signs, intended to discover possible violations of the EAR.

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BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars and focus on the basics of exporting as well as more advanced topics. Check a [list of upcoming seminars and webinars](#).

BIS also provides [online training](#).

The EAR does not regulate transactions involving all U.S. goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations).

The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates a number of smaller lists of restricted parties that are maintained by a variety of U.S. Government agencies, including the Department of Commerce, as an aid to industry in conducting electronic screens of potential parties to regulated transactions.

Temporary Entry

Temporary entry of goods is allowed with full or partial relief from Customs duties and import VAT for a period of up to two years. Russian Customs issues authorization for temporary entry of goods based on a written application submitted by an importer. Temporarily imported goods must remain unchanged, except for normal wear and tear or natural loss, and must not be sold or otherwise transferred to any third party. They can only be used by importers who have obtained Customs' permission for temporary importation. Nevertheless, transferring temporarily imported goods to another company is possible if the authorization of the Customs authorities has been obtained.

Customs authorities may also require the importer of record to provide security for import Customs payments (i.e., bank guarantee or cash deposit) before granting the temporary import customs regime.

Full conditional relief from Customs duties is allowed when it does not affect the Russian economy, such as the temporary import of:

- Containers, pallets, and other types of containers and packages for repeated use;
- Goods for the purposes of the development of international relations in the scientific, cultural, sports, cinematography and tourism fields;
- Products for international assistance;
- Commercial samples not for sale, to be displayed or used at trade shows and exhibitions.

Goods for which the temporary import using ATA Carnet system can be applied:

- Professional cinematographic equipment and equipment for the press, radio and television, including accessories.
- Equipment for assembling, testing, starting, controlling, inspecting, maintaining or repairing equipment or vehicles, etc.
- Equipment required for business purposes (e.g., personal computers, audio / video devices).
- Medical devices and instruments.
- Equipment required for travel for the purpose of photographing (cameras of any type, cassettes, exposure meters, lenses, tripods, batteries, drive belts, battery chargers, monitors, lighting equipment, etc.).
- Products intended for display or use at exhibitions, fairs, congresses or other similar events.
- Containers and other reusable containers.

Temporary import, using ATA Carnet system cannot be issued for the following goods: consumer goods; disposable products; and goods intended for commercial use.

When partial exemption from import Customs payments is granted, the temporary import regime requires a monthly payment of 3% of the regular import duty for each month the goods stay in Russia, if the goods' value exceeds ₱20,000 (\$285 at an exchange rate of ₱70 per dollar). If the goods are on the territory of Russia for more than the validity period of the temporary import (but not more than one year), one must contact the organization that issued the ATA Carnet with a request for a new Carnet. The new ATA Carnet is submitted to the customs authority of the Russian Federation, which carried out customs clearance of temporary import.

For further information, please refer to the [Russian Federal Customs Service](#) website or chapter 33 and 37 of the [Russian Customs Code](#).

Prohibited and Restricted Imports

The import and export of goods in Russia is carried out in accordance with the unified list of the commodities that are prohibited or restricted for imports into the Eurasian Economic Union (EAEU). The list was approved by the Eurasian Economic Commission (EEC) Collegium Resolution No.134 dated August 16, 2012. Additional documents regulating the import and export of goods include the Customs Union Agreement on Licensing Regulations of International Trade dated June 9, 2009, and the RF decree No.1567-p of 23.09.2010.

A current list of these items, and the applicable regulations, can be found at the following site:
http://www.eurasiancommission.org/en/act/trade/catr/nontariff/Pages/ediny_perechen.aspx

Russian Post, the postal system in Russia, has restrictions and prohibitions for international mailing of specific items, based on Article 22 of the Federal Law on Postal Service. Some categories of items may be permitted for international mailing for personal use but will require authorization from the appropriate government agency. This is related to the imports of encryption containing electronics. For more information and the current list of items, check the Russian Post website.

Russia has maintained a ban on the importation of nearly all U.S. as well as most European food products since August 2014 in response to Ukraine-related sanctions. Specifically, Russia imposed a ban on imports of certain agricultural and food products (covering about 52 specified HS classifications) originating from the United States, European Union, Canada, Australia, and Norway. The ban applies to meat, meat products, milk, dairy products, fish, fish products, fruits, and vegetables. Salt was added to the list of prohibited products in November 2016, although the ban on salt deliveries for use in production of medicines and bio-active supplements was suspended on May 20, 2017. The agricultural product import ban originally in place until the end of 2020.

Aside from Russian Government-imposed restrictions, a number of other exports to Russia are prohibited by U.S. laws or regulations. Russia-related sanctions have been implemented under multiple legal authorities in the form of executive orders and public laws since 2014. On August 2, 2017, the President signed the Countering America's Adversaries Through Sanctions Act (CAATSA) which codified and expanded sanctions announced from 2014-2016

on certain Russian entities and sectors. CAATSA includes sanctions affecting trade with the financial, defense, and energy sectors, and “blocking sanctions” which prohibit business with certain individuals and entities. U.S. sanctions on Russia include restrictions on the duration of debt and equity financing that can be provided to some Russian banks and energy firms, and restrictions on specific oil-related exports, services, and technology to Russia. Technology export controls focus on the exportation of goods, services, or technology in support of exploration or production for deep-water, Arctic offshore, or shale projects that have the potential to produce oil in Russia or in the maritime area claimed by Russia.

Customs Regulations

The advent of the Eurasian Economic Union (EAEU) has not affected the internal structure of the Russian Customs service, which continues to be comprised of the Federal Customs Service, regional Customs administrations, Customs-houses, and Customs posts. However, on January 1, 2018, Russia updated its Customs Code to be congruent with its EAEU commitments. Goods that are moved into Russia through other EAEU member countries are placed under the transit Customs regime at the external border of the EAEU and are released for free circulation by the Russian customs authorities through electronic notification.

Customs clearance is normally completed by the importer of record (or a customs agent acting on its behalf) filing the Customs declaration along with the required set of supporting documents.

Customs brokers can be utilized to fully outsource the Customs clearance process. In many cases brokers let the companies outsource their import operations without being a party to the international transaction.

Only companies that are legal residents of any EAEU member state may act as importers of record before the Customs authorities. The declaring importer of record must have a direct interest in goods imported under a foreign trade transaction (i.e. the right to own, possess, or dispose of the imported goods.). Alternatively, a declarant may clear goods through a Customs broker/agent, if the broker/agent is registered on the official list maintained by the EAEU Commission. Generally, foreign entities may not act as importers of record, except for a limited number of cases when goods may be imported by representative offices or branches of foreign legal entities accredited in Russia.

The timing for the Customs clearance procedure is usually one business day after the declaration is registered by the Russian Customs authorities provided that all documentation is in order. However, legislation does provide a Customs inspector the right to extend the term by up to 10 business days at the discretion of the chief of a Customs terminal.

The website of Russia’s Federal Customs Service contains regional Customs contact information, as well as a link to the portal for electronic declarations.

Federal Customs Service
Vladimir Bulavin
Head of Federal Customs Service
121087, Moscow, Novozavodskaya st., 11/5
Reception FCS of Russia: +7 (499) 449-7675
Email address: fts@ca.customs.ru
www.customs.gov.ru

Standards for Trade

Overview

Russia has a unique system of standards, which uses a combination of various international standards, but relies mostly on product testing as a key element of the product approval process. Russia does not have an association agreement with the EU or the United States and does not recognize internationally recognized certificates, such as the EU’s CE mark or U.S. Food & Drug Administration certificates. Such certificates can often be part of an

application file submitted to the relevant Russian government agencies, but additional tests would have to be carried out in Russia.

In 2010, Russia became part of the Russia-Kazakhstan-Belarus Customs Union (CU), which was later transformed into Eurasian Economic Union (EAEU) in 2015. The process has forced member countries to start aligning their standards with the other five member-states and creating common markets for industries such as pharmaceuticals and medical devices.

Standards

The main Russian standards body is the Federal Agency for Technical Regulations and Metrology (Rosstandart). In the late 1990s, the Agency was responsible for developing the Russian GOST-R standards (state standards for Russia), similar to GOST standards (state standards) in the former Soviet Union. The regulatory document for which the company applied was called the GOST-R certificate and it indicated that the products conformed to the requirements of these standards.

Later, the agency started developing Russian Technical Regulations (TU) that were sector specific. When the Russia-Kazakhstan-Belarus Customs Union (CU), and later the Eurasian Economic Union (EAEU), was established, it gradually discontinued the creation of Russian Technical Regulations. Now the Eurasian Economic Commission (ECC), a permanent supranational regulatory body of the EAEU, oversees the alignment of standards and the creation of new Technical Regulations (TR) for all five member-countries.

Currently Russia uses a combination of [47 Russian and EAEU technical regulations](#). Once EAEU Technical Regulations come into force, they prevail over the relevant Russian technical regulations for the same products.

Russia is a member of the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and many other standards organizations, the list of which can be found on [Rosstandart's website](#).

Testing, Inspection and Certification

In the past, bureaucratic incongruities, overlapping fields of activity, and the application of different procedures and criteria in the accreditation process were common in Russia. To improve the certification system, the Russian government issued Presidential Decree No. 86 on January 24, 2011, “On the Unified National System of Accreditation,” according to which a new approval agency, the Federal Service on Accreditation ([RosAccreditation](#)), was established. This agency reports to the Ministry of Economic Development and is responsible for the establishment of the Unified National System of Accreditation. It controls all legal entities and entrepreneurs accredited as testing laboratories and issues certificates to organizations.

Various federal executive authorities previously had responsibility for carrying out accreditation in accordance with the relevant legislation. There were 16 government agencies with accreditation oversight, including Rosstandart, Rostekhnadzor, Rospotrebnadzor, and Rossvyaz. Currently, RosAccreditation publishes the list of certification bodies and accredited testing laboratories, as well as all issued declarations and [certificates of conformity](#). Rosstandart previously performed this function.

RosAccreditation has signed [16 bilateral agreements](#) with counterpart organizations in Saudi Arabia, Vietnam, Germany, Greece, India, Spain, Kyrgyzstan, Macedonia, Moldova, Mongolia, Serbia, China, Iran, Slovakia, Abkhazia and Ukraine. In addition, RosAccreditation is a [member of the following international organizations](#):

- [The Asia Pacific Laboratory Accreditation Cooperation \(APLAC\)](#)
- [Euro-Asian Council for Standardization, Metrology and Certification \(EASC\)](#)
- [International Laboratory Accreditation Cooperation \(ILAC\)](#)
- [International Accreditation Forum \(IAF\)](#)
- [International Halal Accreditation Forum \(IHAF\)](#)

From 2013-2015, RosAccreditation started to work with the [European co-operation for Accreditation \(EA\)](#) to commence a project called “Bringing the Russian and European Accreditation Systems Closer.” Now the representatives of RosAccreditation regularly take part as observers in meetings of the relevant committees and working groups of EA, as well as in its annual general assembly.

Confirmation of compliance is designed to confirm that goods conform to the statutory quality and consumer characteristics requirements. Confirmation of compliance in Russia is based on the Russian national regulations and on the legislation of the EAEU. The technical rules of the EAEU establish a unified list of goods that are subject to mandatory confirmation of compliance in the form of (i) certification or (ii) declaration of compliance, and further establish unified forms for the (i) certificate and (ii) declaration of compliance that are issued by the accredited agencies and laboratories of the EAEU member states and are valid throughout the EAEU.

