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YOUR BUSINESS GUIDE TO RUSSIA

Novosibirsk 2011

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WHY RUSSIA?



This guide aims to provide a route map of the way ahead. It identifies the main issues associated with initial research, market entry, risk management and cultural matters. It also includes questions you should ask at the beginning of your research into Russia.

Russia is the largest Country in the world in both total area and geographic extent, constituting more than one-ninth of the world's land surface. It has an area of 10,672,000 sq miles (17,075,200 sq km) and a population of 142 million people. It extends across the whole of northern Asia and 40 per cent of Europe, spanning 11 time zones and incorporating a great range of environments and landforms.

The country possesses a wide array of mineral and energy resources including major deposits of oil, coal, natural gas, iron ore, manganese, chromium, nickel, platinum, titanium, copper, tin, lead, tungsten,

diamonds, phosphates and gold. The forests of Siberia contain an estimated one fifth of the world's timber. The Russian coastal zone of 23,533 miles (37,653 km) along the Arctic and Pacific Oceans, the Baltic, Black and Caspian Seas, holds significant reserves of fish and energy resources on the sea shelf. Most of the country's territory is dominated by the strongly continental and subarctic climate, which is prevalent in European and Asian Russia except the tundra and the extreme Southeast. Only a small part of Black Sea coast around Sochi has a subtropical climate.

In Novosibirsk, the cold starts to set in during October with snow and temperatures below zero beginning and continuing until March or April. Average January temperatures are around -15°C but can drop to -30°C . This is not as bad as it sounds, as this is a “dry” cold, in contrast to the chilly dampness of the average European winter. In summer, temperatures average around 24°C with the occasional thunderstorm. Winters in St Petersburg are moderated by (relatively) warm air blowing in from the Atlantic Ocean. In summer, temperatures are slightly cooler than in Moscow.

In Ekaterinburg and the Urals region, winters are generally colder and summers are generally warmer than in Moscow. You can expect to have snow on the ground any time from October to May, and even longer in the northern parts of the Siberian region (the main oil and gas area). Russia's geographic extent, severe climate and remoteness from major sea lanes impede even economic and social development of the country's territories, with large parts of the country having almost no population and development. Russia is a middle-income country.

It is the eighth largest retail market in the world - having surpassed Brazil, Mexico, Spain and Italy in recent years - and the fourth-largest market in Europe, behind only the UK, Germany and France.



TAKING THE STRATEGIC APPROACH

Often, new exporters will feel a bit overwhelmed about trading with Russia. Much consideration and planning will need to go into deciding on the company type, delivery of products and services, marketing strategies and local conditions. Before making these big decisions exporters and investors should spend some time thinking about business objectives. The questions listed opposite should help you to focus your thoughts. Your answers to them will highlight areas for further research and also suggest a way forward that is right for your company. You may then want to use this as a basis for developing a formal

strategy, although this will not be necessary or appropriate for all companies.



YOUR AIMS:

**DO YOU WISH TO SELL TO RUSSIA?
DO YOU WISH TO ESTABLISH YOUR
OWN COMPANY
PRESENCE IN RUSSIA, FOR EXAMPLE
THROUGH A
REPRESENTATIVE OFFICE OR
LIMITED LIABILITY COMPANY?
DO YOU NEED TO BE INVOLVED IN
RUSSIA AT ALL?
WHAT ARE THE UNIQUE SELLING
POINTS (FEATURES
AND BENEFITS) FOR YOUR PRODUCT
OR SERVICE?
DO YOU KNOW IF THERE IS A
MARKET FOR YOUR
PRODUCT OR SERVICE IN RUSSIA?
DO YOU KNOW IF YOU CAN BE
COMPETITIVE
IN RUSSIA?
DO YOU KNOW WHERE IN RUSSIA
YOU SHOULD START?
DO YOU KNOW HOW TO LOCATE
AND SCREEN POTENTIAL
PARTNERS, AGENTS OR
DISTRIBUTORS?**

“I’M THINKING OF DOING BUSINESS IN RUSSIA... BUT DON’T KNOW WHERE TO BEGIN!”

