

U.S. Country Commercial Guides



Russia
2019

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Doing Business in Russia

Market Overview

Russia presents both significant challenges and opportunities for experienced American exporters. Russia's 2014-2016 economic downturn, driven by low oil prices, Western sanctions, and compounded by a lack of structural economic reform, squeezed both Russian corporations and the average consumer. 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 1.7% in 2018. The economy is expected to expand at a comparable or slightly slower pace in 2019. Despite some economic challenges, over 1,000 American firms of varying sizes continued to do business in Russia, due to its 142 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. 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 and Venezuela, have raised tensions with the United States and its allies, leading to increased economic restrictions during recent years. 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 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, and legislation is currently under consideration to make any cooperation with Western sanctions illegal. These laws may not be implemented, as following through could result in costs to some Russian economic interests, yet the fact that such measures are under consideration creates uncertainty that acts as an impediment to business.

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. 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.

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](#) (subject to Congressional notification at the time of this *Country Commercial Guide*) 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 2020-2021 eager to capitalize on opportunities, but cognizant of the significant challenges facing Western market participants. Stable oil prices, a less volatile ruble, tight fiscal and monetary policy, and a return to growth in some sectors will likely keep the Russian economy growing through the end of 2019, 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, 2019 to date has been a tumultuous one for foreign investors, as they can be in weak positions when Russian law enforcement intervenes 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, 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 has 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, 2018 GDP per capita (PPP based) was \$29,032. 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. *The Economist* estimates that structural weaknesses, low investment and fiscal tightening will keep GDP growth at about 1-2% a year in the medium term. In 2017, the real GDP growth rate was 1.5% and according to IMF estimates, the real GDP growth rate in 2018 was 1.8%. The IMF has forecast 2019 GDP growth at 1.4 percent.

In terms of trade in goods, Russia was the United States' 36th-largest export market and the 23rd-largest exporter to the United States in 2018. Russia was the United States' 28th-largest trading-partner overall. [U.S. exports to Russia](#) in 2018 were \$6.7 billion, a decrease of 5% from 2017 (although U.S. exports of products other than commercial aircraft actually rose modestly in 2018). [Russian exports to the United States](#) in 2018 were \$20.7 billion, an increase of 22% from 2017. In 2018 Russia's [leading individual trading partners](#) were China, the Netherlands, Germany, Belarus, Turkey, South Korea, Poland, Italy, Kazakhstan, and the United States.

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.

- 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.

Political Environment

For background information on the state of the diplomatic relationship between the United States and Russia, please read the U.S. Department of State's [Bilateral Relations Fact Sheet](#).

Selling US Products & Services

Using an Agent to Sell US Products and Services

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.

U.S. companies have four basic options when choosing a distribution channel:

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.

General Recommendation

U.S. exporters are advised to cultivate personal relationships with their Russian representatives and clients; to proceed gradually, relative to similar arrangements in the United States; and to 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

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 \$2,000, at current exchange rates).

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

Registration Options

The following basic laws and government resolutions regulate business registration in Russia:

- The 1999 Federal Law "On Foreign Investment in the Russian Federation;"
- The 1994 Part I of the Civil Code;
- The 2001 Federal Law "On State Registration of Legal Entities;"
- May 2002 Russian Government Resolution No. 319 "On Authorized Federal Entity of the Executive Power, Providing State Registration of Legal Entities" and associated legal acts; and
- May 2014 Federal Law No. 106-FZ "On the Introduction of Amendments to Certain Legislative Acts of the Russian Federation," regarding accreditation of foreign physical persons and legal entities.

Taxation

Companies are required to register with the Russian tax authorities, which will also include registration with the Russian Social Security Fund. Documents for state registration should be prepared and submitted to the local Tax Inspectorate in accordance with Chapter 12 of the August 8, 2001 Federal Law on State Registration of Legal Entities. An authorized legal entity, the Moscow Department of Russia's Ministry of Finance (15, Tulsкая Street, Moscow), provides counseling to businesses on registration procedures and documents.

Further information on company registration, including the list of documents to be submitted and contact information for local tax authorities may be obtained from <http://eng.nalog.ru/>.

Tax Code

Major revisions to Russia's tax code took place from 1999 to 2003. The resulting tax legislation more closely matches the needs of a growing market economy, and many provisions that distorted Russia's 1990s-era business environment and kept many businesses in the shadow economy were removed.

The most fundamental changes of the new chapters of the Tax Code's Part II affected the value added tax, excise taxes, and individual income tax. These changes aimed at improving Part II of the Russian Tax Code were passed by the Duma and enacted in 2003. Ongoing tax reform has further improved procedural rules and reduced the overall tax burden in the country.

Companies operating in Russia should consult with a professional tax advisor to learn about the nuances of requirements. A general overview of Russian taxes follows.

Profits Tax

The profits tax is levied on net profits. The standard profits tax rate is 20% (17% is allocated to regional Russian authorities and 3% to federal). The regional authorities may, at their discretion, reduce the regional profits tax to a rate as low as 12.5%. The tax rate was reduced in tandem with the introduction of more generous definitions of deductible expenses, the combined impact of which was to significantly reduce the profit tax burden and stimulate the Russian economy following its late 1990s financial downturn.

The provisions on profit taxation enable foreign companies operating in Russia to benefit from the reduced withholding tax rates and exemptions under Russia's double taxation treaties (the United States and Russia instituted a double taxation treaty in 1992), which could be advantageous for U.S. companies in certain cases. For example, representative offices are permitted to deduct expenses incurred on their behalf by a parent company located abroad.

Value Added Tax (VAT) and Import Duties

Russia's VAT is designed as a tax to be borne ultimately by consumers, but is collected on a basis similar to the European Union model. VAT is calculated on sales value and is applied at a uniform rate of 20% as of January 1, 2019, except for certain foodstuffs, pharmaceuticals and children's clothes, which are taxed at 10%. Some products including certain financial services and medical equipment are entirely exempt, along with some intangibles such as inventions, software, and industrial designs.

Imports are also subject to VAT, calculated based on the item's Customs value plus Customs duties and fees. Additionally, import duties (tariffs) are assessed at specified rates, ranging from 5% to 30%. As of January 1, 2010, import duty rates for some goods increased with the introduction of the Eurasian Customs Union (EACU). The EACU initially consisted of Belarus, Kazakhstan, and Russia, and was expanded to include Armenia and Kyrgyzstan in 2015, the same year when the Customs Union was transformed into the Eurasian Economic Union (EAEU). Import duties are assessed according to classification and are applied to the Customs value of the imported goods, including shipping charges and insurance. Goods imported by foreign partners as in-kind contributions to the charter capital of a new enterprise may be exempt from import duties during a period specified in the charter documents and exempt from import VAT under certain conditions (e.g., the goods qualify as technological equipment which has no analogues manufactured in Russia).

In general, goods manufactured or assembled in Russia, whether by a Russian or foreign company, and then exported out of Russia, are not subject to VAT. If these goods are exported before payment is received, then no VAT should be collected. However, if payment is received before shipment, the exporter must pay the applicable VAT and then request a refund from tax authorities upon completion of the export transaction.

Social Welfare Taxes

As of January 1, 2010, the Unified Social Tax was replaced by social security (payroll) contributions to the State Pension Fund, Social Security Fund, Federal Medical Insurance Fund, and Territorial Medical Insurance Fund. A

business is liable for the entirety of social security contributions and no amount is withheld from employees' wages.

Social security contributions apply at the aggregate rate of 30% of an employee's annual salary, and the percent of salary/rate of contribution may be adjusted in the future by the Russian government. The portion of an employee's annual salary in excess of this threshold is exempt from the social security contributions. Social security contributions are distributed as follows: 22% to the State Pension Fund (SPF), 2.9% to the Social Security Fund (SSF), and 5.1% to the Federal Medical Insurance Fund. Social security contributions are mandatory for all payments to resident employees. Salary or other payments to foreign citizens temporarily present in Russia (i.e., not having a permanent resident permit) are not subject to social security contributions. Since January 1, 2017, the FTS has accepted reports and payments for workplace accident contributions, which will remain under the purview of the SSF, while pensions are now under the purview of the SPF.