As a result of the establishment of the EAEU, the system of obtaining certification documents has evolved. Now there are two sets of documents dedicated to TR and Sanitary Regulations.

1) Technical Regulations (Certificate of Conformity/Declaration of Conformity)

Any U.S. exporter planning to enter the Russian market should check to see whether its products are included in the [“Unified list of products and are subject to mandatory conformity and issuance of a Certificate of Conformity or Declaration of Conformity”](#). On February 20, 2020, products that contain [nicotine](#) were added to this list. For the more detailed information, see [decision \(No. 146 on October 18, 2016\). On September 15, 2017, some amendments were made to the list.](#)

A manufacturer can choose whether to apply for a Certificate or a Declaration of Conformity, and manufacturers can also choose between EAEU and Russian certifications. EAEU certifications enable the product to be imported by any EAEU member country and transferred/reexported to other member states. Only Russian legal entities can apply for these Certificates or Declarations, so U.S. manufacturers must work with a Russian distributor or importer. Once obtained, certificates are valid for five years. Only EAEU accredited testing and certification organizations can perform the necessary tests and issue certificates or declarations. If the product is not included on the unified list of products subject to mandatory conformity, then it should go through the conformity process according to the national standards of the five EAEU countries, depending on the final destination of the product. U.S. manufacturers should also check similar unified lists for all five countries to ensure full compliance with all the regulations. Companies can find this list for Russia [on the website of Rosstandart.](#)

2) Sanitary Regulation (Certificate of State Registration)

After July 1, 2010, the Certificate of State Registration was established for all products that need a sanitary certificate. Products which need a Certificate of State Registration are listed in part II of the “Unified list of products subject to sanitary and epidemiological supervision at Customs and on the territory of the EAEU” that was approved by [Decision 299 of CU Commission on May 28, 2010 and later amended by the Decision 146 of Eurasian Economic Commission on September 18, 2014.](#)

Several additional mandatory and voluntary certification systems also exist, which are partly managed by other ministries or agencies (please see the “contacts” section of this document).

Publication of Technical Regulations

The development of Russian Technical Regulations was discontinued in January 2015 and only the Russian and EAEU TRs already approved can be found at <https://www.gost.ru/portal/gost/home/standarts/technicalregulationses>.

EAEU draft technical regulations are published in Russian on the [EEC website](#) for at least 60 days, after which notification is sent to the WTO. Any Russian or foreign entity may comment (in Russian) to the contact listed on the website. The final EAEU Technical Regulations are published on the EEC website, after which Russia submits notification of the regulation to the WTO. In practice, requisite WTO notifications have not always been provided by EAEU member states.

Members of the World Trade Organization (WTO), including Russia, are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. “**Notify U.S.**” (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on countries’ draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected countries and industry sectors of interest and can also request full texts of regulations. This service and its associated website are managed and operated by the United States Government’s WTO TBT Inquiry Point, housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Contact Information

The following are the key government standards organizations in Russia:

[Federal Agency for Technical Regulations and Metrology \(Rosstandart\)](#)

Kitaygorodsky proezd, 7, building 1

Moscow, 109074

Tel: +7 (499) 236 03 00

Fax: 7 (499) 236 62 31

info@gost.ru

[Federal Service for Surveillance in Healthcare \(Roszdravnadzor\)](#)

Slavyanskaya sq. 4, building 1

Moscow, 109074

Tel.: +7 (495) 698 4538

info@rosdravnadzor.ru

[Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing \(Rospotrebnadzor\)](#)

Vadkovskiy pereulok, house 18, stroenie 5 and 7

Moscow, 127994

Tel.: +7 (499) 973 26 90

[Federal Environmental, Industrial and Nuclear Supervision Service \(Rostekhnadzor\)](#)

ul. Lyukyanova 4, building 1

Moscow, 105066

Tel: +7 (495) 645 33 26;

Fax: +7 (495) 645 89 86

rostekhnadzor@gosnadzor.ru

[Federal Communication Agency \(Rossvyaz\)](#)

Nikoloyamskiy per. 3 A, building 2

Moscow, 109289

Ms. Marina Kuznetsova, Head of Conformity Department

Tel: +7 (495) 986 30 61

Fax: +7 (495) 986 30 48

mail@rossvyaz.ru

[Federal Service for Accreditation \(RosAccreditation\)](#)

nab. Presnenskaya, 10, str. 2,

Moscow, 125093

Tel: +7 (495) 539 26 70

fgis@fsa.gov.ru

For more information on standards in agricultural sector in Russia, please contact:

U.S. Foreign Agricultural Service, U.S. Embassy Moscow

8 Bolshoy Deviatinsky Pereulok, Moscow 121099

Tel: +7 (495) 728-5222

Fax: +7 (495) 728-5133

agmoscow@fas.usda.gov ; atomoscow@fas.usda.gov

Trade Agreements

On August 22, 2012, Russia formally joined the WTO, and on December 20, 2012, the United States established permanent normal trade relations (PNTR) with Russia, enabling the United States to apply WTO agreements with Russia.

As part of WTO accession, Russia signed the General Agreement on Trade in Services (GATS) that provides a legal framework for addressing barriers affecting trade in professional services. In the services sector, Russia committed to substantial transparency in a broad range of sub-sectors, including the elimination of many existing limitations, such as financial services, telecommunications, distribution, energy, express delivery, professional services, and audio-visual services.

On October 18, 2011, eight countries (Russia, Belarus, Ukraine, Moldova, Tajikistan, Armenia, Kazakhstan, and Kyrgyzstan) from the Commonwealth of Independent States (CIS) signed and then in the following years ratified a Free Trade Agreement (FTA), which provides the free movement of goods within the territory of the member states. In 2013, Uzbekistan joined by signing a separate agreement with the above eight countries. On December 30, 2015, President Putin signed Federal Law 410 Suspending the FTA between Russia and Ukraine. In response, on January 2, 2016, Ukraine's Cabinet of Ministers enacted a resolution No.1146 of December 30, 2015, which abolished trade preferences for goods from Russia. Both Russia and Ukraine have since continued to extend the mutual abolition of trade preferences, such that currently, there are no trade preferences between Russia and Ukraine, and instead, there is an increasing number of restrictions in Russian-Ukrainian trade in both directions.

On January 1, 2015, the Eurasian Economic Union (EAEU) was launched, which incorporated the regulations previously set forth in the Russia-Kazakhstan-Belarus Customs Union (CU) formed in 2010, expanded the tariff provisions to cover services, and established unified standards and labeling requirements. The accession of Armenia and Kyrgyzstan came into force on January 2, 2015. and August 12, 2015, respectively.

In October 2016, a Free Trade Agreement between the EAEU and Vietnam came into force. In December 2016, EAEU members agreed to start FTA negotiations with Iran, India, Egypt and Singapore.

Thanks to the EAEU, U.S. exporters can choose one of the five member-countries from which to receive both regulatory approvals (in the form of registration certificates) and declarations or certificates of conformity, for those products for which EAEU Technical Regulations (TRs) apply.

Licensing Requirements for Professional Services

The regulations associated with the licensing professional services are outlined in 2011's Federal Law 99 "On licensing of separate types of activities." These regulations were most recently amended in February 2020. <http://www.kremlin.ru/acts/bank/33139>. The 52 professional services listed include the production of pharmaceuticals and medical devices and educational services. Although legal, consulting, and accountancy services do not require any special licenses (with the exception of private detective services that are subject to licensing by the Russian Ministry of the Interior), foreign companies that wish to operate in Russia are required to register as a Russian legal entity. As a result, there are a number of multinational companies operating the Russian market, including Baker McKenzie, PWC, Deloitte, EY, KPMG, BCG, McKinsey and others.

Selling U.S. Products and Services

Distribution & Sales Channels

Overview

Russia is the largest country in the world by landmass, spanning eleven time zones. Therefore, many businesses tend to approach the Russian market on a regional basis. Most new entrants start in Moscow and then move into other regions, either through an existing distributor or by seeking new distributors in those locales. Since Moscow and St. Petersburg are major population and business centers, many Western firms have representatives in these two cities.

The Northwest Federal District consists of European (western) 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 region possesses significant natural resources, such as forest products and oil and gas. The region's population of over 13 million also provides a stable and highly educated workforce, and 40% of European Union-Russia trade takes place along the shared border with Finland. American companies including Caterpillar, International Paper, Kraft Foods, Procter & Gamble/Gillette, and Mars/Wrigley have made significant investments in northwest Russia.

Some companies have successfully entered the Russian market by first establishing distribution networks in key regions with attractive market features and industry sector concentrations (e.g., forest products in northwest Russia and energy projects in Sakhalin and western Siberia) and then expanding to other regions. Most companies take advantage of the well-organized distribution channels in western Russia, especially in Moscow and St. Petersburg, and then develop distribution in southern Russia, the Volga region, the Urals, Siberia, and the Far East.

With a high concentration of revenue-generating mineral resources (e.g., diamonds, gold, silver, tin, tungsten, lead, and zinc), fishing, and timber resources, the Russian Far East presents some U.S. exporters with compelling business opportunities. The Russian government is promoting a shift to this region to capitalize on the abundance of natural resources and foster local production of high value-added products while maintaining a focus on resource extraction. Efforts to grow value-added processing are focused on the timber, fishing, and agricultural (meat and milk production) industries and are intended to grow demand for equipment to support growth in these industries. Local and international environmental groups support this strategy, which is aimed at fostering more sustainable economic development in the region.

The Russian government has supported mega-projects in the fuel and energy sectors, including continued development of major Sakhalin oil and gas projects at a cost of over 1.8 trillion rubles (\$28.6 billion). Chemical, petrochemical, and natural gas production facilities using natural gas will likely be built along the project's pipeline routes. Such production facilities are expected to include methanol, ammonia, and fertilizer products, as well as the manufacturing of polymeric plastics. Such new projects will require the procurement of equipment and machinery to support production. The mining sector is also expected to expand, including continued development of gold deposits in the Amur and Magadan regions and the Chukotka Autonomous Region. New projects in the mining sector will incentivize demand for expanded fleets of road construction machinery and other equipment by local companies.

Using an Agent or Distributor

1) Distributors

The most common market entry strategy is to select a well-established distributor or several distributors, depending on the product. U.S. companies may consider a variety of national, regional, and local distribution alternatives. In some product categories (e.g., apparel, cosmetics, packaged foods, alcoholic beverages, consumer electronics, and household appliances), foreign suppliers can choose from a growing number of established distributors. A good distributor will typically sell and deliver foreign suppliers' products to end-users and/or retail sellers, and provide a

wide range of logistical support services, including customs clearance, warehousing, and inventory management. However, handling promotion and advertising campaigns exclusively through independent distributors may produce disappointing results. Russian distributors often handle products from multiple suppliers and are not typically dedicated to promoting a specific company's product, unless the supplier provides substantial support for promotion and advertising. Russian retail law also prohibits certain types of promotional activities.

2) Representative and Branch Offices

Some foreign manufacturers have established their own representative offices in addition to using distributors. The major advantages of opening a representative office include a greater degree of direct contact with end-users and control over the promotion and distribution of products. However, under the Russian Civil Code, such offices cannot be directly involved in actual sales. Instead, the representative office typically oversees a network of distributors and/or agents that perform commercial functions. This approach affords greater control over the distribution process to the foreign supplier and helps reduce the risk that sales will be hindered by distributor inattention.

