

Doing Business in Eurasia

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Mid-Atlantic - Eurasia Business Council

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About us

Our locations



Our Offices:

Russia

- Moscow
- St. Petersburg

Belarus

- Minsk

Ukraine

- Kiev

Kazakhstan

- Almaty
- Aktau
- Astana

Poland

- Warsaw

Germany

- Hamburg
- Frankfurt
- Berlin

Our Representative Offices:

- Houston • London • Paris • Zurich • Vienna
- Milan • Dusseldorf • Gothenburg • Beijing • Tokyo

Our clients



GE imagination at work



CELERGO
GLOBAL PAYROLL



mazda



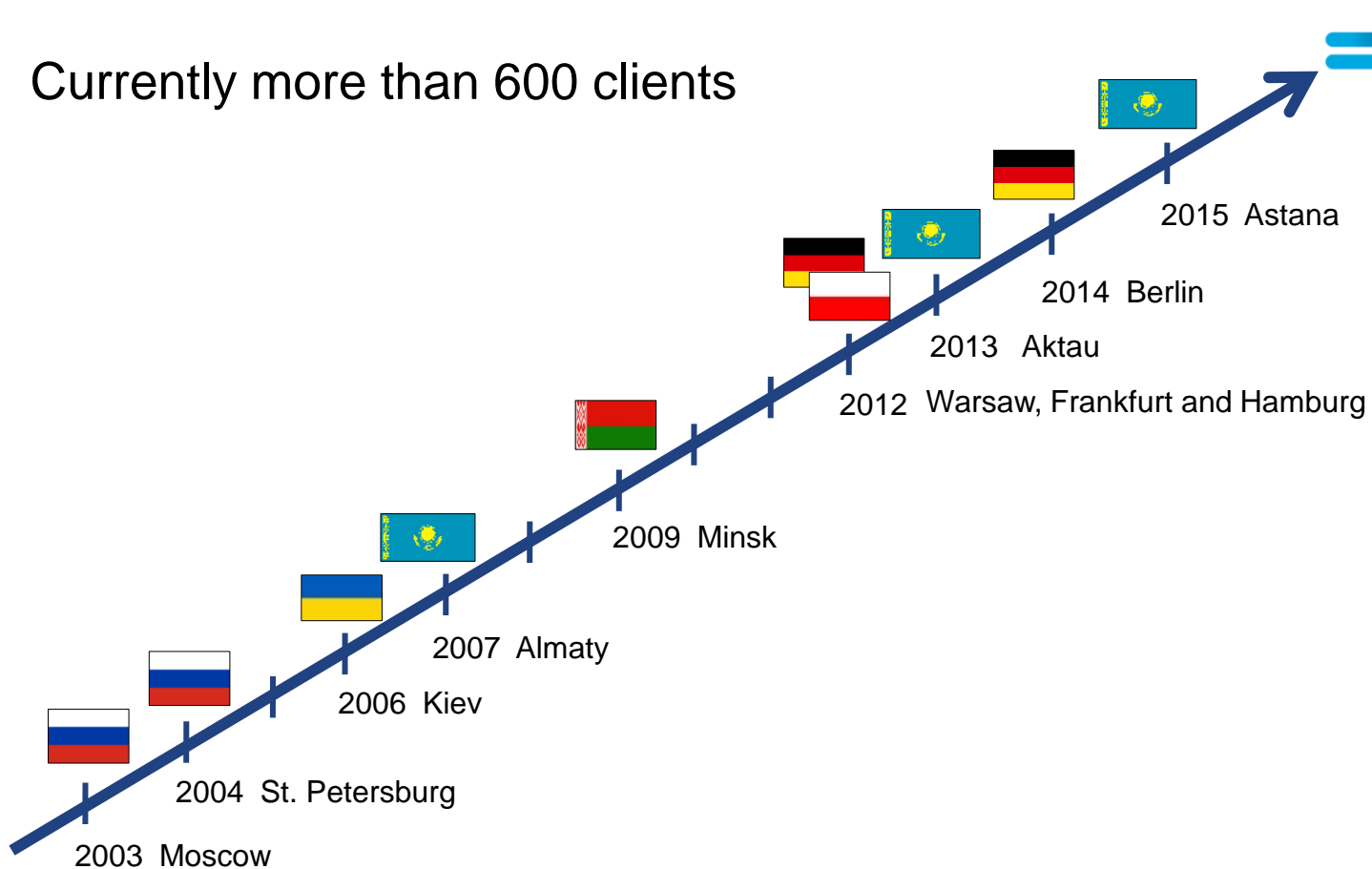
Our services

- Market Analysis & Market Entry Consulting
- Import, Customs Handling, and Certification
- Company Foundation
- Interim Management
- Virtual office
- Fully Equipped Office Premises
- Accounting / Reporting / IFRS / US GAAP
- Tax Consulting
- Legal Support
- IT Services & ERP Implementation
- Recruiting (Accounting / Tax / IT)
- Internal Audit / Finance and Tax Due Diligence
- Business Workshops
- Event Management