Reduced social security contribution rates apply to certain business categories, including software and high-tech companies (14% from 2011 until 2023) and companies engaged in special innovation projects (14%). Companies that are members of the Skolkovo project pay 20% to the SPF and are exempt from payments to the SSF and the Federal Medical Insurance Fund.

Workplace accident insurance is paid by the employer in addition to social security contributions. Rates vary depending on the established class of professional risk.

Withholding on Dividends, Interest, and Royalties

Foreign legal entities without a business presence in Russia are subject to a withholding tax of 10% on freight services provided in Russia. Most income including interest, royalty, income from leasing, and rental operations is taxed at a 20% rate. Dividends are taxed at a rate of 15%. These rates are often reduced pursuant to an applicable double taxation treaty. Interest on certain types of state and municipal securities, mortgage-backed bonds, and certain income from certificates of participation in a mortgage pool also benefit from reduced rates. For example, the United States-Russia tax treaty may potentially reduce the Russian dividends tax rate to as low as 5%, depending on whether ownership and investment criteria are met, and the tax on interest and royalties could drop to 0%. Lease payments and other income are subject to a 20% withholding rate.

Land, Property and Personal Income Taxes

Local authorities may impose a tax on land according to its type and location. The rate is higher in Moscow and St. Petersburg than in other cities and rural areas.

The personal income tax rate for Russian residents is a flat rate of 13% imposed on worldwide income, whereas non-residents are taxed at 30% of Russian-sourced income.

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. 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. 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 more 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 travel destination. According to the Russian travel industry organization, inbound tourism to Russia grew by 20% in 2017 (versus 2010), and domestic tourism increased by 85% (also versus 2010).

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

The Russian direct sales market accounts for 2% of the global market. Leading direct-sales companies such as Avon, Amway, Mary Kay, Oriflame, Herbalife and Tupperware are active in Russia. Statistics from the World Federation of Direct Selling Associations (WFDSA) indicated that direct sales in Russia in 2016 amounted to \$2.172 billion (an 11.1% year-on-year sales increase) and that slightly over five million salespeople (a 17.1% year-on-year increase) were engaged in direct selling. Personal, direct selling has been successful in cosmetics and personal care products (representing 49.9% of the Russian direct sales market), wellness (representing 27.8% of the Russian direct sales market) and homecare (representing 10% of the Russian direct sales market). Updated WFDSA information was anticipated for late summer 2019, after publication of this *Country Commercial Guide*.

Joint Ventures

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 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.

Licensing

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.

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.

Distribution & Sales Channels

St. Petersburg remains the main port of entry for a variety of consumer and industrial products for European Russia (Russia west of the Ural Mountains). Vladivostok is the main port of entry for the Russian Far East. In

general, the transportation infrastructure of this vast country is still underdeveloped and in need of major upgrades. The majority of cargo moves by rail, and the road network is in need of capacity expansion. Major western freight forwarders and express couriers are active in Russia.

Well-organized distribution channels have developed significantly over the last 20 years, particularly in the major population centers of Moscow and St. Petersburg, and have started to expand to other regions. In the consumer sector, there are large-scale retail stores in Moscow that are able to buy in bulk. Shopping malls and big box stores are common sights in St. Petersburg, Moscow, and many other Russian cities. By employing domestic distribution organizations, the task of bringing goods to market in Russia has been greatly eased. However, distributors' geographic coverage may be limited, and accessing regional markets remains problematic. In more remote regions, U.S. firms may encounter erratic distribution, unpredictable schedules, and tough competition.

2017 was a pivotal year for Russian retail. According to the Federal State Statistics Service, the 27-month decline in retail sales ended in April 2017, at a level of 2.33 trillion rubles.

In 2018, despite the instability of the domestic economy, the retail trade turnover in the country continued to grow. This indicator, in accordance with the report "Social and Economic Situation of Russia" published by the Federal State Statistics Service, in January-October amounted to 25.47 trillion rubles, which is 2.6% more than in the same period of 2017. The turnover of food retail in January-October 2018 grew 1.7%, year on year. The turnover of retail trade in non-food products reached increased 3.4% compared to 2017.

In January-September 2018, retail chains accounted for, on average, 32.6% of the total volume of retail trade turnover (in January-September 2017, it was 30.7%) in Russia. In the retail trade turnover of food products, including beverages and tobacco products, the share of retail chains turnover was 38.5% (in January-September 2017, it was 35.7%).

In 37 regions of the Russian Federation, the share of network trading structures in the total volume of retail trade turnover exceeded the average Russian level. At the same time, in the Republic of Dagestan and the Chechen Republic, retail trade networks in January-September 2018 accounted for less than 5% of the total retail turnover. The same indicator in Moscow was 33.2%, and in St. Petersburg was 57.2%.

Despite the growing popularity of online purchases, Russian consumers still tend to make in-store purchases, much more so than their web-saturated American counterparts. According to Dmitry Lyakhovets, Director of the Department of Consulting Services and Operational Efficiency of PWC, the current segment of e-commerce in the Russian Federation is only 4–5% of the total retail turnover. According to the Ministry of Industry and Trade, internet trade was only 3% of the total retail turnover in 2017. At the same time, the Ministry believes internet commerce in Russia will account for 20% of retail sales by 2025 and Russia will account for 10% of global internet commerce. This goal is outlined in the Ministry's "Strategies for the Development of Electronic Commerce in the Russian Federation through 2025."

Express Delivery

According to a J'son & Partners Consulting study, Russia's express delivery market grew 5% to 54.6 billion rubles (approximately \$850 million) in 2015 (latest available edition), representing 0.5% of the global express delivery market. 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. The size of the B2B (business-to-business) express delivery segment, which is especially important for healthcare products, has not changed since 2015.

More anecdotally, leading market players estimated the overall share of express delivery at 10-20% of sales for 2018. The Russian express delivery market is characterized by price dumping, frequent market disruption, and a

highly competitive nature. Companies are seeking to increase operational efficiency and monetization, which is leading to the introduction of fees for previously free services.

In 2018 DataInsight, a Russian research agency specializing in e-commerce, published the most recent trends on express delivery in Russia. Express delivery is used for up to 11% of all internet orders. Food and medical supplies are shipped most quickly, where books and CDs take the longest to deliver. The report stated that 41% of respondents had the need for urgent delivery at least once over the past three months. The most important delivery quality factors for users are cost (58% of users), speed (55% of users), punctuality (39%), and frequency of deliveries (20%). The main incentive to start using express delivery is to cut costs. The report also stated that 72% of respondents are ready to pay for urgent delivery, but only 40% are ready to pay more than 300 rubles.

According to the East West Digital News (EWDN) industry report (the latest statistics available), the Russian B2C e-commerce market was approximately \$16.3 billion (physical goods) in 2016, including an estimated \$4.3 billion for cross-border sales, mainly from China. Cash-on-delivery and partial returns are widespread practices in Russia, leading to increased delivery costs. A person can receive goods that weigh less than 31 kilos and a *de minimis* value of up to 1,000 euros per month without having to pay Customs duties. Parcels of larger weight and value need to be cleared via Customs and, since January 1, 2017, Russian Customs has required passport data for individuals receiving parcels from abroad, which significantly increases delivery time.

PickPoint is the leader in this segment, with 80% of the market, followed by QIWI Post and LogiBox. The express delivery sector is growing proportionately with e-commerce, and experts suggest that the express delivery market will grow 5% annually over the near term. In 2015, AliExpress and eBay signed contracts with Russian express delivery companies. Furthermore, Amazon has started shipping a limited number of product categories to Russia.

The Russian express delivery market remains highly segmented, with each of the largest players holding less than 5% of the market. Industry insiders suggest that over the next ten years consolidation will leave only five or six large companies, including DHL, Armadillo, and UPS. The Russian Postal Service controls more than 90% of the cross-border B2C shipping market, but has a much smaller share of domestic operations. According to the Russian Association of Express Delivery Companies, DHL is the leading foreign operator in the market. FedEx and UPS are also very active, but the total share of the four largest global companies is still less than the share held collectively by Russian firms, including EMS Russian Post, Armadillo, Garantpost, PonyExpress, CityExpress and SPSR.