Since representative offices cannot take part in commercial activities, branch offices have become increasingly popular. According to Russia's 1999 foreign investment law, foreign companies may engage in commercial activities through their legally established branches. Branches are accredited for five years and must be registered with the tax authorities and other state organizations.

Both representative and branch offices can be attractive to foreign businesses seeking to minimize taxes, administrative burdens, and currency control restrictions.

3) Foreign Subsidiaries

Some foreign manufacturers, particularly in the cosmetics, pharmaceutical, consumer appliances, durables, and industrial products sectors, have registered wholly owned subsidiaries in Russia. These companies can sell products directly to their own subsidiary companies registered in Russia that import for their own account. This approach provides full control to the supplier over distribution and further reduces possible risks from the false invoicing and other billing irregularities sometimes committed by independent importers and distributors. For more information on registering a company in Russia, please refer to the *Establishing an Office* section below.

4) Agents

In Russia, distributors or representative offices of foreign companies often employ agents in Russian regions to promote their products. It is uncommon for foreign companies to rely solely upon one agent to cover the entire country.

U.S. exporters are advised to cultivate personal relationships with their Russian representatives and clients; proceed gradually, relative to similar arrangements in the United States; and ensure that they have a contingency plan should problems arise. Since it is often difficult to find information on Russian companies, it is recommended that U.S. firms consider using [the U.S. Commercial Service's due diligence service to validate potential partners](#). The U.S. Commercial Service advises against a U.S. company representative simply visiting Russia once or twice, selecting a representative, granting exclusive representation, and then moving quickly to consignment or credit sales without first establishing a payment and performance history. In addition, exporters are cautioned to take primary responsibility for registering their brand names in Russia and not to rely on a local partner for this step. Finally, it is important to provide a Russian partner Russian-language product information and marketing materials.

The U.S. Commercial Service provides a wide range of customized business development assistance services to U.S. companies in the Russian market. For more information please visit the "Services for U.S. Companies" section of our website (<https://2016.export.gov/russia/>).

Establishing an Office

The U.S. Commercial Service provides basic counseling on registration requirements and procedures. However, U.S. companies are strongly advised to seek legal advice on business registration. The U.S. Commercial Service staff can provide contact information of U.S. and Russian firms that offer professional legal services in this area. As a general rule, foreign nationals working in Russia are required to obtain a work permit.

Conducting business without a registration is illegal. Although there are federal laws governing the registration, it is often subject to local interpretation.

Russian law offers several commonly used structures to conduct business:

- Representative or branch office of a foreign company;
- Registration as an individual private entrepreneur;
- Subsidiary companies;
- Limited Liability Company (OOO);
- Privately held, closed joint stock company (ZAO); and
- Publicly held, open joint stock company (OAO).

Branch offices and accredited representative offices are both legally distinct from Russian corporations, which may be established by foreign firms either as joint stock companies with partial Russian ownership or as wholly-owned subsidiaries of a foreign firm. Foreign ownership is legally permitted to be as high as 100% in most sectors, but potentially limited in industries defined by the “Strategic Sectors Law” (discussed in this chapter under *Joint Ventures/Licensing*).

Federal Law N 106-FZ, last amended in May 2016, governs branch and representative offices of foreign entities. Pursuant to the law, accreditation of branches and representative offices of foreign companies is regulated by the Federal Tax Service of the Russian Federation (FTS). The FTS accredits branches and representative offices of all foreign companies, except for foreign banks and foreign civil aviation companies, which are accredited by the Central Bank of Russia and the federal Aviation Service, respectively.

The FTS maintains the register of accredited branches and representative offices of foreign entities (hereinafter the “Register”).

Individual accreditation and visa support for foreign employees of branches and representative offices is supported by the Chamber of Commerce and Industry of the Russian Federation (hereafter “CCI”).

The accreditation procedure is as follows:

- An application for accreditation is submitted to the FTS within 12 months from the date the foreign company’s headquarters adopts a decision to open the branch or representative office.
- The application should include certain documents (the list of the documents will be published by the FTS) and shall be accompanied by CCI certification regarding the number of foreign employees of a branch or representative office;
- The term for FTS’ decision on an accreditation application is 25 business days;
- A document confirming entry into the Register constitutes confirmation of accreditation;
- Accreditation can be denied in the event of either inconsistencies in the documents submitted or a violation of the term for their delivery. Accreditation will be denied if the purposes of a branch or representative office runs contrary to Russian legislation, and in cases when FTS assesses that establishment threatens the sovereignty, political independence, territorial integrity, or national interests of the Russian Federation;

- Changes in the FTS Register occur within 10 business days from the date of delivery of required documents to the FTS.

Regulations of a branch or a representative office of a foreign company must contain certain provisions, as determined by law. The accreditation fee for each branch office is 120,000 rubles (approximately \$1,600, at current exchange rates).

Further information is available on the [FTS website](#).

Franchising

Franchising emerged as a business model in Russia following the adoption of formal franchise legislation in 1994. Since 2000, the number of franchising operations in Russia has risen from 54 to more than 2,600. Based on Franshiza.ru data, in 2019, the Russian franchising market grew by 16% and constituted 2.8 trillion roubles (39 billion USD). It is estimated that the franchising sector currently employs approximately 1.4 million Russian workers. Retail trade constitutes 57% of all active franchises, followed by services at 25%, and fast food at 16%. According to data from the Russian Franchising Association, 65% of all franchise concepts are established domestically, and 35% are foreign, of which 12% are American, among them McDonald's, Burger King, KFC, Subway, Papa John's, Domino's, Starbucks, Marriott, Hilton and others. The most popular franchises are those that require investments between \$15,000 and \$150,000. Approximately 14% of Russian franchise entrepreneurs are ready to invest \$150,000 – \$500,000 and 4-6% have the means to invest over \$500,000. The market for restaurants/food concepts is the fastest growing, in terms of franchise entry: 52% of chain restaurants and cafes are franchises; this market is currently showing the most reliable returns, especially in the fast-food segment. Coffee-to-go concepts are also becoming more popular and are growing rapidly. The retail clothing sector also has a sizeable percentage of franchised stores at 23%. Foreign and domestic brands that provide high quality products at affordable prices continue to open new sales points in both Moscow and the rest of Russia. About 35% of children's retail outlets are franchises. In addition, a growing interest in educational/developmental franchises has been observed in recent years.

In the services sector, franchises such as EMS fitness salons and barber shops are gaining in popularity. Beauty salons and medical centers are also in high demand among entrepreneurs. Demand for modern hotels is growing annually, with the increased popularity of Russia as a business travel destination.

Until 2011, the legal framework surrounding franchising in Russia was an impediment to the development of the sector and strongly favored the franchisee. On July 18, 2011, Federal Law No. 216-FZ on Amendments to Part II of the Civil Code was signed into law, and more effectively balanced rights and obligations for parties of a franchise agreement. Specifically, the Law on Amendments (1) expanded the list of permissible restrictions under franchise agreements, such as use of intellectual property and pricing provisions; (2) amended provisions on the franchisee's preemptive right to conclude a franchise agreement for a new term; and (3) established new terms for unilateral early termination of a franchise agreement. Although enactment of this legislation is considered a significant development, Russian franchising legislation remains cumbersome, and it is highly recommended that franchisors seek professional guidance regarding legal, real estate, tax, and customs issues.

For a franchising agreement to be valid, it has to be executed in written form. The grant of the right to use the intellectual property under a franchise agreement must be registered with the Federal Service for Intellectual Property, Patents and Trademarks (Rospatent). Absent such registration, intellectual property rights are not considered granted by a franchisor to a franchisee. Prior to the execution of a franchise agreement, any trademarks to be licensed must already have been registered with Rospatent or the World Intellectual Property Organization (WIPO), with Russia identified as a designated country.

Direct Marketing

An area of free circulation of goods between Russia, Kazakhstan and Belarus represents a real commercial progress for the development of the direct selling industry in Russia, offering additional expansion opportunities.

In 2019, weakening GDP growth and declining consumer purchasing power negatively influenced direct selling in Russia. In addition to this, an increase in VAT from 18 to 20 percent in 2019 led to a price growth, which hit the direct selling performance, with the low ruble exchange rate also a negatively factor, since most of the goods or raw materials are produced abroad.

Statistics from the World Federation of Direct Selling Associations (WFDSA) indicated that direct sales in Russia in 2019 amounted to \$2.259 billion (a 6.2% year-on-year sales decrease) and that 4.4 million salespeople were engaged in direct selling. The Russian direct sales market accounted for 1.3% of the global market in 2019.

The leading category in direct selling, accounting for almost half of sales values in 2019, continued to be beauty and personal care. Major direct-sales companies such as Avon, Amway, Mary Kay, Oriflame, Herbalife and Tupperware (members of the Russian Direct Selling Association) continue to be active in Russia. Avon products lead Russian direct selling in 2019. Wellness and homecare represent about 28 and 10 percent of the Russian direct sales market respectively.

One of the main advantages of direct sales was always seen as personal consultation and an individual approach. With the increasing digitalization, however, this individual approach is changing, transforming into the use of other methods of communication. The impact of the development of digital technologies is seeing leading players in Russia move in this direction, often involving a revision of their strategies, investing both in staff training and in developing applications or macro-marketing products for clients.

Joint Venture/Licensing

U.S. companies or individuals may become strategic partners with Russian firms by taking equity positions in Russian joint stock companies or establishing joint ventures (JV). The launching of a JV in Russia demands meticulous planning and sustained commitment. In most cases, it is advisable for the U.S. partner to retain managerial and voting control. JVs in which foreign partners hold minority stakes are highly dependent on the good intentions of their Russian majority owners and foreign minority shareholders could face difficulty protecting their interests in Russian courts.

A principal benefit of a JV is the possibility of brand recognition for the U.S. company's products in the Russian market. Russia's May 2008 Strategic Sectors Law with amendments adopted by Federal Law №322-FZ in 2011 identified 42 industry sectors requiring the Russian government's prior approval of a foreign firm's purchase of controlling interest. Additionally, political pressure is mounting in Russia for domestic content mandates in key sectors and for large-scale procurements, and a JV can sometimes help provide a local footprint with a more Russian "face" for a non-Russian company working in the market.

Russian and U.S. partners often take a different view of JVs. U.S. companies, especially SMEs, often consider JVs as a means of securing a local partner with experience and contacts in the Russian market. On the other hand, many Russian managers view a foreign partner chiefly as a source of working capital, and these managers may place a lower priority on local market development. Before making financial or legal commitments, U.S. firms should thoroughly evaluate whether a potential partner shares their priorities and expectations. Any firm that forms a JV in Russia should be ready to invest the necessary resources, including the personal attention of its managerial staff, to keep the business on course both before and after the establishment of the JV.

Certain types of business activity need a special activity license issued by an authorized licensing body. These include:

- Surveying;
- Encryption-capable IT or telecommunication systems;
- Pharmaceutical activities or the production of medicines;
- Development, production, repair, sales or trade of weapons and military equipment;
- Overseas and inland waterway passenger and freight transportation;
- Use of highly explosive or hazardous objects for production;

- Production, storage, usage or distribution of explosive materials for an industrial assignment; and
- Educational activities.

The full list of activities that require licenses is stipulated by the Federal Law “On Licensing of Certain Types of Activity” N 99, May 4, 2011, with amendments adopted by Federal Law № 185 (FZ - N185) in July 2013.