- Publications on Foreign Trade (GlobalContact)

Our company's history

500 professional staff

Currently more than 600 clients





Overview of Eurasia

“Our” countries and their GDP nominal (2015)



Figures for 2015

Category	RUS	BEL	UKR	KAZ	POL	GER	USA
Population (mn)	146	10	43	18	39	81	323
GDP nominal per capita (bn USD)	1,236	62	90	195	482	3,371	17,950

Doing Business Report 2016

Category	RUS	BEL	UKR	KAZ	POL	GER	USA
Starting a Business	41	12	30	21	85	107	49
Dealing with Construction Permits	119	34	140	92	52	13	33
Paying Taxes	47	63	107	18	58	72	53
Trading Across Borders	170	25	109	122	1	35	34
Enforcing Contracts	5	29	98	9	55	12	21
Overall rank	51	44	83	41	25	15	7

Tax rates

Tax	RUS	BEL	UKR	KAZ	POL
Corporate Income Tax	20%	18%	18%	20%, +15% for foreign companies	19%
Personal Income Tax	mainly 13%	13%	15% - 20% + 1.5% war tax	10%	18% - 32%

Russia

Russia



– Location and key figures:

- Population: 146 mn (*USA: 323 mn*)
- Capital: Moscow
- Biggest cities:
 - Moscow
 - St. Petersburg
 - Novosibirsk
 - Yekaterinburg
 - Nizhny Novgorod
 - Kazan