Russian Post recently said it will boost its e-commerce infrastructure in 34 Russian cities and open express delivery channels from China, speeding up deliveries from two-three weeks to one week, and in 18-24 months to up to three days.

Since December 2017, under Federal Customs Service No. 1861, Russian Customs has required additional recipient data, including Taxpayer ID Number (TIN) and price confirmation of imported goods, to help Customs track whether they exceed the weight and value limits above which Customs duties must be assessed. Passport data of users, TIN, as well as information about the value (in euros and rubles) and weight of the goods they buy is maintained/tracked in the United Automated Information System of Customs Authorities (EAISTO). International shipments sent via Russian Post are not included in this initiative.

Selling Factors & Techniques

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. 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 its 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. 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 market 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 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, reliable imported brands.

eCommerce

Retail e-Commerce sales in Russia have grown by 20% or more annually for the past seven years, according to yStats.com, one of the world's leading secondary market research companies. Continued annual growth is projected to decline, but remain in the double-digits. The Russian e-commerce market has reached 1.4 trillion rubles, according to AKIT (Association of Internet Trade Industries). The main driver of market growth in 2018 was an increase in both the number of customers and online activity of the population. Although demand still exceeds supply in the fulfillment service market, delivery conditions across the country have improved.

According to yStats.com, the largest product category of Russian e-Commerce sales is electronics and appliances, followed by clothing and footwear. Retail e-Commerce sales of food and groceries are forecasted to outpace the rest of the market by 2022. The competition in this market segment is already intensifying, as the leading food retailers launch online supermarkets and the top online entities venture into the grocery segment.

Cross-border e-Commerce is the top trend in Russia's online retail market. According to the yStats.com report, the share of imported retail e-Commerce sales has more than doubled since 2011, comprising more than one-third of total e-Commerce sales in 2017. Online shoppers in Russia are price-sensitive, and make more than 50% of their online purchases using product discounts and special offers.

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.

In 2019, the turnover of e-Commerce in Russia could exceed 1.8 trillion rubles, according to AKIT (the Russian Association of Internet Trade Companies).

Domestic eCommerce (B2C)

According to the Russian Association for Electronic Communications, almost two-thirds of the domestic e-Commerce increase was driven by Wildberries and Ozon (with an estimated increase of 70-80% in 2018). Wildberries was projected to earn ₸120 billion (\$1.9 billion) in 2018, a surge of 74% year-on-year (last available data). Ozon.ru projected to grow 70-80% to ₸70 billion (\$1.1 billion) in revenue last year (last available data).

The online purchase of groceries and food delivery is anticipated to be the leading category of products purchased through B2C e-Commerce in Russia in 2019.

B2B eCommerce

According to the *Moscow Times*, about 70% of Russian corporations report using electronic trading platforms for procurement purposes. The majority of this business was associated with construction goods and services. Machinery and specialized products for the mining and oil-field industries were another significant source of revenue.

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.

eCommerce Services

Russia's vast landmass presents logistical challenges for e-Commerce outside of major metropolitan areas. However, delivery options have improved significantly over the past few years. The Russian Post’s recent reform initiatives were a catalyst for the emergence of several, higher quality services that shortened delivery time to large and mid-sized cities across the country.

Meanwhile, purely online enterprises such as KupiVIP, Lamoda, Ozon and Ulmart have deployed their own warehousing and delivery processing facilities across the country. Others, like multi-channel retailers Otto and Svyaznoy, have developed existing logistics systems to serve the growing needs of their e-commerce branches.

eCommerce and Intellectual Property Rights

IPR resources can be found at the following site: <https://www.stopfakes.gov/article?id=Russia-IPR-Resources>

Popular eCommerce Sites

AKIT data shows that foreign eCommerce websites accounted for 36% of all online purchases by Russians, amounting to 374.3 billion rubles (\$5.9 billion) in 2017. Online purchases from foreign suppliers accounted for almost 60% of the market’s growth.

Another growing trend in Russian e-Commerce is ordering from international websites. Imported goods constituted one-third of the total online sales volume in 2018. Most of this international shopping is done on Chinese websites such as AliExpress.ru, which garnered four times more traffic than Russia's leading domestic online merchant, Wildberries.ru. In 2017, 90% of Russian internet purchases from foreign sellers were conducted with Chinese e-Commerce retailers. In monetary terms, these purchases from foreign sellers account for 53% of

the market. The Aliexpress website had the largest audience: 20 million people in 2017. The average purchase total from Aliexpress by Russian shoppers was 980 rubles (approx. \$16).

The most popular B2C Russian online shops are:

- WILDBERRIES.RU
- CITILINK.RU
- MVIDEO.RU
- TECHNOPOINT.RU
- ELDORADO.RU
- LAMODA.RU
- OZON.RU
- SVYAZNOY.RU
- KUPIVIP.RU
- ULMART.RU

Online Payments

Cash-on-delivery (COD) is the preferred medium of exchange for physical goods and will likely remain so for some time; however, the use of electronic payments is slowly increasing.

In addition to bank cards, several new solutions are appearing on the market and some of them are intended to create universal payment mechanisms. Large segments of the electronic payment market are led by domestic players, from payment terminal operators to mobile carriers, and electronic currency companies.

Mobile eCommerce

There are more than 8.5 million mobile shoppers in Russia, and this is expected to increase dramatically as 4G mobile internet expands, and smartphone devices grow in popularity across Russia.

Digital Marketing

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

Major Buying Holidays

Foreign retailers should consider marketing campaigns, promotions, and products for the New Year, Men's Day (Defender of the Fatherland Day, February 23), and International Women's Day (March 8). These three holidays drive a significant portion of Russian online shopping. Combined, these holidays represent a critically important, early calendar-year retail period that is largely unique to the Russian market.

Over the past few years, some Russians started participating in Black Friday weekend sales to kick off the winter holiday shopping season – but the vast majority of Russian shoppers make their purchases throughout December for the traditional Russian gift-giving day on January 1. Indeed, many last-minute shoppers are still making purchases in late December in Russia, when Westerners have already returned/exchanged holiday gifts. A third of Russian holiday shoppers turn to the Internet for gift ideas and to make these purchases; 14% of shoppers search online, but then conduct purchases in stores.

Social Media

The number of social network users in Russia has almost doubled over the last six years, from 35% to 59% of the Russian population aged 18+. More than 90% of Russian Internet users access social networks. The most active social media platforms are YouTube (85%), VKontakte (83%) and WhatsApp (59%).

Trade Promotion & Advertising

Television, radio, print, and billboard advertising are ubiquitous in the Russian market. Most international advertising agencies are active in Russia along with 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
Incl. 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](#)

Social Networking

Russia is Europe's largest Internet market by number of users, with over 109.6 million people. 76% of the population has internet access. Both Russian and Western social networking sites are growing in popularity, especially among users from younger demographic groups. Between January 2018-January 2019, Russia gained 2 million active social media users (+3.3%). In comparison, that figure for the United States remained unchanged. The most active social media platforms (including messaging apps) in Russia are YouTube, VKontakte (VK), and WhatsApp.

According to *Statista*, one of the most frequently updated sources of social media statistics, in Q2-Q3 2018, YouTube was the most actively used social network in Russia (85% of respondents), Vkontakte was the second most used at 83%. The global leader, Facebook, was only the 7th most actively used social media platform in Russia, with 39%. Skype and WhatsApp dominate among instant messengers.

The most prominent trend in social media use was the rapid increase in popularity of Instagram among Russian users. According to *AiTarget*, the official ad distributor for Instagram and Facebook in Russia, at the end of 2018, Russia ranked 6th in the world and 1st in Europe for the number of active Instagram users. In December 2018, Instagram was visited by 16 million Russian users.