U.S. technology can be licensed for Russian production in the absence of a JV but there can be significant obstacles to doing so, such as: ensuring that desired quality levels are attainable by Russian facilities without significant retooling, addressing uncertain intellectual property protection, and resolving difficulty in receiving regular and prompt payments. Concurrently, Russian companies are usually eager to license their technologies to foreign companies in exchange for the cash infusion.

Express Delivery

The Russian territory, one of the largest in the world, with 11 time zones requires serious logistics and organizational approach. The most commonly used method to make home delivery from abroad is the national postal service, as long as orders do not exceed 20kg (44 lbs.). The other available option is to deal with private parcel delivery companies. As an example, express delivery from New-York to Moscow takes about four days.

According to a NeoAnalytics study, Russia’s express delivery market grew 12.,5% to \$1.1 billion in 2018 (latest available data). The 38 largest Russian cities with more than 500,000 residents account for 70% of the total volume of express delivery services, with more than 60% of the market coming from B2C (business-to-consumer) transactions.

In recent years, Russian express delivery companies significantly pushed foreign participants on the market. Currently, the market share of large Russian operators is about 60% versus 30% share of foreign companies. The largest international companies in the Russian express delivery market are DHL and UPS. Among domestic companies the market leaders are: DPD, EMS Russian Post, and Pony Express. Usually, the cost of express delivery in international companies is higher. However, international operators benefit in delivery times both within Russia and abroad.

It is expected that in 2020-2021 the express delivery market will grow significantly, primarily due to the growth of e-commerce and online retailers. The COVID-19 situation and introduction of quarantine measures has led to a significant increase in demand for online orders. In Moscow in March 2020, the demand for the delivery of groceries and ready-to-eat meals almost quadrupled and during peak periods increased up to 10 times (Source: INFOLine). In addition, in April 2020, many Russian FMCG retailers which had not previously developed this channel went online, started to provide click & collect services, and began to cooperate with express delivery services. INFOLine experts estimate the market for express delivery of food products may increase from \$11 million in 2019 to \$420 million in 2020. Total FMCG online sales can reach up to \$2 billion at the end of 2020 versus \$625 million in 2019.

According to the East West Digital News (EWDN) industry report, the Russian B2C e-commerce market (physical goods) is expected to reach \$22 billion in 2019 and jump to \$50 billion or more by 2023. Cross-border sales expected to total up to \$7 billion in 2019, mainly represented by Chinese sellers. A person can receive goods that weigh less than 31 kilos and a de minimis value of up to 200 euros (starting from January 1, 2020) per month without having to pay customs duties. If the permitted import norms are exceeded, the customs duties are paid at a rate of 30% of the value but not less than 4 euros (\$5.80) per 1 kg. Also, since January 1, 2017, Russian Customs has required passport data for individuals receiving parcels from abroad, which significantly increases delivery time.

Due Diligence

Russia can be a challenging market which means U.S. companies need to take time to learn about the business environment and select local partners wisely. Taking shortcuts when evaluating business opportunities and selecting local partners is not advisable. Occasionally, basic information about regulations, company ownership and credit worthiness is not readily accessible, and the market’s regulatory framework continues to evolve, requiring companies to closely monitor changes. The U.S. Commercial Service offers an International Company Profile

service as a way to evaluate potential partners. For more information on this service and other customized services, please visit CS Russia's website: <https://2016.export.gov/russia/servicesforu.s.companies/index.asp>

Russia-related sanctions have been implemented by the U.S. government under multiple legal authorities in the form of executive orders and public laws since 2014. On August 2, 2017, the President signed the Countering America's Adversaries Through Sanctions Act (CAATSA) which codified and expanded sanctions announced during 2014-2016 on certain Russian entities and sectors. CAATSA includes sectoral sanctions affecting the financial, defense, and energy transactions, and "blocking sanctions" that prohibit business with certain individuals and entities.

Implementation and enforcement of sanctions legislation is a shared and partitioned responsibility across the U.S. government. The Departments of State and Treasury have published numerous public FAQs and links to components of the legislation that serve as extremely valuable resources for conducting initial due diligence.

In response to inquiries from the business community, we have compiled the following resource center for use in understanding the multiple components of Russian sanctions legislation applied by the U.S. Government since 2014. This information is not comprehensive and is subject to ongoing updates. We strongly urge U.S. firms conducting business in Russia to perform careful due diligence and seek legal counsel when vetting potential transactions and counterparties. Questions on specific transactions should be directed to the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), and the Department of Commerce's Bureau of Industry and Security.

U.S. Department of Commerce Resource Center on Russia Sanctions: <https://www.export.gov/article?id=US-Sanctions-Information-Related-to-Ukraine>

eCommerce

Assessment of Current Buyer Behavior in Market

The Russian e-Commerce market has been steadily growing and doubled in size for the past four years, according to the statistics from the yStats.com report, one of the world's leading secondary market research companies. The largest product category of Russian e-Commerce sales in 2019 were electronics and appliances (38%), followed by clothing and footwear (31%). According to 2019 forecasts, retail e-Commerce sales of food and groceries was to outpace the rest of the market by 2022; however, the self-isolation scenario of the pandemic served as an additional boost for the rapid development of FMCG retail on-line shopping. Since the beginning of 2020, the rate of on-line orders of FMCG products increased by five times, which led to the changes of strategies and priorities for the leading FMCG retailers for 2020-2021.

According to the Association of Internet Trade Industries, Russian FMCG on-line retail shopping has a huge growth potential considering the large-scale investments of the leading food retailers, IT companies, and banks into this market segment.

The broader availability of 5G mobile internet will take customer experience in e-Commerce to a new level. Its speed, combined with low latency, will allow for all-new VR/AR applications that will significantly change the shopping experience. Instead of investing in retail space, innovative retailers will provide VR solutions that completely personalize the customer experience for shoppers.

Overall growth of the e-Commerce market in Russia is also conditioned by the relatively high level of the internet penetration in Russia (94.4 million people use internet in Russia), and the availability of affordable smart phones.

Cross-border e-Commerce used to be the top trend in Russia's online retail market until 2018, comprising more than one-third of total e-Commerce sales, according to the yStats.com report. This growth has been driven in large part by Chinese companies – most notably Alibaba's B2C marketplace Aliexpress.ru – but key western players including Amazon, ASOS, Next and YOOX are also well represented.

As Russian online shoppers are price-sensitive, and make more than 50% of their online purchases using product discounts and special offers, they became more selective in 2019 and 2020 when in 2019 due to the lobbying of the domestic retail companies the tax-free threshold for personal use products was lowered first to 1000 EUR, then to 500 EUR, and finally to 200 EUR for each single purchase. The customs fee for these purchases came up to 30 per cent than was reduced to 15 per cent. The overall share of products purchased through the cross-border e-Commerce channels decreased from 23% in 2018 to 16% in 2019 with a tendency to decrease further throughout 2020.

Now the Russian government is setting out a strategy to make e-Commerce in general more popular among the Russian shoppers and has tasked the Ministry of Finance and the Ministry of Communications to develop the legislative framework and implement innovative logistical solutions to tackle this issue.

The following resources can be recommended as an additional support and source of information:

- Association of Internet Trade Industries
- Russian Association of Electronic Communication
- National Association of Distant Trade
- The Ministry of Communication
- The Ministry of Industry and Trade
- Data Insight Analytical Agency
- J'son and Partners Management Consulting

Local eCommerce Sales Rules & Regulations

Entering the Russian e-Commerce market is possible through the leading Russian on-line shops (B2C) Lamoda (fashion), Ozon, and Wildberries, as well as the social network VK which now works with AliExpress. A new cross-border support platform was also established by Yandex, called “Bringly”, which assisted a number of Turkish companies to enter the Russian market (Hepsiburada, N11.com and Ziylan Group).

The e-Commerce market in Russia is regulated by the Ministry of Industry and Trade.

The main barrier for entering the Russian e-Commerce market is the legal requirements. E-merchants should pay attention to Russia’s personal data laws, which are distinct from the EU’s GDPR and may require substantial adjustments in data collection, processing and storage. This legislation applies to any online retailer, even those operating from abroad without physical or legal presence in Russia, should their online resources target users in Russia. The e-merchant’s PSP should also comply with personal data legislation.

The important issue of intellectual property rights (IPR) must also be addressed by e-merchants wanting to sell in Russia. IPR resources can be found at the following site: <https://www.stopfakes.gov/article?id=Russia-IPR-Resources>

According to the Data Insight analytical agency, almost all Russian corporations report using electronic trading platforms for procurement purposes. As B2B online shopping becomes more prevalent in Russia, the industry has become more tightly regulated. Transactions made through B2B e-Commerce platforms are legally binding due to the large financial value of these purchases. Procurement procedures, especially for state-run entities, face strict legal requirements.

Additionally, the e-merchant’s PSP should cover specific Russian payment means such as e-wallets, Yandex.Money, Web.Money and QIWI e-wallets as well as the MIR card. This will increase sales and boost smart partnerships with the local payment companies.

Having a strong logistics partner and a combination of delivery channels (postal delivery, courier service, pick up offices, etc.) is a common practice for successful foreign e-retailers.

Local eCommerce Business Service Provider Ecosystem

The number of e-Commerce Services in Russia is growing exponentially. Among the top services are e-Commerce aggregators and digital marketplace providers, diversified and customized delivery services, e-payment services and payment aggregators, digital marketing services, and a growing number of consulting and startup companies.

The most reliable and popular e-Commerce aggregators are:

- Joom
- Wildberries
- Beru (developed by Yandex and Sberbank)
- Aliexpress
- Price.ru belongs to Rambler Co Holding)
- Tmall
- Goods.ru
- Avito Magazin

Social networking is of growing importance to e-merchants. More than 90% of Russian Internet users access social networks. The most active social media platforms are YouTube (85%), VKontakte (83%), WhatsApp (59%), and Instagram (51%)

The amount and frequency of searches for a product or service should be analyzed prior to launching a campaign in Russia. Complementing Google Trends, Yandex can support search-engine optimization efforts:
wordstat.yandex.ru

The most prominent e-Commerce related events in Russia:

- [Ecom Expo](#), 2-3 September 2020, Moscow
- [Russian Retail Week](#), 9-13 November, Moscow
-

Selling Factors & Techniques

Overview

Adapting sales and marketing strategies to Russia's business climate is a key factor that determines whether a product or service offering is well-received. Customized market research is required to identify opportunities and potential Russian business partners. The choice of a partner is key and should be done only after conducting sufficient due diligence to determine a partner's reputation and reliability. The U.S. Commercial Service can provide customized services, which may include market research, promotional events, partner and buyer identification, and due diligence services.

Both before and after launching operations, travel to Russia is strongly recommended to establish and maintain relationships with business partners and to understand the realities of doing business in the market. While the recommendation of a visit remains for those considering the Russian market, the U.S. Commercial Service recognizes the realities of travel restrictions in a pandemic, and has successfully implemented a video conferencing model based on the Webex platform to connect parties and establish a dialogue. Marketing in Russia requires patience, and exporters should maintain a long-term perspective and not expect immediate results. It can be helpful to network with companies and business organizations, such as the American Chamber of Commerce in Russia (with offices in Moscow and St. Petersburg) or the U.S.-Russia Business Council (headquartered in Washington D.C.), whose members have a track record of success in an array of industries.

