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LGP RECHTSANWÄLTE / ATTORNEYS

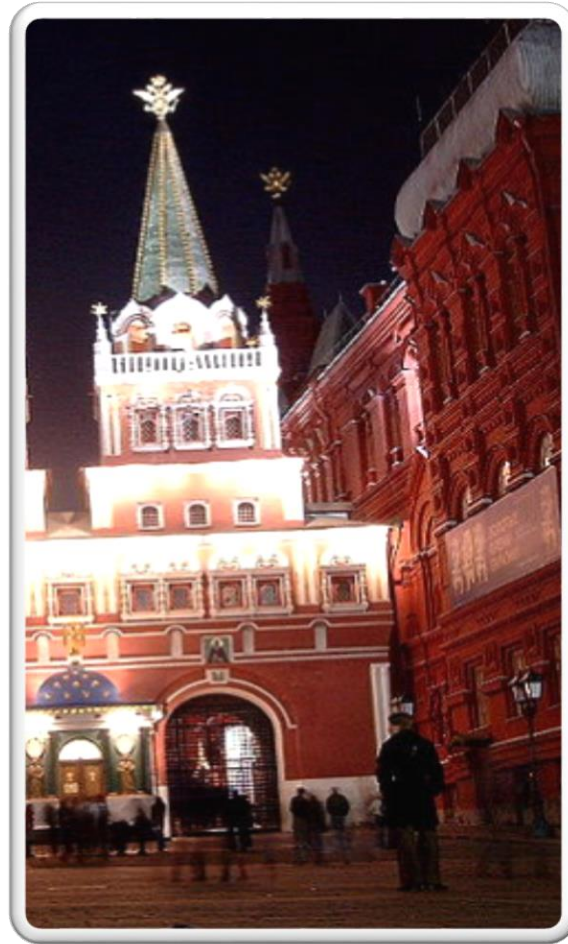
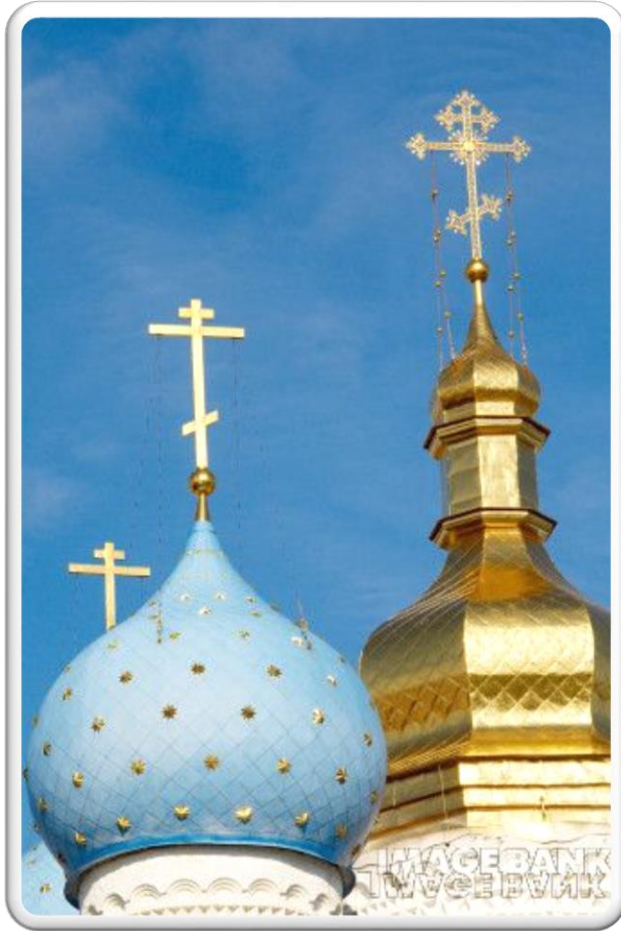
DOING BUSINESS WITH RUSSIA – QUO VADIS?