ITE puts you directly in touch with staff in our three offices in Russia (Moscow, Novosibirsk and Krasnodar), who are able to give you access to the best country - and sector-specific business trade shows, as well as offering support during your visits to Russia. They can advise on local business conditions and provide tailored information specific to your needs. Remember that collection and analysis of information about the market, major players, potential partners and clients, local rules and regulations are essential for informed business decision making.

Getting started with a trade show participation not only involves the collection of reliable information like:

- **the size of the market**
- **how it is segmented between different types of customers**
- **an explanation of the various distribution channels**
- **competitor activity their strategy and performance**

It is also far better to spend time and money in carrying out thorough trade show exhibiting

before entering the market than to enter Russia in a hurry, not wishing to miss the boat, only to discover that you have made a very costly mistake.

European and Asian companies remain tough competitors, due to their proximity to the Russian market and their longstanding relations with Russian organizations and companies. Thus, starting with a trade show exhibiting will help you to get in touch with them as well.

SUGGESTED APPROACH TO THE MARKET

Reducing the market to bite-size pieces

Russia is quite a challenging market for foreign companies new to exporting, as it requires serious time and financial commitment. The majority of exporting companies experience problems with lack of management time and resources. It is important therefore to concentrate efforts where there is the highest degree of success probability. If you are not a web-based business, Russia is best broken down to economic regions, e.g. Siberia Central Russia, North West of Russia, etc. A concentrated effort of sales, technical support and executive staff is to be directed at the selected

region or regions. Regional success correspondingly will allow expansion out in diverging rings from this initial base.

Focused trade show exhibiting is invaluable in making decisions across market entry strategy formulation and local partner selection. Establish a local presence or select a local partner for effective marketing and distribution of your products in Russia. Due diligence is a must.

There are thousands of Russian trade associations. Many are very professional and are an excellent source of industry information and practice.



Thinking outside the box.

WHY EXHIBIT?

Trade shows give you the chance to meet new prospects, reinforce existing customer relationships, and expand product or brand awareness.

But let's face it - trade shows also cost time, money and effort. When all of these are tight, you might be tempted to decide they just aren't worth it.

Before you decide trade shows just aren't worth it - take a look at some facts.

DID YOU KNOW?

The average cost to close a sale originating at a trade show is less than 2/3 the cost for leads from other sources.

75% of people attending trade shows arrive with a specific goal in mind.

Closing a sale from a trade show lead takes an average of 1.6 personal sales visits versus 3.7 for non-show leads.

You can talk with as many prospects in an hour as normally takes a day.

More numbers about trade show attendees (from industry surveys):

95% of decision makers look for their current vendors at shows

88% of attendees, on average, have not been contacted

by your sales staff in the previous year
87% share information they learned at shows; 64% talk to at least 6 other people

77% found at least one new supplier at their last show

76% asked for quotes

72% say show attendance influences their buying decision

71% of attendees can authorize or approve purchases

70% of attendees are planning on buying at least one product

51% of executive decision makers request a follow-up visit

50% come to see what's new

46% of decision makers make purchase decisions at a show

26% signed purchase orders as a direct result of a show

Bottom-line:

1. Trade shows shorten the sales cycle so each sale costs less to close;

2. Attendees are arriving these days to meet specific needs;

3. Shows are the next best thing to bringing prospects to your office!

DISTRIBUTION AND SALES CHANNELS

THE MARKET FOR MOST CONSUMER PRODUCTS IS CONCENTRATED IN THREE MAJOR CITIES.

Local presence is essential for the success of foreign firms in the Russian market. This is especially true when considering the fact that business relationships in Russia are built upon personal ties and social introductions, and that much of the major competition is only a few flight-hours away. In addition, for sectors that involve any type of government procurement, an entity must be registered with the Russian Government in order to bid on the procurement projects.

Hence, many Western and Asian firms enter into a consortium with a Russian company or enter into a representative agreement, especially for the purposes of market entry. Finally, the language barrier and established social/business circles make it extremely difficult to enter the Russian market without a qualified Russian representative. Methods of distribution and the number and functions of intermediaries vary widely by product area and local conditions. The market for most consumer products is concentrated in major cities. There are many large-scale retail stores in the major cities, especially in Moscow, Novosibirsk, St Petersburg, and the

outlying suburbs. Large shopping malls have opened up on the ring road circling Moscow. Foreign companies also export directly to end users, and this method is often observed where equipment is manufactured on a one-off basis. Many large retail chains including department stores and supermarkets, can purchase in bulk rather than using traditional wholesale channels.