Business planning should include advertising and marketing/promotion. When recruiting personnel or identifying business partners, local talent should be considered, especially for government relations, which can be of critical importance for certain industries. Professional services of all kinds, such as law, accounting, and engineering are

readily accessible. “Absentee” management should be avoided, because it is important to communicate regularly with Russian business partners, customers, and clients to ensure a common understanding of expectations. Partners can assist with required testing and certification, after-sales service, customs clearance, warehousing and preparation of Russian-language marketing and instruction materials.

Every foreign product intended for sale in Russia needs to have a description in Russian that includes information about its contents, manual/use explanation, manufacturer, importer, certificates, etc. For more information please refer to the Russian Law [“On Protection of Customers’ Rights”](#).

Business should always be conducted in compliance with all Russian laws and regulations (taxes, customs, labor, etc.), as well as applicable U.S. laws and standard business practices, including corporate governance and accounting practices.

Exporters should avoid selling on open account terms until they have developed a well-established track record with a given buyer. Letters of credit and other secure financing vehicles are possible. Exporters should be prepared to adjust prices according to currency fluctuations.

Russian purchasers are generally sophisticated and highly educated. Russian purchasers may be price sensitive, but are frequently willing to pay for quality, especially for recognizable and reliable imported brands.

Trade Promotion and Advertising

Television, radio, print, and billboard advertising are ubiquitous in the Russian market. Most international advertising agencies are active in Russia along with their domestic counterparts.

The Association of Communication Agencies (ACAR) estimated Russia’s advertising market at 469 billion rubles (\$7.3 billion) in 2018, up 13% growth in 2017. Accounting for the production of creative products, advertising goods, and payment for agency services, the total value of marketing communications is estimated at 810-830 billion rubles.

The following summary of 2017 Russian advertising market performance was derived from the Russian Association of Communication Agencies experts. The numbers from 2011-2016 have been compiled by CS Russia from Russian Association of Communication Agencies reports.

Segments	2018 (Rubles, billions)	2017 (Rubles, billions)	2016 (Rubles, billions)	2015 (Rubles, billions)	2014 (Rubles, billions)	2013 (Rubles, billions)	2012 (Rubles, billions)
TV	187	170.9	150.8	136.7	159.2	156	143.2
Inc. Terrestrial Television	179.8	165.6	146.9	134.2	155.7	152.2	139.9
Cable	7.3	5.3	3.9	2.5	4.1	4	3.31
Internet	203	166.3	136	97	84.6	71.7	56.3
Incl. Media Advertising	n/a	n/a	n/a	18.7	19.1	20.1	17.9

Contextual Advertising	n/a	n/a	n/a	78.3	65.5	51.6	38.4
Press	18	20.5	19.0	23.3	33	37	41.2
Incl. Newspapers	n/av	8.7	5.4	6.5	8.1	8.7	9.5
Magazines	10.8	11.9	10.7	11.6	16.5	18.5	20.1
Advertising Periodicals	7.2	n/a	3,6	5.3	8.5	9.9	11.6
Outdoor Advertising	43.8	33,8	31,4	32	40.6	40.7	37.7
Radio	16,9	16,9	15,1	14.2	16.9	16.5	14.6
Total	468.7	417	n/a	307	340.1	327.8	297.8

Source: [Association of Communication Agencies in Russia](#)

Pricing

Russian consumers are attracted to bargains but are increasingly able and willing to pay a premium for quality merchandise. U.S. companies exporting to Russia should be prepared to offer competitive prices for their goods, since there are inexpensive Russian products on the market, and strong competition from Asian and European companies. With a few exceptions, goods and services sold in Russia are subject to the value-added tax (VAT) of 20%, which is assessed on the cost, insurance and freight (CIF) value of an imported shipment, plus applicable duty. In addition, with strong local and third-country competition in many industry sectors, it is advisable to invest in advertising and brand promotion.

Sales Service/Customer Support

Reliable after-sales service, training, and customer support can be a major competitive advantage for U.S. firms entering the Russian market, as Russian manufacturers are known for inadequate after-sales service. Similarly, buyers of sophisticated equipment ranging from computers and process controls to medical and mining equipment are keenly interested in training, as their employees may have never previously used particular technology or brands. U.S. firms willing and able to offer training and support for products, particularly at remote sites, could gain a significant advantage over competitors. Conversely, companies unwilling to make this commitment may find themselves at a distinct disadvantage relative to European or Asian companies, whose proximity readily facilitates training and service. After-sales service is also often an important component in leasing arrangements in Russia, and will play a larger role in the acquisition process as leasing continues to develop. Companies that offer training in the United States or Russia are advised to start the visa process as early as possible - issuance of both Russian and U.S. visas can take up to several months depending on the type and time of the year (the summer period is

particularly busy). The American Chamber of Commerce in Russia and U.S.-Russia Business Council offer their members expedited visa appointment services.

Local Professional Services

While professional services are expensive, attempts to avoid such expenditures can be penny-wise and pound-foolish. In Russia's unsettled commercial environment, early and ongoing advice on tax and legal issues will ultimately mitigate administrative and compliance costs over the long-run. Russian commercial regulations are contained in thousands of presidential, governmental and ministerial decrees. These decrees and laws often overlap or conflict, and determining tax obligations is a complex task. Moreover, Russian accounting practices differ from Western standards and the adoption of international accounting standards is still far from complete.

In Moscow and St. Petersburg, there are many offices of major Western accounting, legal and consulting firms blending the skills of Russian and foreign professionals (e.g. Deloitte, Baker McKenzie, EY, KPMG, PWC and others). Competent smaller firms also operate under Russian or U.S./European management. U.S. firms should avail themselves of locally based specialists familiar with issues confronting Western firms in Russia. The U.S. Commercial Service in Russia maintains a roster of local attorneys and accounting firms in our list of [Business Service Providers](#). The American Chamber of Commerce in Russia www.amcham.ru is also an alternate source of contacts and information.

Principal Business Associations

Following is a non-exhaustive list of significant business associations active in the Russian market. As with all such lists of associations in this report, this list is provided for informational purposes only, and does not constitute endorsement of particular policy positions that a given association might take:

[American Chamber of Commerce in Russia](#)

[U.S.-Russia Business Council](#)

[Russian Direct Selling Association](#)

[Russian Association of Internet Trade Companies](#)

[Russian Association for Electronic Communications](#)

[Russian Association of Communication Agencies/Russian Association of Advertising Agencies](#)

[Association of Russian Banks](#)

[Association of Advertisers](#)

[Russian Brand Owner Association](#)

[Association of Russian Retailers](#)

[Federation of Restaurateurs and Hoteliers](#)

[National Packaging Confederation \(NCPack\)](#)

[Russian Software Association \(Russoft\)](#)

[Information & Computer Technologies Industry Association \(APKIT\)](#)

[International Medical Device Manufacturers Association \(IMEDA\)](#)

[Innovative Pharma](#)

[Association of International Pharmaceutical Manufacturers \(AIPM\)](#)

Limitations on Selling U.S. Products and Services

In Russia, several important laws have been adopted in recent years in the field of personal data. These efforts to improve the legal framework have resulted in significant complications for market players, as many aspects of the legislation on personal data collection, storage and use have become particularly demanding and implementation may be burdensome and costly for international market participants. The 2014 law requiring that companies operating in Russia store their users' or clients' personal data on servers located physically in Russia is an example of how evolving regulatory practices can place a burden on U.S. firms.

Another restrictive law, Federal Law No. 188-FZ "Concerning the Introduction of Amendments to the Federal Law "Concerning Information, Information Technologies and Information Protection" and Article 14 of the Federal Law "Concerning the Contract System for Procurements of Goods, Work and Services to Meet State and Municipal Needs" signed on June 29, 2015, provides for the creation of a "unified register of Russian computer programs and databases" and a partial prohibition on the procurement of foreign software and databases for Russian government needs. The law was enacted on January 1, 2016. The signing of this law forms part of the import substitution policy laid down in the Russian Government's crisis response plan. Under the new rules, software will be recognized as Russian only if it has been entered in the [Unified Register](#). The law defines basic criteria for including software products in this register. Russian right holders should possess exclusive rights on software, software should be freely handled and distributed in Russia, the amount of licensed and other contributions in favor of foreign right holders should be no more than 30% of revenue from software implementation. Data stored on foreign software should not contain national security information and Russian right holders should possess the exclusive right for the entire operating term. Only software listed in the Unified Register may be purchased to meet federal and municipal needs. The law states that in order for exceptions to be applied, the buyer will have to prepare a statement explaining why the restrictions cannot be observed.

In February 2015, Russia barred foreign medical device manufacturers from participating in government tenders for a specific list of medical devices (mostly low-technology goods) if at least two producers from EAEU member countries participated in the tender. In December 2016, the Russian government expanded the list of covered goods to include 86 additional products (such as gauze and cotton dressings, glucometers, defibrillators, and certain types of tomography scanners).

Trade Financing

Methods of Payment

Payment methods and terms vary depending upon the U.S. company's business model and relationship with its Russian trading partner. For new-to-market companies, requesting advance payment for goods and services from a Russian customer may be a prudent safeguard until both parties establish a positive record of payment. Once a U.S. firm has established a strong relationship with a Russian trading partner, it may consider extending short and eventually longer-term credit to bolster sales volume. This step should be undertaken with caution and only after careful evaluation and establishment of successful payments. 30/70 is a commonly used payment structure for international transactions in Russia, meaning 30 percent due at the time of order/invoice and 70 percent due upon shipment.

For large transactions, advanced payment from a Russian buyer may be impractical, and financing may be provided by a bank, export credit agency, or venture fund. Please note that due to the Russian annexation of Crimea and ongoing Ukrainian conflict, the Export-Import Bank of the United States (EXIM) has suspended its operations in Russia. Exporters' risk can be minimized with a bank or insurance guarantee from a Russian bank that would be acceptable to a U.S. bank. Several Russian banks and/or their corporate leadership are currently sanctioned by the United States government, and exporters must verify that they abide by U.S. sanctions when conducting financial transactions. Sectoral sanctions applied against Russian banks limit the duration of debt/equity financing that can be

provided and may affect standard export transactions. In leasing deals, exporters should insist on an upfront payment of three to four months upon delivery to mitigate risk.

Leasing has become increasingly attractive for both sides because of its economic effectiveness, flexibility and accessibility in comparison to bank financing. Most large Russian banks have leasing programs that they offer their clients, and there is a growing list of foreign leasing companies operating in Russia that offer Russian clients leasing terms for imported equipment. Aviation, energy, mining, construction, transportation, pharmaceutical production, forestry and fishing industry equipment, which may be too expensive for many Russian customers to purchase outright, are often leased.

As with sales, companies providing leased equipment must also be careful to comply with U.S. sanctions that (as already mentioned) limit the duration of debt and equity financing for certain Russian end-users, particularly with respect to Russian entities on the U.S. Sectoral Sanctions Identification List (SSI List) in the financial, energy, and defense sectors. For more information on Russia sanctions, please consult the Russia resource website of the [U.S. Department of the Treasury](#). Digital payments and personal finances are the two major segments of the fintech industry in Russia, constituting roughly 90 and 9 percent of the market share, respectively. In 2019, the total value of electronic payments was over 613 trillion Russian rubles (US\$8.51 trillion), while the value of bank card payments amounted to about 27 trillion Russian rubles (US\$375 billion). Bank cards were the second most employed mode of payment after cash in the country as of 2019, among which MasterCard, Visa and the National Payment System (MIR) were the key market players.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at <https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters>

Banking Systems

The upper level of the banking system in Russia is composed of the Central Bank of the Russian Federation (“Bank of Russia”), which is the key regulatory authority for banking and is in charge of monetary policy. The Bank of Russia is responsible for regulating banking activities. Through its instructions, regulations and other acts, the Bank of Russia establishes rules, standards and obligatory requirements for banks and non-banking credit organizations throughout the Russian Federation. The lower level of the banking system in Russia is composed of credit organizations and representative offices of foreign banks.