LinkedIn had approximately 6 million Russian users before it was blocked in 2016 by Russia's communications regulator Roskomnadzor. LinkedIn was blocked after it failed to transfer Russian user data to servers located in the country, violating the 2014 data localization law, which requires all online sites to store Russian citizens' personal data on computer servers situated 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 for 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.

Protecting Intellectual Property

In any foreign market, companies should consider several general principles for effective management of their intellectual property. For background on these principles please visit our article on [Protecting Intellectual Property](#), and our article on [corruption](#).

In 2019, 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

More detailed information on IPR issues in Russia is provided in the U.S. Department of State's Investment Climate Statement (a subsequent chapter of this *Country Commercial Guide*).

IP Resources

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](#).
- For more information about registering trademarks and patents (both in the United States as well as 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/>

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>

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. 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 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 \(IMEDA\)](#)

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

Limitations on Selling US Products and Services

The subsequent “Trade Barriers” and “Prohibited and Restricted Imports” sections of this report provide additional information on restrictions that may affect U.S. companies’ ability to provide certain goods and services to the Russian market.

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 right 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.

Corruption Reporting Hotline

Legislation passed by Congress in December 2012 that authorized the President to extend Permanent Normal Trade Relations to Russia and Moldova requires the Secretary of Commerce to establish and maintain a phone hotline and secure website for U.S. entities, and to report to Congress, on instances of bribery, attempted bribery and other forms of corruption in the Russian Federation.

Individuals and companies that wish to report instances of bribery or corruption that impact, or potentially impact their operations, and to request the assistance of the United States Government with respect to issues relating to issues of corruption may call the Russia Corruption Reporting hotline at (202) 482-7945, or submit the form provided at [report a barrier](#) to the Office of Trade Agreements Negotiations and Compliance. Every effort will be made to protect the confidentiality of the information provided.

Web Resources

[Ministry of Information](#)

[Bureau of Industry & Security, U.S. Department of Commerce:](#)

[Export Controls](#)

[Possible Violations](#)

[Consolidated Screening List](#)

[Eurasian Economic Commission](#)

[more about the Eurasian Economic Commission >>](#)

[Harmonized Tariffs](#)

[Draft Technical Regulations](#)

[Russian Federal Customs Service](#)

[and alternative site >>](#)

[Russian Ministry of Economic Development](#)

[Russian Ministry of Industry and Trade \(in English\)](#)

[Russian Ministry of Industry and Trade \(in Russian\)](#)

Leading Sectors for US Exports & Investments

Agricultural Equipment

Overview

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). However, this potential is not fully developed, as only 38% of Russian land is fertile and only 13% is cultivated. According to Russia's Ministry of Agriculture, there are more than 10 million hectares (25 million acres) of unused, arable land in Russia. Four federal districts (the Central, North Caucasus, Urals and Volga) produce 73% of agricultural outputs in Russia.

Russia's agricultural revenues grew 3.1% in 2017, but endured a 0.6% drop in 2018 to \$76 billion, due to inclement weather that affected crop production. Crop production decreased by 2.4% in 2018, while livestock production increased by 1.3%. According to Russia's Ministry of Agriculture, agricultural production growth will be in the range of 1-1.5% in 2019.

For the 2017/2018 season, Russia was the world's largest producer of barley; the fourth-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 fifth-largest producer of eggs and chicken meat.

The Russian government plans to allocate \$51 billion to support the domestic agricultural industry from 2019 to 2025. Although the domestic livestock industry has recovered sufficiently to surpass its food security doctrine goal of raising the country's self-sufficiency in meat and dairy products to over 90%, government support to the farm industry is still nearly three times more than what it was during the period from 2012 to 2018. Federal agriculture policy seeks to boost the country's volume of meat and dairy exports, primarily to the Middle East and Asia. Russian government agencies have estimated that Russia could export around 1 million tons of meat per year in 2030. The increase in exports could 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 grew 3% in 2018 to \$1.5 billion. Fertilizer spreaders experienced the most significant sales growth – by 58%, to 644 units. Sales of sprayers rose by 29% to 1,179 units; forage harvesters by 19% to 532 units; all-wheel drive agricultural tractors by 18% to 2,276 units. Last year 2,649 mowers were purchased on the domestic market, which represented a 12% increase over 2017; 1,230 units of balers (10% growth); and 4,048 harrows (6.3% growth).

According to *AgroVestnik*, a Russian agricultural media outlet, the previously negative market trend for agricultural tractors reversed itself, with 3.8% year-on-year growth during the time period January-November 2018. A positive trend was also reported in the all-wheel drive vehicle sector, with a significant increase of 19.3%.

Prospects for foreign farm machinery manufacturers in the Russian market are mixed. While there are extremely promising trends in crop production, there are structural and policy challenges that act to suppress demand for new agricultural equipment and incentivize agricultural producers to delay capital investments or look for cheaper options from local agricultural equipment producers. However, recent [reductions in subsidies to local equipment producers](#) and increased government support for priority projects are levelling the playing field for some foreign equipment.

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 domestically produced by 2021, tripling overall equipment production, and increasing exports of agricultural equipment by a factor of 12 by 2030. Currently, domestically manufactured equipment accounts for over 50% of the Russian market.

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.

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.

Leading Sub-Sectors

The leading subsectors of agricultural equipment are:

- 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.

The leading suppliers of agricultural equipment in Russia are:

- Tractornye Zavody
- St. Petersburg Tractor Plant
- Rostselmash
- CLAAS (Germany)
- Bryanskselemash
- CNH-Kamaz Industry (U.S.-Russian venture)
- John Deere (USA)

Opportunities

U.S. firms interested in the Russian agricultural machinery 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. U.S. companies may also find opportunities as financially healthy Russian companies seek to expand and satisfy a growing demand for domestically produced food. Increasing sales of meat, fruits, and vegetables are driving corresponding equipment sales in these sectors.

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.

Challenges

Although there are prospects for certain types of equipment market growth in Russia, there are also serious challenges facing the market:

- High interest rates for purchasing agricultural equipment. Current interest rates for the purchase of foreign equipment from Rosselkhozbank, Rosagroleasing and Sberbank vary from 25 to 27%, and a new proposal may further restrict purchases and prohibit Rosagroleasing from financing foreign equipment;
- 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

[AgroSalon](#)

October 9-12, 2019

Moscow

[Golden Autumn Russia](#)

October 9-12, 2019

Moscow

[YugAgro](#)

November 19-22, 2019

Krasnodar, Russia

[AgroFarm](#)

February 4-6, 2020

Moscow

Web Resources

[Ministry of Agriculture](#)

[Ministry of Industry and Trade](#)

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

[Russian Customs Service](#)

U.S. Embassy Moscow Agricultural Trade Office Contact:

[U.S. Embassy Moscow](#)

U.S. Commercial Service Contact

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Cosmetics and Perfumery Finished Goods

Overview

The Russian market for perfumes and cosmetics represents 2.3% of the global market. According to *M.A. Research*, a Russian market research company, the market grew by 3.9% in 2018, reaching \$12.6 billion.

In Russia, perfumery and cosmetic retail sales rely heavily on imports: the share of imported products in the Russian market exceeds 60%, and for cosmetics raw materials and ingredients, likely exceeds 80%.

Over the past five years, there have been no major changes in the structure of sales. The balance of products sold in Russia in different price segments has been stable recently, with mass-market products at 81% and luxury cosmetics at 19%.

Perfumery and cosmetic retail chains remain the growth drivers of the market, including drug store chains, which made up about 75% of the market in 2018. The ranking of the largest perfumery and cosmetic networks in Russia is as follows: L'Etoile is in the leading retail chain, second place is the drug store chain Magnit, and the third largest is the retail chain Rives Gouch. In recent years, drug store chains have become important players in the beauty retail market: Ulybka Radughi, Podruzhka, Ruble Boom, Sangui Style.

The market continues to follow the trend of a healthy lifestyle, including the use of environmentally friendly cosmetics and perfumes, without harmful additives. Over the past few years, organic, handmade cosmetics have become popular, and as a result, small regional retail chains and online stores specializing in sales of such cosmetics have appeared. Major players in this segment include Yves Rocher, The Body Shop, Natura Siberica, Organic shop, L'Occitane, LUSH, Spivak, and other companies.