MARKET ENTRY AND START-UP CONSIDERATIONS

New exporters have three basic options when choosing a distribution channel:

Agents

It is not a common practice in Russia for foreign companies to rely solely upon the services of an agent, since agents do not provide product promotion support.

Distributors and representative offices, however, often employ agents in order to sell their products in remote Russian regions.

Distributors

The most common market entry strategy is to select a good distributor or several distributors (depending on the product).

A good distributor usually provides a wide range of logistical support

to an exporting partner, including customs clearance, warehousing, inventory management, etc. However, handling promotion and advertising campaigns exclusively through independent distributors can turn out to be inefficient. Russian distributors normally handle products from multiple suppliers and are not necessarily dedicated to promoting a specific company's product unless the supplier provides substantial financial support for promotion and advertising.

Branch/representative offices

Some foreign manufacturers, in addition to a distributorship network, operate their own representative office.

The main advantage of opening a representative office is a direct access to the market/end-customers and control over the promotion and distribution of their products. However, such offices cannot be directly involved in commercial activity, having no right to operate commercial accounts under the Russian law. Instead, they typically oversee a network of distributors and/or agents who are directly engaged in trade activity. Operation through a representative office ensures an exporter's greater control over the distribution channels and helps to reduce risks.

ADVERTISING AND TRADE PROMOTION

Advertising in Russia plays a very important role in marketing as elsewhere in the world, according to Russian buyers and industry sources. For consumer goods, traditional advertising media are well established in Russia. Television, print media, outdoor billboards, magazines, point-of-sale promotions and displays, and free samples are widely used. Foreign products face tough competition against Russian products. There is a need to "Russify" advertising to suit Russian culture. Most major western advertising agencies are active in Russia; domestic agencies are growing and their professionalism continues to improve. Advertising tax is levied

at 5 per cent on all direct and indirect advertising expenses, excluding VAT. Tax is paid in full to the local budgets. Local authorities may decrease the tax rate but in Moscow and St Petersburg the maximum rate of 5 per cent applies. Advertising tax is deductible for profits tax purposes.

For industrial goods, trade shows and trade magazines are the most effective advertising methods.

Industry publications, which are widely read by industry managers and specialists, are among the most effective places to advertise. In addition to seminars and exhibitions, industry professionals rely upon them as key sources

on industry development and technology. Advertising in such publications builds name recognition and product awareness in the professional community. Trade shows represent the important part of marketing in Russia. Russians prefer to shop at the shows because they can learn from the variety of technical experts and company displays. The high participation rate of European companies in Russian shows is a source of their success in this market. Around 90 per cent of all foreign companies participating in Russian trade shows are European, and their market share of industrial equipment is about 70 per cent.

Representatives of regional governments and state enterprises from remote areas often visit exhibitions in major cities to purchase goods.

Promotional seminars are also effective in increasing awareness of the equipment and brand names in the Russian business community. Often companies sponsor a seminar for specialists at a scientific and research institute under the auspices of the Ministry of Industry and Energy or other governmental agencies. Such seminars are very popular among industry specialists. During the seminars the company tells the specialists about technologies where its equipment can be used.

Usually, such seminars receive very good press coverage in industry Publications.

Tips for exporters

- Generally, under exports and imports between a foreign company and a Russian company, the Russian company is responsible for the customs procedures.
- In order to import goods into Russia and clear them through customs, an importer has to make all customs payments due in accordance with the chosen customs regime and comply with other requirements established by customs legislation (e.g. certification requirements).

- Importation of certain goods (eg pharmaceuticals, meat, etc) requires licences.

- Russia has several special economic zones that Offer customs benefits.

Import restrictions

Certain imports to Russia require permission and certificates (eg of conformity, sanitation), licences and other approvals. They should be submitted to the customs authorities for clearance. The Russian Federation imposes an anti-dumping duty on certain goods.

CUSTOMS DUTIES

Classification of goods

The Russian tariff classification system is based on the internationally adopted Harmonized Commodity Description and Coding System.