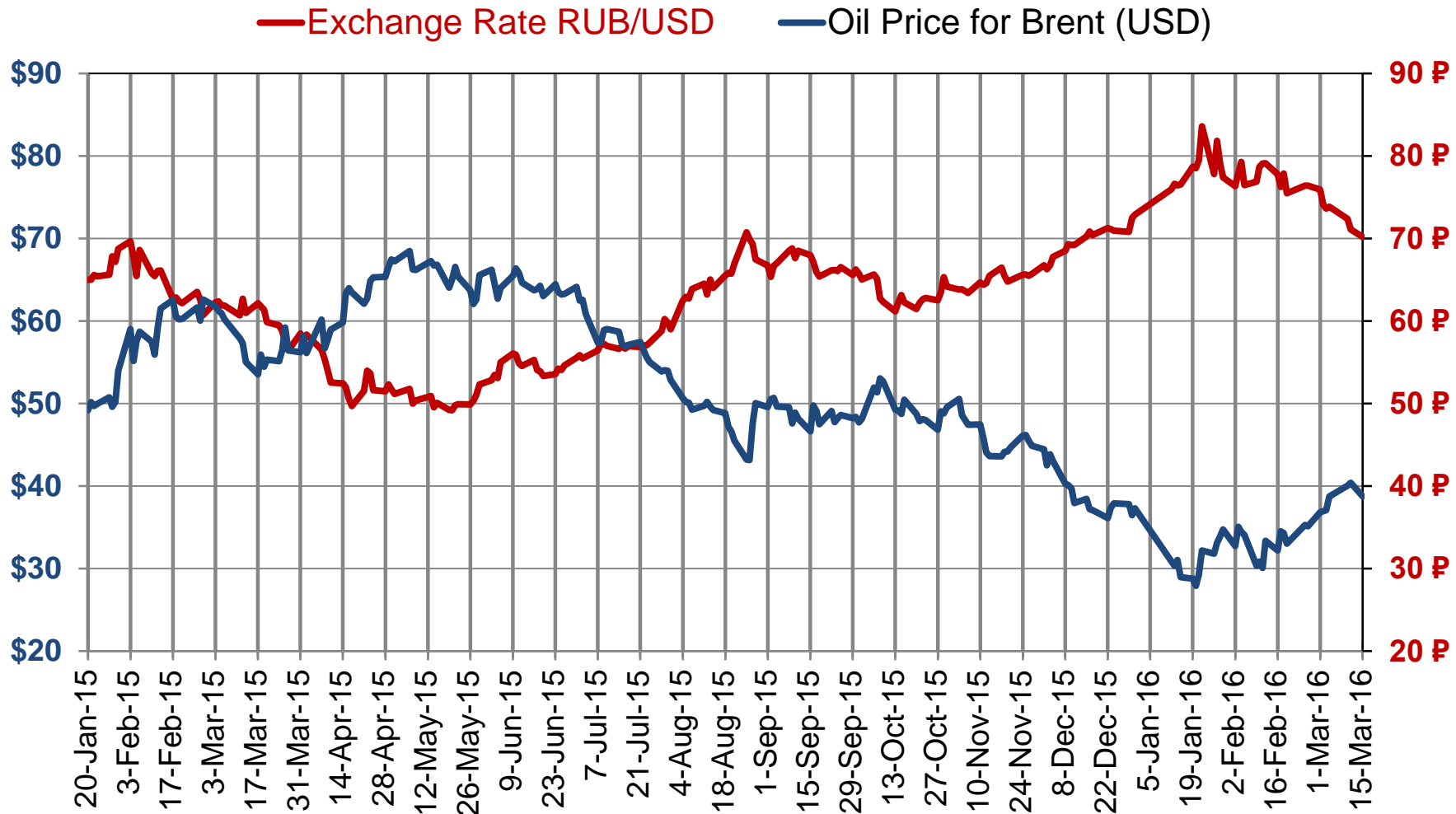


- Area: 17 mn km² (*USA: 10 mn km²*)
- Joined the WTO in August 2012 (*USA: founding member*)

Moscow: now and then



Oil price vs. RUB exchange rate 2015-16



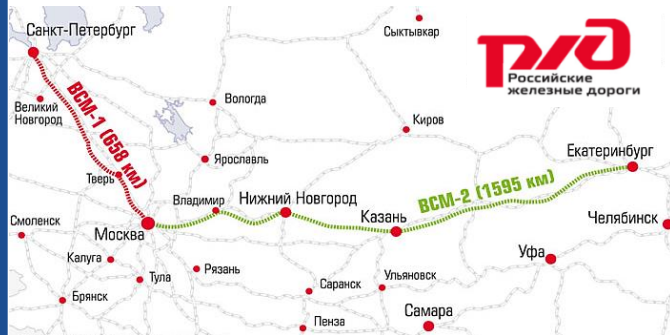
Nevertheless: think positive!