According to *Mediascope TGI*, a Russian research agency, the male end-user segment of the beauty products market is also growing - 97% of men 16 years and older have used some cosmetic or perfume product in the last six months. The most dynamic growth has occurred in face care, body care, hair care, and hair dye segments.

The organic cosmetics market in Russia is developing dynamically: the average annual increase is 8–10%. It is expected that the Russian market for organic cosmetics will double by 2020. At the same time, in absolute figures, this volume will remain comparatively small, at no more than \$62 million.

Leading Sub-Sectors

Anti-aging and salon-use aesthetic products are poised for expansion and development in Russia. The best sales prospects include the following categories: affordable make-up, skin and hair care products from bargain to mid-price level, professional skin and hair care products for beauty salons, manicure and pedicure products, cosmetics for children, and niche perfumery.

Opportunities

- Russian consumers tend to choose products with natural ingredients.
- Interest in natural perfumery and innovative perfumers is increasing.
- There is growing interest in multifunctional products, such as color-correcting and blemish-balm (“CC” and “BB”) creams and advanced skin hydration technologies.
- Russian men tend to purchase simple and universal hair care products. For example, ‘two-in-one’ shampoos for hair and body have become widespread.

Trade Events

[Intercharm](#)

October 23-26, 2019

Moscow

Web Resources

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

[Russian Association of Perfumery and Cosmetics](#)

[Spa and Wellness International Council](#)

[Society of Aesthetic Medicine of Russia](#)

U.S. Commercial Service Contact

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Cosmetics and Perfumery Ingredients

Overview

There are more than 65 million potential buyers of cosmetics in Russia that show consistent interest in beauty products. Experts estimate that Russian women spend about 12-15% of their income on fragrance and cosmetic products every year, a greater percentage than in Western Europe. The skincare segment is actively developing, along with natural cosmetics and men's lines.

There are 380 companies in Russia engaged in the production of 7,500 perfumes and cosmetics product lines. Henkel Rus, Procter & Gamble, and Faberlic are the industry leaders, with a total market share of 36%.

The position of Russian manufacturers is strengthening as they invest in innovative formulas, scientific research, and improved product quality. Consumers are increasingly choosing Russian cosmetics because they appreciate their natural characteristics and competitive prices.

In total, there are about 10 production facilities in the country for processing and obtaining plant-based perfumery and cosmetic raw materials. Currently, all basic formulations of cosmetic and perfumery products are brought from international exhibitions; generally, they are based on imported raw materials that are difficult to find in Russia, due to the undeveloped domestic raw material market.

Up to 90% of components are now imported into Russia, except for basic surfactants. For example, 100% of UV filters, preservatives, pigments, dyes, fragrances, some functional ingredients and tropical oils are imported. The main importers are Germany, France, and China. For 20 years, Russian companies have been working on the production of dihydro quercetin, polyphenols, and several other enzymes, but none has achieved their widespread use in cosmetics. There are several essential oil production facilities in Crimea and the North Caucasus, whose products are almost completely exported. In Siberia, there are several production facilities for obtaining fir and pine oils, which are also mainly produced for export.

The domestic market of basic surfactants is gradually developing. Synthesis Plant (NORKEM) is a large player in producing surfactants and polyethylene glycols.

There are several Russian plants that process cosmetic raw materials:

1. Two plants for the processing of coniferous greens, one for deep processing.
2. Several (two - four plants) focused on production of simple extracts - oil, glycerol, propylene-glycol.
3. Several production plants in the Krasnodar Territory and one in the Moscow region that specialize in carbon dioxide subcritical extraction. These are focused more on the food industry.
4. Two enterprises engaged in supercritical extraction. One mainly produces total extracts, while another company specializes in the production of valuable cosmetic and perfumery, pharmaceutical components. Collectively, they remain insufficient to meet the demand of growing production and consumer demand.

It is challenging to estimate the Russian market's size, but it is possible to identify the lower limit of the Russian demand for raw materials. For example, Faberlic spent \$16.1 million on raw materials last year. According to a market insider, the total raw materials cost of all cosmetics and perfumery companies operating in Russia has the potential to reach \$200 - \$300 million.

Trade Events

[International Specialized Exhibition Interexpo/Interbytchim/Intercosmetics](#)

March 2020

Moscow

Web Resources

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

[Russian Association of Perfumery and Cosmetics](#)

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Construction and 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 (\$100.47 billion), six-year modernization plan to revamp the country's highways, airports, railways, ports and other transportation infrastructure through 2024. 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 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 20,000 km 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 210km, 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 2,000 km stretch of road called the Meridian Highway. This falls under China's global, One Belt One Road project, of which Russia is a member. The Meridian 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, StanleyBlack&Decker, 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

[Road Expo](#)

June 4-7, 2019

Moscow

[City Build Russia](#)

October 29-30, 2019

Saint Petersburg

[Batimat Russia](#)

March 3-6, 2020

Moscow

[MosBuild](#)

March 31-April 3, 2020

Moscow

Web Resources

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

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Education and Training

Overview

Russian students are increasingly choosing to pursue university degrees abroad. According to [The Institute of International Education Open Doors Report](#), approximately 5,518 Russian students studied in the United States in 2018 (2% growth vs 2017). Over the last five-year period (2013-2018), there has been an 18% increase in the number of Russian students studying in U.S. schools.

Education in Russia is predominantly state-run and is regulated by the Ministry of Science and Higher Education and the Ministry of Education (which, until May 2018, were one Ministry). Regional authorities regulate education in their jurisdictions within the prevailing framework of federal laws. Russia's expenditure on education has grown from 2.7% of GDP in 2005 to 3.8% in 2015 but remains below the OECD average of 5.2%.

Private institutions account for just 1% of pre-school enrollment, 0.5% of elementary school enrollment, and 17% of university enrollment. Education in state-owned secondary schools is free; first tertiary (university-level) education is free with certain caveats, and a substantial number of students are enrolled for full-tuition fees. Male and female students are represented equally in all stages of education, except tertiary education, where women represent 57% of students. The literacy rate in Russia, according to a 2017 estimate by the Central Intelligence Agency, is 99.7% (99.7% men, 99.6% women). According to a 2017 OECD estimate, 54% of Russian adults aged 25 to 64 have attained a tertiary/university-level education, giving Russia the second highest level of college-level education in the world. Nearly 88% have completed secondary education (a full 11-year course, equivalent to graduating high school in the US), 26.5% have completed middle school (9 years), and 8.1% have elementary education (at least 4 years). Women aged 35-39 have the highest rate of tertiary education at 24.7% (compared to 19.5% for men of the same age bracket).

Leading Sub-Sectors

As Russia continues to emerge from its 2014-2015 economic downturn, the key subsectors attracting Russian students to U.S. schools are undergraduate (43% students), graduate (33.6%), non-degree (7.5%), and Optional Practical Training, "OPT" (15.7%).

2017/18	Undergraduate	Graduate	Non-degree	OPT	Total
Russia	2,373	1,857	418	870	5,518
	43%	33.6%	7.5%	15.7%	

Other attractive U.S. educational institutions include boarding schools, high schools, and short-term English-language courses for both adults and children.

Opportunities

Among the many Russian students interested in pursuing their graduate studies in the United States, most choose to major in Business/Management, Life Sciences, Social Sciences, Fine/Applied Arts, Math/Computer Science, and Engineering. Summer English language programs are very popular among Russian high school and undergraduate students. There is also an increasing interest in elite U.S. boarding schools for pre-college age children (ages 12 and up) from wealthy Russian families.

Web Resources

[Education USA](#)

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Food Processing and Packaging

Overview

Food production and processing represents a key component of Russia's economy. 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 food and food processing industry accounts for 11.5% of total output sectors in Russia and consists of more than 30 industries and includes 43,000 active organizations. The faster pace of life in Russia in recent years has spurred demand for products suitable for on-the-go consumption. Easy storage and increased shelf life of packaged foods make them more attractive to the modern Russian consumer, and modern retail formats continue to develop.