Valuation rules

The customs valuation procedure is established in line with GATT/WTO principles and is generally equivalent to the DAF/Russian border transaction value of the goods concerned.

Rates

Import duty applies to most goods. The majority of customs duty rates in Russia are *ad valorem* (ie a percentage of the goods' customs value). There are also specific duties for certain types of imports, calculated by

volume, weight or quantity.

Some duties have a combined rate incorporating the above two types of duty and, therefore, the tax base may vary.

Base customs duty rates vary widely, from 100 per cent on spirits to 0 per cent for some printed matter and some other priority imports.

Zero duty applies, for example, to a wide range of equipment and machinery. On average, duty rates fall between 5 per cent and 20 per cent of the goods' customs value.

The base rates specified in the legislation apply to countries that have been granted Most Favored Nation status. Some goods from "developing" and "least developed" countries may be imported at 75 per cent of

the base rates or zero rates, respectively. However, these are limited to raw materials and handmade goods.

Goods originating in other countries will be subject to duty at double the base rates.

The following are exempt from customs duty:

- transit goods
- cultural valuables
- goods imported by individuals for personal use (worth not more than approximately US\$2,500 and weighing less than 35kg)
- means of transport involved in the international movement of goods and passengers
- humanitarian aid and some others.

CUSTOMS DUTIES (CONTINUED)

Import VAT

For most goods, the import VAT rate is 18 per cent of the customs value, inclusive of customs duty and excise (if any). Food, a certain range of children's goods and a limited range of other goods may be subject to 10 per cent or 0 per cent VAT.

Customs processing fees

Customs processing fees are established as a flat fee and vary from approximately [15 to [3,000 per customs declaration, depending on the customs value of imported goods.

Payments

Customs payments are generally paid before or when submitting customs declarations to customs.

Temporary import relief

Goods may be imported under a temporary import customs regime, normally for a period of up to two years. Generally, goods are permitted for temporary importation if it is possible to identify them upon their re-export. Temporary importation requires permission from the customs authorities. Upon expiry of the period for temporary importation, goods shall be moved out of Russia or placed under another customs regime (e.g. release for free circulation).

Temporary importation requires periodic customs payments of 3 per cent per month of the total customs payments due had the goods been imported for

free circulation. Upon export of the goods, these customs payments are not refunded. Customs has the right to require security for customs payments (e.g. a deposit, pledge, bank guarantee, etc). Goods which qualify as fixed assets for production purposes may be admitted and be subject to a 3 per cent monthly customs payment for a temporary import period of 34 months if the Russian user does not yet have property rights (e.g. for leasing). After this period the goods are considered released for home use. In these instances, the interest on customs duty and taxes is not payable by installments.

CUSTOMS DUTIES INCENTIVES

Charter capital contributions

Fixed production assets imported as a charter capital contribution by a foreign investor are free from customs duty. The goods must not be excisable and should be imported within the time frame established for the formation of the charter capital. A VAT exemption is also available for technical equipment imported as a charter capital contribution.

Tolling

Goods imported into Russia for processing may be placed under an inward processing relief (IPR) procedure (subject to certain conditions). Under IPR,

goods (e.g. raw materials) imported for processing are eligible for full exemption from customs duty and import VAT, provided the processed/finished goods are subsequently moved out of Russia within a deadline agreed on with customs. No export customs duty is charged upon the export of finished goods from Russia. IPRs must be authorised by customs. Only a Russian company may apply for an IPR.

Special economic zones

A number of special economic zones (SEZ) with a free customs regime have been established in Russia. Imports to SEZs are free of duty and VAT, i.e. foreign

goods are delivered to and used within the SEZ free of import customs duty and VAT. When foreign goods or products of their processing are subsequently released into free circulation to the rest of Russia, import customs duty and VAT are payable. If the goods manufactured in a particular SEZ are exported to foreign countries, they will be subject to export duty, if applicable. Foreign goods which were imported into the SEZ but not processed may be re-exported without payment of export customs duty.

DOCUMENTATION AND PROCEDURES

Registration of importers and exporters

There is no established procedure for registering importers/exporters with customs. However, in practice certain documents may be required by customs prior to importation (charter documents, tax registration certificate, etc).