ARGE Conference 2017

Dr. Dietmar Fellner, Senior Counsel

Salzburg, 15 September 2017

Austrian economic relations with Russia



Russian economy loses impetus, Economic rebound can be expected in 2017

Russian GDP growth
(real, 2007-2017)



Executive Summary (1)

- **Consumer spending has been reducing since 2013 (decreased real income & purchasing power)**
- **Since 2014, the Russian economy has been additionally under pressure due to**
 - Ruble devaluation
 - Oil price plunge
 - Ukraine crisis and sanctions
 - Negative connotation of Russia in Western media
 - Pivot to China (Iran, Turkey)
- **Waning investment power**
 - Expenditure reduction in public projects (oil revenues, exchange rate)
 - Financial bottlenecks in private projects (interest rate, financial sanctions)
 - Scarce reinvestments; funds transferred abroad

Executive Summary (2)

- **Consequences for certain economic sectors**
 - **Export-oriented economy:** (short and middle term) increased international competitiveness due to a stronger ruble devaluation; Russian companies increase exports and/or are looking for export opportunities; Russia as a new cheaper production location (by analogy with Eastern Europe/China)?
 - **Low-price segment:** reduced expenditures (of the middle class) lower retail sales; it benefits companies in the low-price segment
 - **Import substitution / protectionism:** strong need for the expansion of production capacities in the food industry; the exclusion of foreign companies from public tenders has to promote localisation in the industries concerned, but it causes financing problems.
 - **European exporters** drive a coach and horses through the crisis or **use the crisis as an opportunity** (among others, localisation requirements and new sales opportunities through the Eurasian Economic Union)

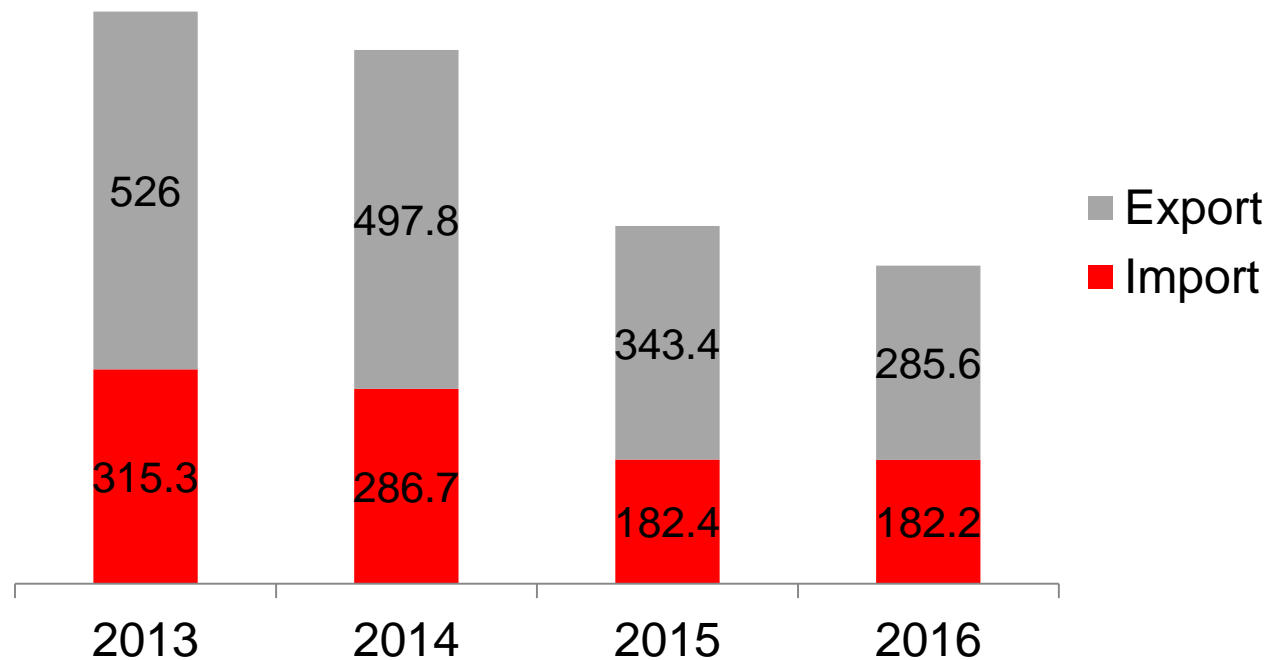
GENERAL TRENDS IN THE RUSSIAN ECONOMY

- **Focus on closer economic intergration with neighbouring states (Eurasian Economic Union)**
- **Increased orientation towards Asia and states imposing no sanctions**
- **Protectionist governmental measures (import substitution & localisation)**
- **Lower consumer spending**
- **Waning investment power**
- **A new rapprochement attempt towards Europe**