Pursuant to Federal Law No. 395-1 “On Banks and Banking Activities” dated 2 December 1990 (“Banking Law”), there are two main types of credit organizations: banks and non-banking credit organizations. A bank is a credit organization that has the right to carry out such banking operations as opening and maintaining the bank accounts of legal entities and individuals, attracting deposits from legal entities and individuals, and placing those funds in its own name and at its own cost and expense. A non-banking credit organization is an entity that is allowed to perform a limited number of specified banking operations as set forth in its license.

Both banks and non-banking credit organizations are entitled to carry out banking operations from the moment of receipt of a banking license issued by the Bank of Russia. As of July 2020, there are 388 operating banks (257 banks with a universal license and 131 banks with a basic license) and 39 non-bank financial institutions in Russia.

Despite improvements over the last several years, the Russian banking system is still evolving in meeting the capital and credit needs of a growing, more dynamic market economy. However, while the banking services available from Russian banks are still limited compared to what is available in the United States, a company doing business in Russia can access an expanding range of basic services offered by larger commercial banks. The Central Bank has reclaimed operating licenses from nearly 300 banks since it began a banking cleanup in 2013, citing various legal and regulatory violations. While individual investors are covered up to 1.4 million rubles, corporations receive no insurance on deposits, resulting in near total loss of funds in the case of a bank closure. High interest rates on commercial loans pose another challenge; however, the Central Bank of the Russian Federation has significantly reduced rates since 2014. Currently rates are approximately 10-25% from commercial banks and 5%-9% for State-

supported loans. One-time equipment leasing deal rates are approximately 10-19%, depending on market conditions and details of a lease agreement.

Foreign Exchange Controls

Currency control legislation has been liberalized considerably in the past 20 years. For payments related to the import of goods, there are no significant restrictions. However, the bank of the Russian importer is obliged to ensure compliance of payments with currency regulations and tax obligations. Therefore, the Russian importer and its bank set up a “transaction passport” for each contract. The foreign exporter is not directly involved but may be affected due to the need for the Russian importer to obtain documents and information from the exporter. For more information, see *Conversion and Transfer Policies* in the Investment Climate Statement.

U.S. Banks and Local Correspondent Banks

The Russian banking sector is dominated by large, state-owned banks, with the top five banks controlling over 50% of assets. At one time, there were over 3,000 small and regional banks, but economic pressures, regulatory actions, and insolvency have led to significant consolidation within the sector. State-owned banks have been the primary beneficiaries of the Russian government’s efforts to inject short- and long-term liquidity into the market to mitigate economic downturns in 2009 and 2013-2015. Russia’s largest domestic banks include Sberbank (owned by the Central Bank); VTB Bank (state-owned, including subsidiaries VTB24, VTB Capital, and Bank of Moscow); Gazprombank (subsidiary of state-owned Gazprom); Rosselkhozbank (state-owned agricultural bank); and Alfa-Bank (Russia’s largest private commercial bank). All of the above state-owned banks (not including private Alfa-Bank) are included in the Office of Foreign Assets Control of the U.S. Department of Treasury’s Ukraine-related Sanctions List, which limits the types of transactions in which U.S. companies may enter with these banks. The sanctions significantly limited access of these organizations to the U.S. financial markets, as August 2017 legislation prohibits the conduct by U.S. persons or persons within the U.S. of all transactions in, provision of financing for, and other dealings in new debt of longer than 14 days.

Russia’s largest private commercial banks, in addition to Alfa-Bank, include Russian Standard Bank, Moscow Credit Bank, Sovcombank, Tinkoff Bank, Bank Saint Petersburg and Uralsib.

The largest U.S. and European investment banks operating in Russia include Goldman Sachs, Bank of America Merrill Lynch, JPMorgan, Barclay’s, Deutsche Bank, and UBS. The largest foreign-owned commercial banking institutions in Russia include: Raiffeisen Bank (Austria), Unicredit Bank (Italy), Citibank (U.S.), HBSC (U.K.), and Deutsche Bank (Germany). In 2013, new laws were enacted forbidding foreign banks from establishing branches in Russia, permitting only subsidiaries to be created.

Protecting Intellectual Property

In 2020, Russia remained on the Office of the [U.S. Trade Representative’s Special 301](#) Priority Watch List, an annual report on countries that engage in substantial intellectual property rights (IPR) violations. Several general principles are important for U.S. companies to effectively manage IP in Russia. First, it is important to have an overall strategy to protect IP. Second, IP is protected differently in Russia than in the United States. Stemming from this, companies need to ensure that their IP is registered in Russia for their rights to be enforceable under Russian law.

U.S. firms should take proactive steps to protect their intellectual property in Russia, including registering their trademarks with the Federal Service for Intellectual Property (Rospatent) and having the patents recorded in the Russian Federal Customs Service’s IP Register. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights on behalf of private individuals in Russia. While the U.S. government is willing to assist, there is little recourse if the right holder has not taken the fundamental steps necessary to secure and enforce its IPR.

It is always advisable to conduct due diligence on potential partners, as reliable business partners can be important allies in protecting IP rights. The Commercial Service in Russia can produce a [due diligence report](#) to assist in this effort. Additionally, allowing a business to register your IP rights on your behalf warrants careful consideration. Doing so may create a risk that a partner will list itself as the IP owner and fail to transfer the rights when the partnership concludes. It may be advisable to closely evaluate cost structure of your business in Russia; high margins may be good for profits but can sometimes incentivize would-be bad actors to target your IP. Projects and sales in Russia require constant attention. As with all partnerships, U.S. companies are advised to work with legal counsel familiar with Russian law to create robust contracts that include non-compete clauses, and confidentiality/non-disclosure provisions.

U.S. businesses are encouraged to contact the U.S. Commercial Service for a [list](#) of law firms that may be able to assist you with registering your intellectual property.

It is also advisable for small- and medium-sized companies to work with trade associations and other non-governmental as well as governmental organizations to support their efforts at IPR protection. Some such these organizations based in the United States and Russia including:

- American Chamber of Commerce in Russia (AmCham) National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Russian Anti-Piracy Organization (RAPO) (represents the Motion Picture Association of America)
- National Federation of Music Industry (NFMI)
- Russian Software Association (Russoft)
- Association of Branded Goods Manufacturers in Russia (RusBrand)
- Federal Service for Intellectual Property (Rospatent)
- Russian Federal Customs Service
- Russian Ministry of the Interior, Economic Security Department

A wealth of information on protecting IPR is available to U.S. rights holders:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the United States and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at <http://www.stopfakes.gov/>. Also see the [specific IP snapshot about Russia](#). In addition, one may contact IP Attaché: [Dorian Mazurkevich](#), responsible for Eurasia or ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at Stevan.Mitchell@trade.gov.
- For more information about registering trademarks and patents (both in the United States and in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**; <http://www.copyright.gov/>.

Selling to the Public Sector

Selling to the Government

The Russian government and state-owned-enterprises (SOEs) play an outsized role in the economy, with the Russian government controlling the oil and gas sector and maintaining major equity stakes in enterprises in a range of other natural resource, manufacturing and technology industries. Although sales to government agencies and state-owned

enterprises are possible and sometimes generate significant, ongoing business, U.S. government sanctions ensuing from Russia's actions in Ukraine mean that U.S. companies should carefully assess whether a prospective customer might fall afoul of these sanctions before conducting any sales to the Russian government or state-controlled entities.

In Russia, procurement programs, called "tenders," are defined as competitive bidding, during which suppliers of goods and services are selected. If the company chooses to sell to both state and municipal customers then their actions are governed by the [Federal Law 44 "On the contract system in the procurement of goods, works, services to meet state and municipal needs"](#). If the customer is an SOE, a natural monopoly, or an organization whose activity is regulated, then tenders must comply with the [Federal Law 223-FZ "On the procurement of goods, works, services by certain types of legal entities."](#) Private companies also conduct tenders. There are some specifics to these tenders as well, but below we will discuss only selling to the first two categories.

The tendering process can be described as following:

- Market analysis
- Selection and receipt of an "electronic signature"

The electronic signature completely replaces handwritten signatures and is legally binding. It is created using cryptographic encryption, and valid for one year. All government tenders are conducted electronically, so to participate, the company (LLC, or JSC) has to obtain an "electronic signature". Foreign companies or individuals are not permitted to obtain an electronic signature, so they have to rely on their Russian partners, who receive it through www.gosuslugi.ru. This process can take some time, because the government tenders require an enhanced qualified electronic signature.
- Registration on electronic platforms

All government tenders are conducted on the [Unified Information System in the Field of Procurement](#). All the bidders must register on this site. SMEs specifically can use eight federal electronic platforms, the operators of which take payments from the winners. It is enough to register on the Unified Information System on the Field of Procurement and the companies can participate on these eight federal electronic platforms.

 - • [Sberbank-AST](#)
 - • [National electronic platform](#)
 - • [RTS-Tender](#)
 - • [Unified electronic trading platform](#)
 - • [All-Russian system of electronic commerce](#)
 - • [Russian Auction House](#)
 - • [TEK-Torg](#)
 - • [ETP Gazprombank](#)
- Search for tenders
- Opening a special account at the bank
- Preparation and submission of an application for participation
- Participation in the tender which happens in "real time" on the electronic platform.
- Results of the tender

U.S. companies bidding on government tenders may also qualify for U.S. government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center, coordinates U.S. government

interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and interagency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult [Advocacy for Foreign Government Contracts](#) for additional information.”

Russia is still not a party to the [WTO Agreement on Government Procurement](#). It has been in entrance negotiations since 2013.

Financing of Projects

Most U.S. government international financing programs to support U.S. exports have halted consideration of transactions in Russia in response to Russia’s intervention in eastern Ukraine and purported annexation of Crimea. This includes both the U.S. Export-Import Bank (EXIM) and the U.S. International Development Finance Corporation (DFC, formerly OPIC). Prior to these suspensions, assistance had come in the form of working capital loans, loan guarantees, insurance, lease financing, grants for major projects, and in some cases, financing for the foreign buyers of U.S. manufactured products. Other sources of international trade and project financing in Russia include regional development banks, usually tied to large infrastructure or other developmental projects.

The Small Business Administration (SBA) offers financing packages specifically targeted to assist small and medium-sized U.S. exporters expand overseas and fund export transaction costs or financing for the export of goods or services. SBA programs can provide the liquidity needed to accept new orders, enter new markets and compete more effectively in the international marketplace. Some of their programs include: Export Express Loan Program, Export Working Capital, International Trade Loans, and the SBA and EX-IM Bank Co-Guarantee program. For more information, please go to the [SBA website](#).

In July 2014, the European Bank for Reconstruction and Development (EBRD) froze all decisions regarding new projects in Russia. However, the EBRD continues to support its existing projects and clients in Russia.

The U.S. Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the [Advocacy Liaison for African Development Bank](#) or [Advocacy Liaison for European Bank for Reconstruction and Development](#).