- Russia is one of the biggest markets in the world:
 - 146 mn population
 - GDP nominal is ranked 13th in the world
- Relatively healthy financial system:
 - Currency and gold reserves of 380 bn USD

Infrastructure modernization and construction projects



High Speed Railways



Extension of the Moscow Subway



FIFA World Cup 2018 Stadiums



Gas Pipeline "The Power of Siberia"

Made in Germany



Made in Russia



SIEMENS

Production and Maintenance of High Speed Trains

Automotive industry in Russia



Production plants



Has pet food plants in Moscow region and in Novosibirsk. Has confectionery and convenience food plants in Moscow and in Ulyanovsk regions. Has a chewing gum plant in St. Petersburg. Construction of a pet food plant in Rostov region (*since 2015*).



Has automotive plants in Tatarstan (Joint Venture “Ford-Sollers”).



Has a cocoa processing plant in Moscow region.



Construction of a nutritional ingredients plant in Lipetsk (*since 2015*).



Has a plant for producing fabricated aluminum in Samara.



Has a ceiling panel production plant in Tatarstan.



Construction of a cement plant in Samara region (*since 2015*).



Construction of new plants in Tula and Lipetsk regions (*since 2015*).

Localization policy

- Ambitious state import substitution program: 19 branches, each with industry-specific import substitution plans
- Access restrictions on foreign goods to public procurement
- “Special investment agreements” between foreign investors and the Russian state institutionalized by law since 2015
 - Investor locates its production in Russia and commits himself by contract with the Russian state to achieve a certain degree of localization at a specific time
 - In return, the state guarantees a non-discrimination of the goods produced in this way for state tenders, and grants other advantages, such as Tax and customs benefits
- Underlying principle: “carrot and stick”

Market entry in Eurasia



Export

- Export confirmation
- Payment only from the country of destination

Distributor

- Dependency
- Tax risks with grey imports



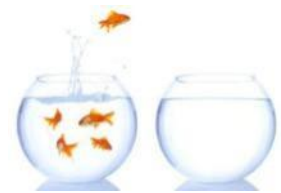
Representative office

- Normally no commercial activity
- Full (tax) accounting
- Easy money transfer from HQ



Branch (permanent establishment)

- Commercial activity
- Taxable profit
- Currency control in Russia
- No imports



Subsidiary

- No currency control in Russia
- Repatriation of profits to the HQ with dividend tax