Documentation

Russian customs regulations establish a comprehensive list of documents required for customs clearance purposes. In practice, the set of documents to be submitted to the customs authorities may vary depending on the character of imported/exported commodities, conditions of the transaction, etc.

Declaration of the customs value

The customs value should be properly confirmed by the appropriate documents. The list of such documents may vary depending on the terms of a particular transaction. While the Russian customs regulations set a general list of documents required for confirmation of the customs value, the list is not exhaustive.

If the customs authorities disagree with the customs value declared by an importer they may seek to negotiate with the importer an adjustment of the customs value. Should the importer refuse to adjust the customs value, the customs authorities may adjust the customs value themselves.

Warehousing and storage

Goods which are subject

to customs control (e.g. imported goods, which have not yet cleared through customs) can be temporarily stored at special warehouses before they are released by customs. The period for storage should not exceed two months, but an importer can ask the customs authorities to extend it to up to four months. Warehouses for temporary storage are usually located near customs offices.

Re-exports

Goods which have been imported into Russia may be re-exported provided they haven't been released for free circulation in Russia. They are re-exported without payment of export customs duty.

CONTRACT AND TERMS OF SALE

General terms of sale (GTS)

It is normally advisable for a foreign exporter to have a lawyer prepare GTS suitable for the Russian market and in accordance with Russian law and practice. If used properly, either for direct exports (without a Russian distributor) or by the foreign company's Russian subsidiary or joint venture company, they offer distinct advantages for ensuring payment, recovering interest and costs of collection, and for reducing risks.

A properly prepared GTS tailored to the Russian market should normally contain, among others, the following provisions:

- A clause providing for interest on late payments

at a specified current interest rate. Without such a clause, only interest at the legal rate can be recovered in all or nearly all the courts of Russia.

- A clause allowing the seller to recover their costs of collection, including the seller's reasonable attorney's fees.
- Clauses limiting the warranties that the seller makes. These can be limited but only if properly drafted.
- An arbitration clause stating that all disputes will be resolved by arbitration in a designated city. Arbitration is usually

cheaper and faster than a suit in the courts.



CONTRACT AND TERMS OF SALE (CONTINUED)

The distribution or sales agency agreement

There is no question that a written distribution or sales agency agreement prepared by a Russian lawyer is necessary. A non-Russian style distribution or agency agreement is not satisfactory for the Russian market.

Some critical contractual points to be negotiated are:

- territory
- exclusive or non-exclusive distributorship
- scope of products, including whether later developed products are automatically included
- non-competition clause (caveat: anti-trust law)
- sales outside territory and exports by distributor (caveat: anti-trust law)
- minimum purchase or minimum sales obligations

of distributor, particularly if exclusivity for all or part of Russia is granted

- promotional expenses
- prior approval by supplier of distributor's advertising/promotional material
- terms of sale, prices, discounts, price changes, payment, currency, etc
- security interest clause,
- clauses as to product liability risk, insurance, etc,
- terms of contract renewal, termination clauses, consequences of termination
- clauses protecting supplier's trademark(s) and other intellectual property rights
- arbitration and applicable law.

Most of the points listed above for a distributorship agreement apply likewise

to the sales representative or sales agency agreement, with appropriate adaptations. Like their foreign counterparts, sales representatives and commercial agents normally only provide a supplier with customer prospects and obtain orders for goods subject to the supplier's acceptance.

Other points of importance are:

- commission rate and basis;
 - when the agent is entitled to receive his commission,
 - advances against commission, etc
- scope of the agent's function generally
- overlap of two or more agents with respect to a particular order, splitting of commissions, etc.

CONTRACT AND TERMS OF SALE (CONTINUED)

Terms and conditions of shipment and delivery

Russian businesses are generally familiar with international terms and conditions of trade (Incoterms). However, unless the sales contract or purchase order specifically addresses shipment and delivery, disputes may arise leading to misunderstandings, customer relations problems and, even worse, delay in payment.

The sales contract or purchase order should specify:

- whether the price includes shipment and delivery
- the mode of transport: sea, land, air or special
- the destination, and
- when title and risk of loss pass from supplier to

purchaser.