In 2018, food production in Russia increased by 4.7%, while drink production increased by 3%, according to *Infoline*, one of the leading research agencies in Russia. This growth was mainly due to import restrictions stimulating domestic production and competitive prices of domestic products on local and international markets.

Processing of potatoes (+ 30.6%) and vegetables (+ 17.2%) underwent significant growth in 2018. Production of canned and preserved fish increased by 45.4% due to record catches of sea fish and seafood, and expansion of production capacity. Since 2007, investments in the country's seafood industry have increased almost 10 times to \$216 million.

Globally, Russia has the eighth largest market for packaged food products with 27.5 million tons of trade volume, as well as beverages (alcoholic and soft) with a trade volume of 26 billion liters. The growth of personal income in Russia led to a higher standard of living and a favorable consumer climate. The fast-moving consumer goods (FMCG) segment has remained the most stable sub-sector, even during the 2014-2015 economic downturn, with a 79% share of food products. Additionally, the demand for packaged products is expected to increase and reach 29 million tons by 2020.

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.

Western companies are expecting an upturn and consider this a confirmation of their policy of maintaining business contacts in difficult years. There is a positive outlook for the plastics and packaging industries and the food processing industry. Great demand for foreign technologies in Russia remains, and there is a special need for further optimization of the production of consumer goods, food and packaging. The volume of imported food processing and packaging equipment in Russia amounted to about \$2 billion in 2018.

The Russian food production equipment market is highly competitive and price sensitive. The following equipment manufacturers are working in the Russian market: Wynveen International BV, Nivoba BV, Meyn Food Processing Technology BV (Netherlands), Winkler und Dünnebier Süßwarenmaschinen GmbH, Kraft Foods Deutschland Services GmbH & Co. KG (Germany), Bühler AG (Switzerland), Ferrero SpA (Italy), Haarslev Industries A / S (Denmark), Franz Haas Waffelmaschinen GmbH (Austria) and others. At the moment, German manufacturers continue to lead the list of suppliers of food and packaging machinery in Russia.

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 in Russia's six major regions (Central, Ural, Siberian, North-Western, Volga and Southern federal districts). There are 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.

Leading Sub-Sectors

The best opportunities exist for high value-added processing and energy-efficient equipment in of the following sub-sectors:

- Meat and poultry processing equipment (the highest demand is in turkey processing and packaging);
- Food processing equipment for the restaurant industry ;
- Rendering equipment;
- Fruit and vegetable processing and packaging equipment;
- Dairy processing and packaging equipment;
- Baking equipment, both for small bakeries and large bread-making factories.

Trade Events

[RosUpak](#)

June 18-21, 2019

Moscow, Russia

[Agroprod mash](#)

October 7-11, 2019

Moscow, Russia

[Upakovka](#)

January 28-31, 2020

Moscow, Russia

Web Resources

[Ministry of Agriculture](#)

[ProdIndustry professional industry journal](#)

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

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Information Technologies

Overview

With a population of 142 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 reached \$22.6 billion in 2018.

As of 2017, 1.2 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%), the construction (6.4%), and mining industry (10.4%).

In 2017, the country's economy began to recover and about a third of the surveyed executives expected to see a positive trend in demand for IT services in 2018. Its 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 "thawing" of IT budgets in Russia is proceeding slowly and systematically. 2018 saw more optimism among IT market participants. 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.

Russian IT industry experts singled out five key technological trends in the Russian market during 2017-2018:

1. **Robotic Assistance:** Virtual assistants are becoming an essential component as companies seek to deliver cost effective and personalized services;
2. **Internet of Things (IoT):** Russian utilities, energy, and transportation systems will become increasingly interconnected and enabled by advanced technology, leading to Smart Cities initiatives throughout the country. This type of technology-focused infrastructure development is a central component of Russia's Digital Economy program;
3. **The all-over-platform** has become an essential component of modern IT vernacular that encompasses IoT platforms, cloud platforms, virtual reality (VR) platforms, block platforms, and platforms for managing drones;
4. **Import substitution:** the Russian Unified Software Register displays new solutions developed in Russia that are beginning to displace global vendors. For example, in RusHydro, EMC Documentum was replaced by a domestic electronic document management system from Lanit. Transneft has migrated from SAP to Galaxy. These examples reflect a trend of Russian companies looking for domestic software solutions.
5. **Improving time-to-market:** the customer base is not only companies that currently have large installed technology bases and large IT budgets, but also entities who are playing "catch-up" with the digital economy;

Russian internet and telecom regulators have taken several actions during 2017-2018 that have elicited mixed reactions from industry participants and warrant consideration by U.S. exporters:

- **Telemedicine Law:** In accordance with a January 2018 law, doctors are now officially allowed to consult patients through the internet by means of video conference calls or by phone;
- **Anonymizers and VPNs:** As of November 1, 2017, VPN-services and anonymizers operating in Russia must restrict access to banned information. The list of such banned information is maintained by

Roskomnadzor. Roskomnadzor has the power to block such VPN-services and anonymizers if they are found to be non-compliant;

- **Fines for illegal processing of personal data have been increased** by a factor of 3-4. Additionally, the list of actionable offences has been expanded. Since July 2017, there have been seven categories of punishable offences and the maximum fine is ₹75,000 (approximately \$1,190).
- **Instant Message Provider and User Information:** In accordance with the amendments to Articles 10.1 and 15.4 of the Information Law, instant message (“IM”) providers are obliged to identify users by their phone numbers as of January 1, 2018. Furthermore, such IM providers must ensure confidentiality of transmitted messages and be prepared to submit such messages to the governmental bodies upon request. Messengers are also compelled to store user identification records within Russia (not outside Russia).

Russia’s enforcement of this regulation has resulted in the blocking of millions of IP addresses perceived to be associated with the popular messenger Telegram due to its developers’ repeated refusal to give regulators access to users’ data. Roskomnadzor has cast a very wide net in its actions, restricting access to some IP addresses that have no apparent relation to Telegram and disrupting an array of web-based services.

- **Critical Infrastructure:** The law sets the basic framework for critical informational infrastructure (“CII”) in Russia. It was adopted in July 2017 and came into force on January 1, 2018.
- **VAT:** Services provided by foreign IT companies to Russian customers are subject to 15.25% VAT. As of January 1, 2017, foreign companies providing services to Russian customers via the Internet are obliged to pay Russian VAT and register with tax authorities.
- **Online Cash Registers:** The online cash register law came into force in July 2017. In accordance with the law, organizations and sole proprietorships must register and use only advanced cash registers that can transmit fiscal data to tax authorities on an automated basis. This law has had a significant impact on the growing e-commerce market of Russia.

In aggregate, changes to Russia’s internet regulatory framework in 2017 exhibit competing priorities. The 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.

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 price points. 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.

1. Rostech corporation
2. NCC
3. Lanit
4. Softline
5. 1C

According to forecasts of Russian IT industry leaders, in 2019 the domestic information technology market will continue to grow moderately. Among the main drivers of this growth, experts mention the government's policy of building the digital economy and the rapid development of the IT services sector. The main barriers mentioned by the industry players, are difficult political conditions, sanctioned industry sectors (energy, finance, and defense), immaturity of solutions based on breakthrough technologies, and restrictions on the labor market.

Leading Sub-Sectors

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

Opportunities

Best Prospects: Cloud Computing, Artificial Intelligence, industrial IoT, Virtual Reality, Telemedicine .

Trade Events

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

October 23-25, 2019

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

The Russian medical device market is very attractive for U.S. companies. The market 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.

	2016	2017	2018	2019 estimated
Total Local Production	1,240.6	1,395	N/A	N/A
Total Exports	130.4	160.1	N/A	N/A
Total Imports	2,999.8	3,336	N/A	N/A
Imports from the US	N/A	N/A	N/A	N/A
Total Market Size	4,110	4,571	4,618	4,808
Exchange Rates	67.00	58.5	60.4	65.4

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

Units: \$ millions

Source: Fitch Solutions (former Business Monitor International)

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.