Business Travel

Business Customs

Establishing a personal relationship with business partners is a critical factor in successfully negotiating major projects, government procurements, or in developing long-term business relationships. Scheduling meetings with potential Russian business partners can be challenging. It may take weeks to get a response to an email, fax, or telephone request for a meeting. Once contact has been established, patience may still be required to confirm a date and time to meet. U.S. business visitors to Moscow or St. Petersburg are advised to factor heavy road traffic into scheduling.

Russian language ability is a must for concluding business successfully, and an interpreter should be hired if necessary. An increasing number of Russian businesspeople speak a courtesy level of English; however, many prefer to conduct business discussions in Russian. The U.S. Commercial Service can arrange for the services of qualified interpreters.

Business cards are important and are exchanged freely. Cards should have regular contact information and an email address and web site if available. Most foreign businesspeople in Russia carry bilingual English/Russian business cards (one side English, the other Russian).

Russian language promotional materials are an important tool for creating interest in a company's products in the Russian market. It is very important that the translation be accurate and of high quality, utilizing professional translation services. Many companies interested in the Russian market have used online translation platforms, only to learn that the translation did not appropriately convey the U.S. firm's message or conform to professional standards or take into account local cultural idiosyncrasies. The Commercial Service has started identifying business service providers in Russia in different categories that are known by our team and/or U.S. companies in the market.

Hotels: While world-class tourist and business facilities exist in Moscow and St. Petersburg, they are underdeveloped in much of Russia, and many goods and services taken for granted in other countries are not yet widely available outside large cities. Western-style hotels are present in Moscow, St. Petersburg, Yekaterinburg, Kazan, Nizhniy Novgorod, Nizhnevartovsk, Perm, Samara, Sochi, Yuzhno-Sakhalinsk, and Vladivostok, though they are often priced at a premium in comparison to similar accommodations in other countries. Outside major cities, traditional Russian hotels offer modest accommodations at modest rates, and some regional hotels raise rates for foreign guests. It is possible to find well-appointed hotels in some small towns; it is equally possible to be temporarily without water or electricity when visiting some regions of Russia, during seasonal maintenance outages, for example.

Clothing: Russian businessmen and women predominately wear business suits. For women, dresses, skirts or pants are acceptable. Winters can be extremely cold in Russia with occasional temperatures in the minus-20 Fahrenheit range in northern and Siberian cities; Moscow and St. Petersburg can be quite cold as well, with temperatures in the teens. Winter clothes may be needed as early as October or as late as May. Travelers are advised to bring boots or other protective footwear, as streets and sidewalks in winter are frequently slushy or icy. Summers, while brief, can be surprisingly hot, and air conditioning is still rare outside big-city hotels and offices.

Food: The recent ruble depreciation has made dining out in Moscow and St. Petersburg more affordable, in line with major U.S. cities. Russian food can be bland to American tastes, while many visitors find Caucasian, Georgian and Uzbek cuisines an interesting contrast. Asian food is becoming increasingly popular and sushi restaurants are pervasive. Along with ethnic cuisines, gourmet cafeterias have risen in popularity as well due to a large variety of food and high quality of ingredients. Regardless of the city or hotel, bottled water served with no ice is recommended. Tips are generally 10% of the bill for good service.

Mail Services: The following companies, with offices in Moscow, offer priority mail services between the United States and Russia:

- DHL
- Federal Express
- Pony Express
- TNT
- UPS

Travel Advisory

The State Department issues Travel Alerts and Warnings when warranted by local conditions. If you are traveling to Russia, please refer to the Country-Specific Information (CSI) [for the Russian Federation](#) and consider enrolling your travel with the Department of State in order to receive e-mail updates. The CSI is updated regularly and contains key information for travelers regarding security and safety, health, visa and immigration regulations, and general travel information about the Russian Federation.

Personal Security: Deterioration in the U.S.-Russian bilateral relationship has not dramatically affected the security environment for U.S. travelers to Russia. Although anti-American and anti-Western sentiment has increased since mid-2014, there have not been widespread reports of overt aggression against or harassment of Westerners because of their nationality. To an extent, Russians tend to mind their own business and/or fully ignore Westerners. Media reports highlighting incidents of discrimination against those who are not ethnically Russian portray that aggression as directed more towards individuals from the North Caucasus and Central Asia rather than Westerners who happen to be darker-skinned.

Discrimination based on sexual orientation is widespread; harassment, threats, and acts of violence targeting the LGBT community are also prevalent. Members of the LGBT community who do not openly express their preferences are able to avoid extra attention. Small demonstrations in support of LGBT rights are often dispersed, sometimes violently, by nationalists claiming to be defending traditional Russian values. In large cities like Moscow and St. Petersburg it is frowned upon but will likely only result in backlash if public displays of affection are shown.

Visitors to Russia need to be alert to their surroundings. The overall crime threat is comparable to that of other large cities around the world. Pickpocketing, muggings, and similar personal crimes take place on metros, areas with heavy pedestrian traffic, and tourist sites. In large cities, visitors need to take the same precautions against assault, robbery, or pickpockets that they would take in any large U.S. city:

- Keep billfolds in inner front pockets,
- Carry purses tucked securely under arms,
- Wear the shoulder strap of cameras or bags across the chest, and
- Walk away from the curb and carry purses and other bags away from the street.

The most vulnerable areas include underground walkways and the subway, overnight trains, train stations, airports, markets, tourist attractions, and restaurants. Violent crime, including incidents backed by organized crime, is not uncommon. Police reports indicate that criminal groups actively target individuals carrying large sums of cash, often numbering in the tens of thousands of U.S. dollars and/or millions of rubles. Robberies of individuals in expensive vehicles are common.

Groups of children and adolescents have been aggressive in some cities, swarming victims, or assaulting and knocking them down. They frequently target people who are perceived as vulnerable, especially people traveling alone. Some victims report that the attackers use knives, and the use of pneumatic pistols/air guns has been witnessed. People carrying valuables in backpacks, in back pockets of pants, and in coat pockets are especially vulnerable to pickpockets.

A common street scam in Russia is the “turkey drop” in which an individual “accidentally” drops money on the ground in front of an intended victim, while an accomplice either waits for the money to be picked up or picks up the money him/herself and offers to split it with the pedestrian. The individual who dropped the currency then returns, aggressively accusing both of stealing the money. This confrontation generally results in the pedestrian’s money being stolen. Avoidance is the best defense. Do not get trapped into picking up the money and quickly walk away from the scene.

Foreigners who have been drinking alcohol are especially vulnerable to assault and robbery in or around nightclubs or bars, or on their way home. Some travelers have reported being drugged at bars, while others have taken strangers back to their lodgings, where they were drugged, robbed, and/or assaulted. It is difficult to gauge how common drug-facilitated crimes are in Russia. Travelers should be aware that many drugs are tasteless, odorless, and difficult to detect both before and after consumption. These substances can be quickly mixed into beverages without one’s knowledge. Effects of these substances include loss of consciousness, inability to remember events before and after consumption, and possibly death. Effects can be magnified when substances are mixed with alcohol. The relatively short half-life of these substances makes it difficult for medical personnel to determine what might have been consumed. To avoid such situations, it is best to go out for drinks with a group of people of three or more. This could lower the chances of being, drugged, robbed, and/or assaulted because there is less vulnerability within a larger group.

The cybercrime threat is acute. The risk of infection, compromise, and theft via malware, spam e-mail, sophisticated spear phishing, and social engineering attacks is significant. U.S. businesses and private citizens should exercise all due caution and adhere to all cybersecurity best practices. The U.S. Embassy continues to receive periodic reports of ATM and credit card fraud. Victims of credit card or ATM card theft should report the theft to their credit card company or issuing bank immediately.

Travelers are advised to be vigilant in bus and train stations and on public transport. Travelers have generally found it safer to travel in groups organized by reputable tour agencies. Visitors are strongly discouraged from using unmarked, “gypsy” taxis. Passengers have been victims of robbery, kidnapping, extortion and theft. Criminals using these taxis to rob passengers often wait outside bars or restaurants to find passengers who have been drinking and therefore more susceptible to robbery. Robberies may also occur in taxis shared with strangers. Travelers should always use authorized taxi services when arriving at major airports and avoid solicitations by drivers in the terminal. In addition, online ride hailing applications, such as Uber, Yandex Taxi, and GettTaxi are used widely in major cities.

To avoid highway crime, travelers should try not to drive at night, especially when alone, or sleep in vehicles along the roadway. Travelers should not, under any circumstances, pick up hitchhikers; they not only pose a threat to physical safety, but also put the driver in danger of being arrested for unwittingly transporting contraband. In addition, Russia practices a zero-tolerance policy toward alcohol consumption prior to driving. The maximum punishment is a two-year suspension of a driver’s license. An intoxicated driver may also be detained until deemed to be sober.

Travelers should be aware that certain activities that would be normal business activities in the United States and other countries are either illegal under the Russian legal code or are considered cause for investigation by the Federal Security Service (FSB). U.S. citizens should be particularly aware of potential risks involved in any commercial activity with the Russian military-industrial complex, including research institutes, design bureaus, production facilities or other high-tech, government-related institutions. Any misunderstanding or dispute in such transactions can attract the involvement of the security services and lead to investigation or prosecution for espionage. Rules governing the treatment of such violations remain poorly defined.

It is not uncommon for foreigners to become victims of harassment, mistreatment and extortion by law enforcement. Police do not need to show probable cause to stop, question, or detain individuals. If stopped, travelers should obtain, if safe to do so, the officer’s name, badge number, and patrol car number, and note where the stop happened,

as this information assists local officials in identifying the perpetrators in cases where the incident is not for legitimate purposes. Individuals should refrain from paying bribes and should instead ask the officer to take them to a police station where the matter can be handled in the presence of others. Police agencies are concerned about these incidents and have cooperated in investigating such cases. Travelers should report crimes to the U.S. Embassy or the nearest Consulate General.

Consular Services: All Americans who travel to Russia are encouraged to register at the U.S. Embassy or at one of the U.S. Consulates, listed below. In addition to providing updated travel and security information, registration facilitates replacement of a lost or stolen passport as well as contact in case of emergency.

U.S. Embassy - Moscow

8 Bolshoy Devyatinsky Pereulok, Moscow 121099
American Citizen Services, Consular Section
21 Novinskiy Blvd, Moscow 123242
Tel: +7 (495) 728 5577, Fax: +7 (495) 728 5084
After-hours (emergencies): Tel: +7 (495) 728 5025/728 5000

U.S. Consulate General – Vladivostok (operations temporarily suspended)

32 Pushkinskaya Street, Vladivostok 690001
Tel: +7 (4232) 300 070, Fax: +7 (4232) 499 371/2 (4232) 300 091 (visa section)
After-hours emergencies: Tel: +7 (4232) 710 067

U.S. Consulate General – Yekaterinburg

15 Gogol Street, 4th Floor, Yekaterinburg 620151
Tel: +7 (343) 379 3001/379 4619/91, Fax: +7 (343) 379 4515

Visa Requirements

The Russian government requires visas and residence permits for businesspersons and investors. Work and residence permits must be renewed periodically – a cumbersome process that almost always requires local legal counsel.

Travelers planning to attend business meetings, negotiate transactions, or make business presentations while in Russia are required to clearly state this on their visa application and apply for the proper category of visa. There have been several instances of U.S. citizens being detaining and/or expelled for traveling on an incorrect visa, typically for conducting business while on a tourist visa. In addition, registration with local authorities is required when remaining in Russia more than seven business days.