If the goods require any special handling, either because they are fragile, perishable or contain dangerous or hazardous materials, the foreign supplier should take special care to inform the customer about appropriate shipping and handling methods.

Dispute resolution

The best method of resolving disputes is by avoiding them. Careful drafting and communications will avoid most, if not all, the potential disputes. Occasionally something happens which will require dispute resolution. Although there are numerous alternative dispute resolution mechanisms available, the

foreign exporter should insist upon arbitration in all circumstances. In any event, careful consideration should be given to the provision of the sales contract or GTS that spells out arbitration procedures. Again, the foreign exporter should consult a legal expert before preparing or agreeing to any arbitration clause or provision.



FREIGHT

Freight

There are a number of routes that can be used for shipping goods into Russia. Each route presents different benefits in terms of cost and time and the mode of transport to be used. Most freight forwarders will have routes that they prefer and use most of the time. It is very important to use a reputable freight forwarder that has experience of shipping goods to Russia and preferably has representation in Russia.

Use of a customs broker

Most international trade transactions could not be completed efficiently without the use of a reputable and competent customs broker.

Customs brokers perform almost all the work at point of entry, have experience in dealing with local customs officials and generally have a wealth of knowledge which they can bring to bear in avoiding problems associated with classification and valuation. Since classification is not always a cut-and-dried issue, a customs broker will be of valuable assistance in providing information on how customs inspectors in a particular customs territory may handle certain cases. Customs brokers are individuals or firms licensed by the customs authorities to act as agents for importers. Depending on the role that customs brokers play and the extent of the services rendered,

their fees will vary.

A list of brokers is available on the website of the Russian State Customs Committee, www.customs.ru or a website for National Customs Brokers www.customsbrokers.ru – please note that this site is in Russian only. Examples of documents, recent changes in legislation and samples of paperwork are available at www.vch.ru/index_eng.html or www.tks.ru/ (Russian only).

There are 370 authorized customs brokers in Russia, that provide various services to their clients.

GETTING PAID AND MANAGING CREDIT RISK

All cash transactions in Russia must now be made in rubles, even though invoices often quote dollar prices. In certain circumstances bank transfers can be done in hard currencies.

Recommended methods of payment

The lowest-risk form of transaction for the exporting foreign company is cash paid in advance, a form of payment used most often in markets where there is likely to be a high risk attached or where the purchaser is being very generous!

If you are a first-time exporter to Russia the standard method of receiving payment for your goods is by documentary letter of credit. However, credit is not always available

and it is wise to consult your bank in that event. Even if credit is forthcoming, not all Russian banks' letters of credit will be acceptable to and therefore confirmed by your bank. The opening of the documentary letter of credit is based on the contract signed between the Russian buyer and the foreign seller, and it is important to agree the price and for documents associated with the transaction to be correct. Open Account and Bills for Collection are other payment methods commonly used between foreign exporters and Russian importers when a trustworthy relationship between the two parties has been developed. Major exports and those requiring long-term finance will

require specialist payment and financing.

Knowledge of your customer and/or business partners

Sooner or later in the exporting process it will be necessary either to appoint others to act on your behalf such as shipping agents, distributors, warehouse operators, etc and/or to deal directly with customers, where payment in advance cannot be achieved. It is essential to know your prospects. It is a good policy to request statements from the previous three years. Taking this three-year perspective allows the credit manager to observe a pattern of growth, stagnation or decline.

CERTIFICATION



PRODUCTS IMPORTED TO RUSSIA MUST HAVE THE GOST-R CERTIFICATE OF CONFORMITY. THIS IS A DOCUMENT CERTIFYING THAT THE PRODUCT CONFORMS TO GOST STANDARDS (RUSSIAN STATE STANDARDS OR GOSSTANDART).

EUROPEAN OR ASIAN CERTIFICATES OF QUALITY ARE NOT VALID IN RUSSIA FOR IMPORT. RUSSIA CONTINUES TO RELY ON PRODUCT TESTING AS A KEY ELEMENT OF THE PRODUCT APPROVAL PROCESS.