Russia's 2017 market for imported medical devices was segmented as follows: diagnostic imaging: 18.4%, consumables: 14.7%, dental products: 10.5%, orthopedics & prosthetics: 8.9%, patient aids: 13.9%, and "other medical devices:" 33.5%. Industry experts generally foresee growth in medical device imports in the coming years.

Germany, the United States, and China are Russia's leading suppliers. 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; and 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 the main cities of 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, also indicates concrete opportunities for U.S. companies that can provide scientific equipment for use in research and development.

Trade Events

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

September 10-12, 2019

Moscow

[Russian Congress of Laboratory Medicine](#)

September 11-13, 2019

Moscow

[Dental Expo](#)

September 23-26, 2019

Moscow

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

October 22-24, 2019

Moscow

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

October 22-24, 2019

Moscow

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

December 2-6, 2019

Moscow

[Analitika Expo](#)

April 22-24, 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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Pharmaceuticals

Overview

The Russian pharmaceutical market has tremendous promise and warrants consideration by U.S. exporters. In 2018, per capita spending on medicines was \$140 per person, placing Russia 17th out of 32 central and eastern European (CEE) economies. \$20.1 billion of pharmaceuticals were sold in Russia in 2018, equal to 1.2 % of GDP and 22.1% 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 2018: prescription medications represented 62.3% of sales. Of this amount, sales of generics constituted 67.6% of Russian prescription sales in 2018. Pharmaceutical sales (prescription and OTC combined) grew 25% in dollar terms from 2016-2017, and forecasts projected 9% growth for 2018.

	2016	2017	2018	2019 estimated
Pharmaceutical Sales,	16,415	20,095	20,095	21,033
Prescription drugs sales	9,839	12,285	12,524	13,309
OTC drugs sales	6,575	7,811	7,571	7,724
Generic drugs sales	6,529	8,239	8,466	9,096
Exchange rates	67.00	58.5	60.4	

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, Katren, Pulse, Pharmkomplekt, R-Pharm, Grand Capital, BCC, Profit-Med and CIA International 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 can 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.

Trade Events

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

November 19-22, 2019

Moscow

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

December 2-6, 2019

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 \(former Business Monitor International\)](#)

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Customs, Regulations & Standards

Trade Barriers

U.S. companies face a number of tariff and non-tariff trade barriers when exporting to Russia. For example, for importers of alcoholic products there is a long-standing requirement that all Customs duties, excise taxes, and value-added taxes on alcohol be paid in advance using a bank guarantee and deposit, for which the reimbursement process is very slow. U.S. industry is concerned that the assessment and licensing procedures administered by different Russian government agencies and the EEC (Eurasian Economic Commission, the executive body of the Eurasian Economic Union, a.k.a. EAEU) add an unnecessary level of complexity leading to increased costs and delays.

Nearly all U.S. food and agricultural exports were banned by the Russian government in August 2014, in reaction to the imposition of sanctions against Russia.

U.S. companies also cite technical regulations and related product testing and certification requirements as major obstacles 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. Opportunities for testing and certification performed by competent bodies outside Russia are limited. Additionally, U.S. companies have observed that the procedures associated with Russia's requirement to have a "supplier's declaration of conformity" are unnecessarily burdensome. This document is meant to confirm the safety of products for the environment and the health of people and animals. Manufacturers of telecommunications equipment, oil and gas equipment, and construction materials and equipment, in particular, have reported serious difficulties in obtaining product approvals within Russia. Other member countries of the EAEU are in the process of adopting a similar system.

Laws governing the information technology (IT) sector have made it more difficult for U.S. technology companies to provide/export goods and services to the Russian market. For example, 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. The law of the Ministry of Telecom and Mass Communications of the Russian Federation envisioned a transition to the use of domestic office software by federal executive agencies and state extra-budgetary funds from 2016-2018. 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. This law made it more difficult for companies to select cloud-based IT solutions. After this law entered into force on September 1, 2015, the Russian Federal Service for Supervision in the Sphere of Telecom, Information Technologies and Mass Communications (ROSKOMNADZOR) was given authority to fine companies that violate the law and restrict access to their websites. The Ministry of Telecommunications and Mass Communications of the Russian Federation later published explanatory notes about the law at <http://minsvyaz.ru/ru/personaldata/#1438548218895>

The "Yarovaya" package of anti-terrorism amendments which President Putin signed into law in 2016 include provisions requiring telecommunication service providers to furnish encryption keys to law enforcement agencies upon request. Among its provisions, the legislation mandated that as of July 2018, domestic telecoms and Internet service providers (ISPs) store all customers' telephonic and electronic content for six months. These amendments also require ISPs to keep records of all transmitted communications for one year (three years for telecom companies).

New regulations in the auto and aviation sectors could make it more difficult to sell U.S. products in Russia. For example, 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 new 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.

Import Tariffs

In August 2012, Russia became a member of the World Trade Organization (WTO), lowering the average bound tariff rate on industrial and consumer goods, from almost 10% in 2011 to 7.8% by 2017.

Food and agricultural exports to Russia from the U.S. are not currently possible due to Russian counter-sanctions. However, if sanctions were lifted and agricultural and food exports resumed with Russia, these would fall under Russia's WTO Accession Protocol. The protocol establishes tariff rate quotas (TRQs) for agricultural goods such as beef, pork, poultry, and some whey products. Imports entering the market within the quota would enjoy lower tariffs, while imports outside of the quota would face higher tariffs. Some of these TRQ's could also be subject to member-specific allocations. The current in-quota and out-of-quota rates are listed below:

- Beef: 15% duty in-quota, 55% duty out-of-quota;
- Pork: 0% duty in-quota, 65% duty out-of-quota (the TRQ for pork will be replaced with by a flat top rate of 25% as of January 1, 2020);
- Selected poultry products: 25% duty in-quota, 80% duty out-of-quota; and
- Selected whey products: 10% duty in-quota, 15% duty out-of-quota.

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 Eurasian Economic Commission's website](#).

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%.

Value Added Tax (VAT) is applied to the sum of the Customs value plus the Customs duty plus any excise tax. Russian Customs VAT is levied at the same rates as Russian sales VAT – generally 20% for most goods, works, and

services. A 10% rate applies to certain food products, children’s goods, certain medical and pharmaceutical products, pedigree livestock, and certain books and periodicals. Some categories (e.g. medical goods and equipment, goods designated for diplomatic corps) may be VAT exempt.

Effective August 2018, Russia began imposing additional tariffs ranging from 25-40% for a set of United States products ranging from fiber optics to certain equipment for road construction, the oil and gas industries and metal processing and mining, with the Ministry of Economic Development indicating that these tariffs were in response to United States imposition of tariffs on Russian steel and aluminum products earlier in 2018 under the United States’ Section 232 process.

Import Requirements & Documentation

Importers are required to complete a Russian Customs freight declaration for every item imported. A declaration must be supported by the following documents (when applicable): contracts, commercial documents such as commercial invoices and packing lists, transport documents, import licenses, “TR TS” (technical regulation of technical safety) certificates, certificates of origin, sanitary certificates, import permission and licenses (e.g. for products containing encryption technology), and documents confirming the legitimacy of declarants/brokers/importers. All Customs import declarations are submitted electronically. The website of Russia’s [Federal Customs Service](#) contains the link to the portal for electronic declarations.

As a result of regulatory changes in 2014, Russian Customs authorities should no longer require a separate submission of certificates or declarations of technical compliance as part of the clearance process, as the inclusion of such information within field 31 of the electronic import customs declaration should be sufficient. However, it has been reported that Customs officials may require separate submission of these documents in practice, especially for controlled items.

The EAEU maintains a unified list of goods for which import and export limitations and prohibitions apply in order to monitor and control movement of goods classified as sensitive by the member states or by the international community. In Russia, import licenses are issued by the Ministry of Industry and Trade in accordance with the unified licensing rules of the Eurasian Economic Union.