Intercultural misunderstandings: US manager comes to Russia



Belarus

Belarus

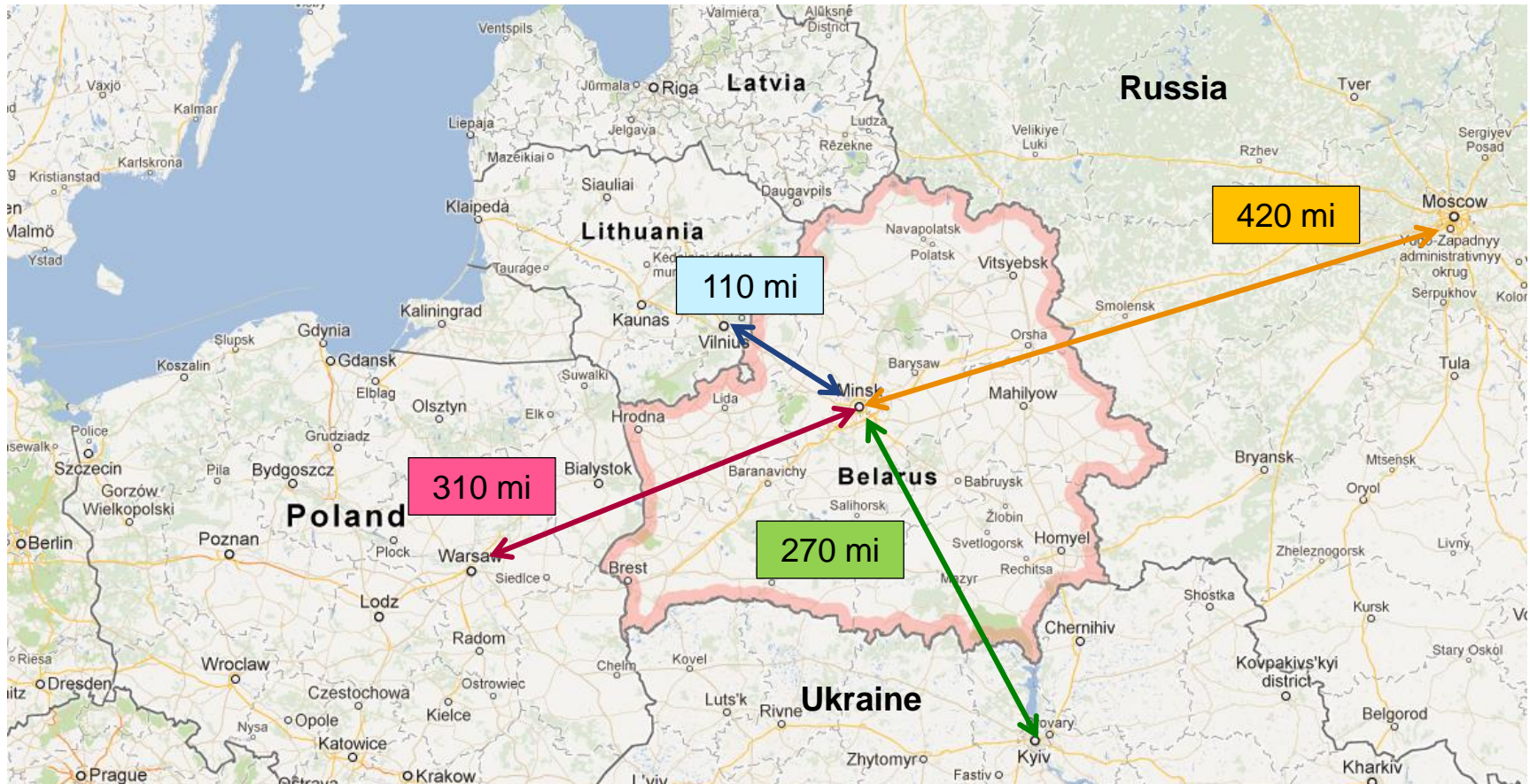


– Location and key figures:

- Population: 10 mn
- Capital: Minsk
- Biggest cities:
 - Minsk
 - Vitebsk
 - Mogilyov
 - Gomel
 - Brest
- Area: 207.600 km²
- Not a WTO member



In the heart of Eastern Europe



Minsk: Now and then

Minsk 2016



Minsk 1996



Structure of the Belarusian economy

- In Soviet times, Belarus was the “workbench” of the USSR
 - Many industrial and high-tech companies processing raw materials from other Soviet republics
 - Excellent infrastructure
 - Great importance of manufacturing
 - Long-term impact on the mentality of Belarusian workers

Structure of the Belarusian economy



Hi-Tech Park in Belarus

- Virtual park for programming and other IT services
- Very attractive tax regime
- There are already 150+ companies in the Hi-Tech Park, many of them from the US
- 90% of the software and IT services produced there are being exported