Russia's visa system is very complicated, and visitors should consult the State Department, Bureau of Consular Affairs' Country Travel Information for the Russian Federation for up-to-date information and links regarding Russian entry and exit requirements. [The Russia Country Travel Information may be accessed here.](#)

U.S. companies that require travel of foreign businesspersons or workers to the United States should be aware that Russian citizens require visas to enter the United States. A visa is issued by a U.S. embassy or consulate and entitles the holder to travel to the United States and apply for admission; it does not guarantee entry. An immigration inspector at the port of entry determines the visa holder's eligibility for admission into the United States. The embassy and consulates process visa applications in an expeditious manner, but it is important to apply as early as possible. Due to the COVID-19 Situation please check the U.S. Embassy's website for the latest information. :

[State Department visa Web site](#)

[U.S. Embassy Moscow Visa Information](#)

Note: As of this writing, Russia’s borders remain closed to business travelers due to the COVID-19 pandemic; closely monitor the website of the U.S. Embassy in Moscow for updated traveler information.

Currency

Russia is predominately a cash economy with the Russian ruble as the only legal tender for local transactions. It is illegal to pay for goods and services in U.S. dollars or another foreign currency. Old, worn, or marked bills are often not accepted at banks and exchanges. In Moscow and St. Petersburg, currency exchange offices are available in most shopping areas and provide reliable service. Credit cards are now accepted at most modern businesses in Moscow and St. Petersburg, and at most hotels and restaurants in larger regional cities, but often only in major or chain stores. Travelers checks are not widely accepted in Russia. Travelers to regional cities or towns are advised to carry enough cash to cover foreseeable expenses. Major hotels and the American Express offices in Moscow and St. Petersburg may be able to suggest locations for cashing traveler’s checks or obtaining cash advances on credit cards. Rubles (and dollars, if needed) may be obtained from bank ATMs that are connected to the PLUS and CIRRUS systems using U.S. debit/credit cards. It is not recommended to use credit/debit cards for small purchases or in standalone ATMs (those not physically located at a bank). ATMs are common in the larger cities, although there have been some instances of theft from card numbers used in these systems. Western Union has many agents in Moscow and other cities in Russia, which disburse money wired from the United States.

Telecommunications/Electronics

Internet Accessibility: Current statistics demonstrate that roughly half of the Russian population uses the internet on a regular basis. The largest players in Russian e-mail services and search engines are Mail.ru, Rambler and Yandex. Internet service is widely available in the major cities, and Wi-Fi is increasingly available in restaurants, hotels, shops, and public spaces throughout Russia though primarily in Moscow, St. Petersburg and other large cities. Public Wi-Fi access comes with considerable risk in Russia.

Mobile Technology: Mobile services are provided in the GSM, CDMA-450, AMPS and DAMPS standards. GSM dominates the market, holding 80% of the market space. The major cellular operators include Mobile TeleSystems (MTS), Vimpelcom (Beeline) and Megafon.

Long distance telephone calls can be placed using IP phone services, including Skype, with an internet connection. One can also buy a mobile SIM card for intercity or international phone calls at a special rate. To save money on international calls and domestic calls, one can buy a phone locally for around \$30 and a local SIM card for \$5.

A rudimentary knowledge of Russian is extremely helpful for those placing calls through local telephone offices. Moscow is seven hours ahead of Eastern Daylight Time in the summer and eight hours ahead of Eastern Standard Time in the winter. To reach Moscow by phone from the United States you need to access an international line by dialing “011”, then dial Russia Country Code “7,” Moscow City Code “495” (for example), followed by the phone number. Some new numbers use “499” for Moscow and calling cell phones in Russia often requires a different dialing string.

Transportation

The U.S. Federal Aviation Administration (FAA) assesses the Russian Government as compliant with International Civil Aviation Organization (ICAO) safety standards for oversight of Russia air carriers’ operations. See <http://www.faa.gov/about/initiatives/iasa/> for more information.

The following are current characteristics of Russian airlines:

- Most domestic airlines offer online ticket sales.
- Flights can be canceled if more than 30% of the seats remain unsold; however, this rarely transpires.

- Travelers should always have their passports with them. Air travel within western Russia generally stays on schedule and the quality of service continues to improve.
- Flights within the Russian Far East are sometimes delayed or cancelled in winter months due to snow or fog.
- International Russian carriers, such as Aeroflot and S7 Airlines, typically use Western aircraft and meet higher customer service standards than other domestic carriers.

Moscow has three major airports (Sheremetyevo, Domodedovo and Vnukovo); the fourth airport, Bykovo, deals primarily with cargo and emergency flights. The VIP terminals of Sheremetyevo (Terminal A), Domodedovo (Domodedovo Business Aviation Center) and Vnukovo (Vnukovo-3) offer customized service to VIP clients on a regular basis. International flights generally enter Moscow through Sheremetyevo and Domodedovo. Most international flights arrive in Sheremetyevo-2 (renamed SVO-F in December 2009) while Sheremetyevo-1 (renamed SVO-B in March 2010) handles most domestic traffic. With the opening of Terminal C (SVO-C) in March 2007 and the opening of Terminal D (SVO-D) in November 2009, some international and domestic travel has been redirected to these facilities. Terminal E (SVO-E) provides convenient access between SVO-D and SVO-F, offering high speed movement systems (elevators, escalators and moving walkways) and other amenities for travelers.

Travelers may continue to other Russian cities from Sheremetyevo, Vnukovo or Domodedovo airports. However, travel time between airports or to the city center can take as much as three hours, depending on traffic, and ample time must be allowed for passport control, customs clearance and baggage retrieval. The introduction of Aeroexpress trains that provide a high-speed direct connection from each of the airports to the city center (35-45 minutes travel time) has greatly alleviated this problem in recent years. St. Petersburg's airport has two terminals: Pulkovo-1 (domestic flights) and Pulkovo-2 (international flights).

Train travel in Russia is generally reliable and convenient, and stations are located in the city center. From St. Petersburg to Moscow, travelers often ride overnight trains, although unaccompanied passengers are reminded to keep an eye on their valuables and lock their doors at night (if in a sleeping compartment), as some incidents of pick-pocketing have been reported. For quicker train connections between Moscow and St. Petersburg, travelers can take the high-speed Sapsan train, which takes approximately four hours.

Inclement weather, erratic maintenance and a culture of aggressive driving make road conditions throughout Russia highly variable. Drivers and pedestrians should exercise extreme caution to avoid accidents. Traffic police sometimes stop motorists to levy cash "fines," but the scope of this problem has declined in recent years. Criminals occasionally prey on travelers, especially in isolated areas.

In Moscow and St. Petersburg, the metro (subway) is an efficient and inexpensive means of transportation. However, for non-Russian speakers, it can be difficult without researching the route in advance. Be sure to carry a metro map with you. Learning the Cyrillic alphabet is useful, as is the Yandex metro map application.

Marked taxis are prevalent in Moscow and St. Petersburg, and as noted previously, online ride hailing applications, such as Uber and GettTaxi, are used widely in major cities. Short-term business travelers may wish to consider renting a car and driver for extensive excursions or hire taxis through their hotels for shorter trips. Car rentals is another option that has become available recently, although driving in Russia can be difficult for the uninitiated.

Language

Many first-time visitors are surprised by how difficult it can be to find anyone who speaks English. U.S. businesses should hire a reputable interpreter when conducting important negotiations. Not having product literature in Russian will put your company at a disadvantage relative to your European, Asian, and local competitors. It is recommended to download a translation app on your smart phone and to employ a reputable interpreter.

Health

Western medical care in Moscow can be expensive, difficult to obtain, and is not entirely comprehensive. The Embassy strongly urges all travelers who visit Russia to purchase traveler's medical insurance which includes coverage for a medical evacuation.

The U.S. embassy maintains a list of medical service providers [on its website](#).

The Department of State updates its CSI for Russia every six months and includes information on Medical Facilities and Health Information as well as Medical Insurance. [Please visit the U.S. Department of State's website](#).

Further information on health matters can be obtained from the Centers for Disease Control and Prevention's international traveler's hotline at 1-877-394-8747, or via [the CDC home page](#).

Local Time, Business Hours and Holidays

There are eleven official time zones in Russia. (The country experimented briefly with a consolidated, 9-time-zone map from 2010-2014 but reverted to an 11-zone map in autumn 2014.) Since Russia has not observed summer Daylight Savings Time since 2014, Moscow is seven hours ahead of U.S. Eastern Daylight Time in the summer and eight hours ahead of U.S. Eastern Standard Time in the winter. Most companies and offices maintain business hours of 9:00 a.m. - 6:00 p.m. Many shopping centers and supermarkets are open from 10:00 a.m. - 8:00 p.m. Increasingly, major supermarket chains are open 24 hours, seven days per week.

Holidays: [Russian holidays](#) listed on the U.S. Embassy's Web site are not an all-inclusive list. Occasionally days off will be declared by the government to create a long weekend, particularly in late December/early January (when holidays fall on weekends, Russian authorities generally announce during the week prior to the holiday whether it will be celebrated on the previous Friday or the following Monday). Travelers should be aware that little business is conducted from mid-December through mid-January. The country essentially shuts down for business from New Year's Day to Russian Orthodox Christmas (January 7). Government offices, most businesses, and even much of the press close during this period. The period from May 1 through May 9 is similar.

Temporary Entry of Materials or Personal Belongings

Russian customs procedures include entry and exit declaration forms. Foreigners are allowed to export up to \$3,000 without providing a customs declaration or proof of how the money was obtained. Foreigners may also export up to \$10,000 by simply filling out a customs declaration upon exit. More than \$10,000 can be exported upon proof that it was imported into Russia legally (a stamped customs declaration or proof of a legal bank or wire transfer must be presented to export currency). Failure to follow these procedures can and does result in delays, detentions, confiscation of the currency, and even imprisonment. Lost or stolen customs forms should be reported to the Russian police, and a police report (spravka) should be obtained to present to customs officials upon departure. Often, however, the traveler will find that the lost customs declaration cannot be replaced.

You should obtain a receipt for all items of value – including caviar – purchased in Russia. Furthermore, old artifacts and antiques must have a certificate indicating that they have no historical value. For further information, call Russian Customs at +7 (495) 265 6628 or 208 2808. Additional information may be found on Russian Customs' website: <http://eng.customs.ru/>

Export duties may be imposed on any items that are determined by customs officials at the point of departure to be of commercial use. Items which may appear to have historical or cultural value – icons, rugs, art, antiques, etc. – generally may be taken out of Russia only with prior written approval of the Ministry of Culture and payment of a 100% duty. Occasionally, dealers of quality items may be able to arrange this approval at a lower cost. Certain items, such as caviar, medications, jewelry, precious and semi-precious stones or metals, and fuel may be exported duty-free in limited amounts only.

Computers, electronic notebooks and related hardware must be presented to customs officials at the airport for security scanning at least two hours prior to departure. The embassy understands that customs officials may require "information storage devices" to be submitted 24 hours before departure. The law is often neglected but can be enforced on a case-by-case basis. Failure to follow the customs regulations may result in penalties ranging from confiscation of the property in question and/or imposition of fines or arrest.

To prevent possible difficulties in taking currency and valuables out of Russia, travelers are highly advised to ensure that their passenger declaration form is completed and is stamped by customs officials at the point of entry. This customs declaration should be kept and made available when exiting Russia.

Investment Climate Statement (ICS)

The U.S. Department of State Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of State [Investment Climate Statement](#) website.

Political Environment

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State [Countries & Areas](#) website.