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 and paper and paperboard packaging	Optical instruments and photographic equipment
Household and sanitary products and toiletries	Accumulators
Paper stationery	Storage batteries
Other articles of paper and paperboard	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
	Other general-use machinery and equipment not included elsewhere

Rates of the ecological fee may be revised annually.

In addition, currency control regulations require the issuance of a transaction passport for both exports and imports to ensure that hard currency earnings are repatriated to Russia.

Labeling/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 28th, 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. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related materials. The U.S. Department of Commerce's Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and re-export of commodities, software, and technology (collectively "items") falling under the jurisdiction of the Export Administration Regulations (EAR). The primary goal of BIS is to advance national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS also enforces anti-boycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues.

BIS is responsible for implementing and enforcing the EAR, which regulate the export and re-export of items with chiefly commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses; and less sensitive military items, including "production" and "development" technology. Items subject to the EAR may require a license prior to export or re-export. Items with an Export Control Classification Number (ECCN) that are regulated for Chemical and Biological Weapons (CBW), National Security (NS), Missile Technology (MT), Regional Stability (RS) or Crime Control purposes may require a license from BIS for export to Russia.

BIS reviews license applications for exports, re-exports and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office of Exporter Services, BIS also provides information on BIS programs, conducts seminars on complying with the EAR, provides guidance on licensing requirements and procedures, and presents an annual Update Conference on Export Controls and Policy as an outreach program to industry.

In response to Russia's actions in southern and eastern Ukraine, since April 28, 2014, BIS has followed a policy of denying of applications for licenses to export or re-export any high-tech item that contributes to Russia's military capabilities subject to the EAR to Russia or occupied Crimea. In addition, Commerce has imposed export controls on entities that contributed to the occupation and imposed a license requirement for activities involving production or development of crude oil or gas from deep water, arctic off shore or shale.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their goods to Russia. If necessary, a commodity classification request may be submitted in order to obtain BIS assistance in determining how an item is controlled (i.e., the item's classification) and the applicable licensing policy. Exporters may also request a written advisory opinion from BIS about application of the EAR to a specific situation. Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website at www.bis.doc.gov or by contacting BIS' Office of Exporter Services at the following numbers:

Washington, D.C. Tel: +1 (202) 482 4811 Fax: +1 (202) 482 3322

Western Regional Office Tel: +1 (949) 660 0144 Fax: +1 (949) 660 9347

[Further information on export controls is available on BIS' website.](#)

BIS has developed [FAQs](#) and a [Russia Due Diligence Guidance](#) specifically for Russia.

BIS provides a variety of training [seminars](#) 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.

The EAR does not control all export-controlled 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 [Consolidated Screening List](#) can be a very helpful tool for companies' 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.

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.

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 (\$317 at an exchange rate of 63 rubles per dollar). The generally permitted term for temporary imports is still limited to two years.

Fixed assets goods (capital equipment) for manufacturing purposes may be admitted and subject to a 3% monthly Customs payment for a temporary import period of 34 months if the Russian user has to obtain property rights (e.g. for leasing). Although Russian Customs accepts the use of some temporary import regime (TIR) carnets, the issuance tends to be made under limited circumstances. Entry into Russia through Moscow or St. Petersburg is preferred.

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

Prohibited & 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 for one year, has been extended annually, most recently on June 24, 2019, when President Putin signed a decree re-extending it through 2020. Absent significant improvements in Russia's relations with the United States and Europe, analysts expect these countersanctions to be further extended beyond 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 sectoral sanctions affecting the financial, defense, and energy transactions, 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 finally 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 list of documents required for Customs clearance depends on the type and characteristics of the goods, and the terms of their importation. By December 2014, nearly all Customs declarations were being submitted in electronic format without any hard-copy documents. The transition to full e-documentation was completed in January 2017, equipping all Customs posts with e-docflow.

The website of [Russia's Federal Customs Service](#) contains regional Customs contact information, as well as a link to the portal for electronic declarations.

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 45 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 Vietnam, Germany, Greece, India, Spain, Kyrgyzstan, Macedonia, Moldova, Mongolia, Serbia, China, Iran, Slovakia, and Ukraine. In addition, RosAccreditation is a member of the following international organizations:

- [The Asia Pacific Laboratory Accreditation Cooperation \(APLAC\)](#)
- [The Interstate Council for Standardization, Metrology and Certification of the Commonwealth of Independence States \(CIS\)](#)
- [International Laboratory Accreditation Cooperation \(ILAC\)](#)

In 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.” In 2015, a series of educational seminars were conducted across the Russian regions to teach more than 250 employees about [RosAccreditation’s ISO/IEC 17011 “Conformity assessment”](#).

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”. For the latest information, go [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 insure 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 not have 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, Russia, 109074
Moscow, 119991
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
Mr. 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

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 the 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, 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 also 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. Serbia's Trade Ministry has also indicated it may sign an FTA with the EAEU as early as October 2019.

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 2016.

<http://government.ru/docs/all/99954/>
<http://en.smb.gov.ru/support/regulation/99fz/>

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, foreign companies that would like 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, EY, KPMG, Deloitte and others.

Web Resources

[Bureau of Industry & Security, U.S. Department of Commerce](#)

[Consolidated Screening List, U.S. Department of Commerce Bureau of Industry & Security](#)

[Eurasian Economic Commission](#)

[Harmonized Tariffs of the Eurasian Economic Commission](#)

[Draft Technical Regulations of the Eurasian Economic Commission](#)

[Russian Federal Customs Service \(English-language\)](#)

[Russian Federal Customs Service \(Russian-language\)](#)

[Russian Ministry of Economic Development](#)

[Russian Ministry of Industry and Trade \(English-language\)](#)

[Russian Ministry of Industry and Trade \(Russian-language\)](#)

Investment Climate Statement

The U.S. Department of State's Investment Climate Statements, prepared annually by U.S. embassies and diplomatic missions abroad, provide country-specific information and assessments of the investment climate in foreign markets. Topics include: Market barriers, business risk, legal and regulatory system, dispute resolution, corruption, political violence, labor issues, and intellectual property rights.

Visit the U.S. Department of State's [Investment Climate Statement](#) website.

Trade & Project 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](#).

Banking Systems

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 & 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 (controlled 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, Bank St. Petersburg and Binbank.

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. In May 2019, Morgan Stanley announced plans to terminate its investment banking activities in Russia by Q1 2020. 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.

Project Financing

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 Overseas Private Investment Corporation (OPIC, soon to be transformed into the U.S. International Development Finance Corporation, or “DFC”). 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 (see “Multilateral Development Banks, below).

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](#).

Multilateral Development Banks

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 Commercial Liaison Offices to the European Bank for Reconstruction and Development (<http://export.gov/ebrd>) and the World Bank (<http://export.gov/worldbank>).

Financing Web Resources

[Trade Finance Guide: A Quick Reference for U.S. Exporters](#), published by the International Trade Administration's Industry & Analysis team

[Export-Import Bank of the United States](#)

[Overseas Private Investment Corporation](#)

[SBA's Office of International Trade](#)

[USDA Commodity Credit Corporation](#)

[European Bank for Reconstruction and Development](#)

[Eurasian Development Bank](#)

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 a 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 on-line 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. 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.

Travel Tips

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. 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.

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 persons who are perceived as vulnerable, especially persons traveling alone. Some victims report that the attackers use knives, and the use of pneumatic pistols/air guns has

been witnessed. Persons 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.

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 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

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 can be referenced 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. As of August 2019, wait times at U.S. Embassy Moscow are approximately 300 calendar days for visitor visas (B-1 business visas, or B-2 tourist visas), although they are only 2 days for student and other non-immigrant visas. Up-to-date information on U.S. visas is available at the following links:

[State Department visa Web site](#)

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

Currency

Russia is a predominately 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.

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.

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) can be 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 are 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.

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.

Generally speaking, 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 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.

Travel Related Web Resources

[U.S. Department of State Web site](#)

[Centers for Disease Control and Prevention](#)

[U.S. Embassy Moscow Web site](#)

[U.S. Federal Aviation Administration \(FAA\)](#)