Kazakhstan

Kazakhstan

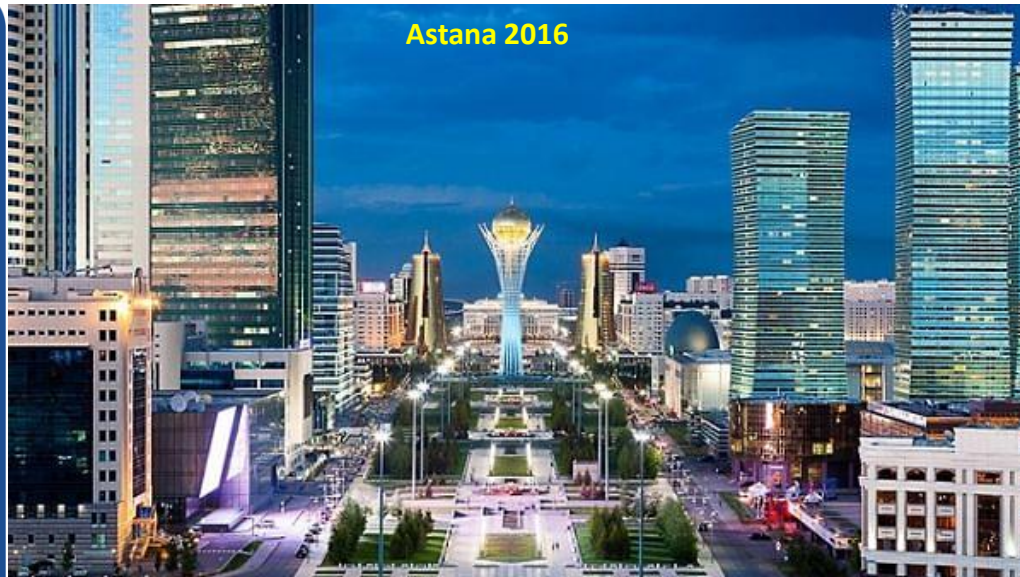


– Location and key figures:

- Population: 18 mn
- Capital: Astana
- Biggest cities:
 - Astana
 - Almaty
 - Karaganda
- Oil and Gas cities:
 - Aktau
 - Atyrau
- Area: 2.7 mn km²
- Joined WTO in 2015



Astana: Now and then



— The future Dubai?



Kazakhstan's wealth of resources

- 99 elements of the periodic table are found there
- Ranked 13th in the world by proven crude oil reserves and 14th by proven natural gas reserves
- Large fertile agricultural areas in the North of the country



Finance sector

- Almaty is currently ranked 51st in the Global Financial Centres Index (GFCI)
 - Ahead of Moscow (78th rank)
- “Astana International Financial Center”: plan for Astana to become a world class financial center
 - Special economic zone for finances with a separate legal regime in accordance with the British law

Ukraine

Ukraine



– Location and key figures:

- Population: 43 mn
- Capital: Kiev
- Biggest cities:
 - Kiev
 - Kharkov
 - Dnepropetrovsk
 - Lvov
 - Donetsk & Lugansk (civil war zone)
- Area: 600,000 km²
- Joined WTO in 2008



Ukraine: Economic Situation

- Inflation 2015: 44%.
- GDP nominal dropped by -10.5% in 2015
- UAH/USD exchange rate dropped by 25% during last 12 months
- **Inexpensive production**
- Economic part of the Association Agreement with the EU came into force on January 1st, 2016
 - Abolition or gradual reduction of customs tariffs with the EU
 - Gradual adaption of technical standards to EU rules
- Russian food embargo against Ukraine also came into force on January 1st, 2016

Poland

Poland



– Location and key figures:

- Population: 39 mn
- Capital: Warsaw
- Biggest cities:
 - Kraków
 - Łódź
 - Wrocław
 - Poznań
 - Gdańsk
- Area: 313,000 km²
- Joined WTO in 1995



Poland: Economic Situation

- Inflation 2015: -0.7%
 - Deflation!
- GDP (nominal) 2015: + 3.9%
 - The biggest growth since 2011!
- Economic leader in Central and Eastern Europe
- Prospects for further growth are good



How Poland became the Front-Runner in CEE

Ground breaking reforms (Balcerowicz):