Standards organizations

The current authority for standardization, metrology and certification matters in Russia is the Federal Agency on Technical Regulating and Metrology. Federal Agency on Technical Regulating and Metrology
9 Leninsky Prospekt Street
119991 Moscow
V-49, GSP-1
Russia
Tel: +7 (495) 236 0300
Fax: +7 (495) 236 6231/
237 6032

Email: info@gost.ru
www.gost.ru/wps/portal/pages.en.Main (in English)

The list of authorized certification bodies is available at www.gost.ru

CERTIFICATION (CONTINUED)

The Federal Agency on Technical Regulating and Metrology and its authorised agents is the main authority for certification in Russia. However, other agencies are involved in certification of certain products, including the Ministry of Agriculture (food products), the Ministry of Health (medical devices and pharmaceuticals), the State Communications Committee (telecommunications equipment and services), the State Mining and Industrial Inspectorate [Gosgortekhnadzor] (equipment for mining, oil and gas industries), the Federal Security Service (security equipment and systems), and others.

Foreign companies are recommended to work with reliable partners and consulting companies on registration and certification issues.

Conformity assessment

Many products imported for sale into the Russian Federation are required to have a certificate of conformity issued by The Federal Agency on Technical Regulating and Metrology . GOST-R Certificate of Conformity should be obtained from an organization authorized by the Agency. The list of the authorised bodies outside of Russia is available at the website www.gost.ru.

The Certificate of Conformity can be obtained by the exporter or by the Russian partner/agent. Textiles and clothing are subjects for mandatory certification, raw materials are optional. However, companies are advised to clarify with their partner in Russia which products of their range should have a Certificate of Conformity, as it is certainly required at the point of sale. In most cases, it is recommended that this is done by the Russian partner.

CERTIFICATION (CONTINUED)

Certificate types

Over 100 certification types exist in Russia, some 20 of which are mandatory, the rest are optional. Major mandatory certification types include:

- GOST-R
- Hygienic Certificate
- Fire Safety Certificate.

The products subject to mandatory certification are listed in Decree N64 of 30 July 2002 issued by Gosstandart. If the products are not listed in this document their certification is optional, and a confirming letter from an accredited certification organization may be required for exporting the product to Russia.

Labeling and marking

requirements

Labels on food items must feature the following information in the Russian language:

- type and name of the product,
- legal address of the producer (which may be given in Latin letters),
- weight or volume of the product (if a food item is preserved in liquid – weight without the liquid mass),
- food contents (name of basic ingredients and additives listed by weight in decreasing order),
- nutritional value (calories, vitamins if their content is significant or if the product is intended for children or for medical or dietary use),

- conditions of storage; expiration date (or production date and period of storage),
- directions of preparation of semi-finished goods or children's foodstuffs,
- warning information on any restrictions and side effects, and
- terms and conditions of use.

Labels on non-food items must include the name of the product, the country of origin and the name of the manufacturer (which may be given in Latin letters), usage instructions, the main characteristics, rules and conditions for effective and safe use of the product, and other information determined by the state regulation body.

CURRENCY REGULATIONS

The Civil Code states that the ruble is the national currency of the Russian Federation. Although agreements may refer to the ruble value equivalent of foreign currency, all transactions conducted inside the Russian Federation must, as a general rule, be settled in rubles. The Civil Code, however, permits the use of foreign currency in cases provided for by law. Federal Law No 173-FZ On Currency Regulations and Currency Control, dated 10 December 2003, as amended, (the Currency Law) establishes the basic rules of currency regulation and control.

Currency operations

The Currency Law regulates a broad range of currency operations including:

- payments made in a foreign currency,
- ruble transfers between a Russian resident and a non-resident or between two non-residents,
- transfer of domestic securities between a resident and a nonresident or between two non-residents,
- the import and export of rubles and securities,
- transfer of funds and securities from the overseas account of a resident into a domestic account, and vice versa, and
- transfer of rubles between the domestic accounts of a non-resident.

Resident vs.

non-resident status

The Currency Law divides individuals and legal entities into two classes:

- residents, and
 - non-residents.
- Residents include:
- Russian citizens and other individuals whose permanent place of residence is the Russian Federation,
 - legal entities established in accordance with Russian legislation,
 - representative offices (branches) of Russian legal entities outside Russia, and the Governments of the Russian Federation, constituent entities of the Russian Federation, and municipal units.



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