Privati-
zation

Budget
deficit

Local
Self-
govern-
ment

Pension
system

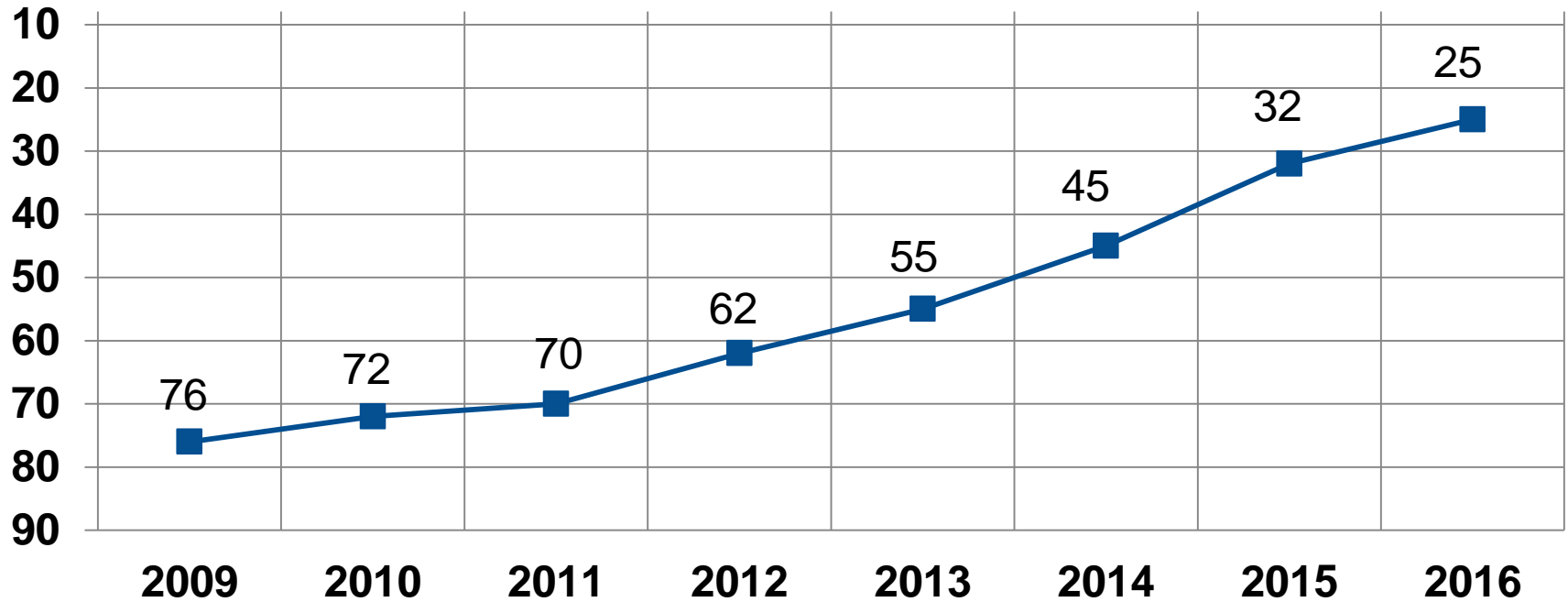
Edu-
cation

Additional action steps:

- Anti-corruption measures
- Transparency in public life
- Long-term policy
- Civil society

Poland's Doing Business Ranking

Overall Rank



Poland's neighbors' position in 2016:

		
Czech Rep.	Hungary	Slovakia
36	42	29

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Eurasian Economic Union

The Eurasian Economic Union (EEU)



Eurasian Economic Union: the basics

- Established on 1st January 2015
- Just an economic union, no political integration
- Four freedoms:
 1. Free movement of goods
 2. Free movement of services
 3. Free movement of capital
 4. Free movement of persons
- Full integration of these four markets until 2025



The customs union of the EEU

- All national certificates will soon be replaced by one common certificate of conformity (“EAC”)
- No DDP delivery to the EEU without a local legal entity
- VAT procedures have not been harmonized yet: temporary cash flow disadvantages
- Customs procedures and duties
 - All EEU members have different rules depending on customs value, goods category and sum of the customs declaration (but a common customs code is planned)



Export to the EEU

- **1 customs duty, 1 import VAT, 1 certificate, 5 markets!**
 - After a successful import to one of the EEU countries, the foreign product automatically gets the status “Product of the Customs Union”
 - This product can be resold without further export and import formalities throughout the whole EEU



Conclusion

**Eurasia –
A diverse mix of
different countries**



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