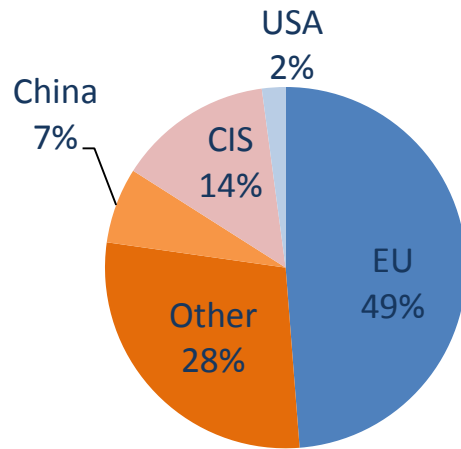
Import and Export are declining

Russian total trade

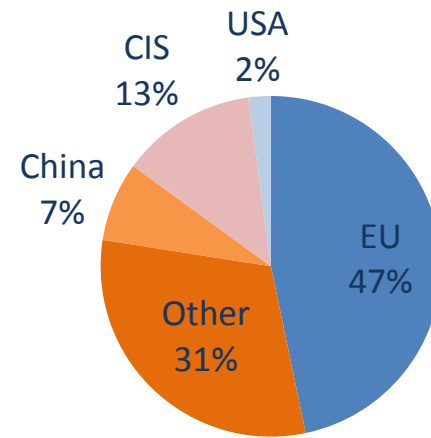
(2013 – 2016, bln. US dollar)



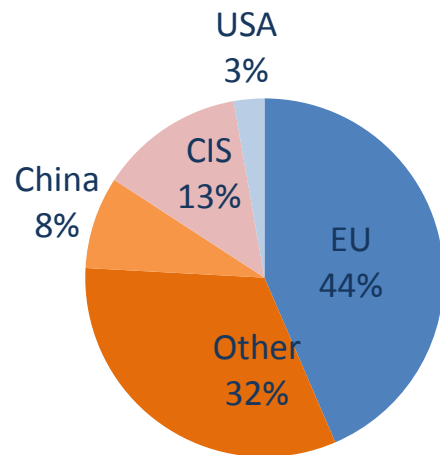
The EU-CIS share in Russian exports is declining, while the China-USA share is increasing



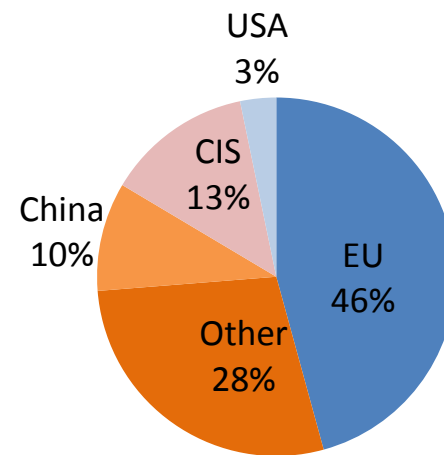
2013



2014

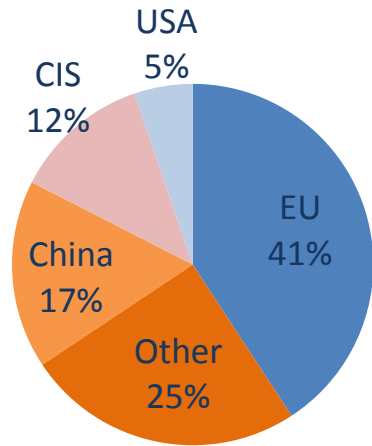


2015

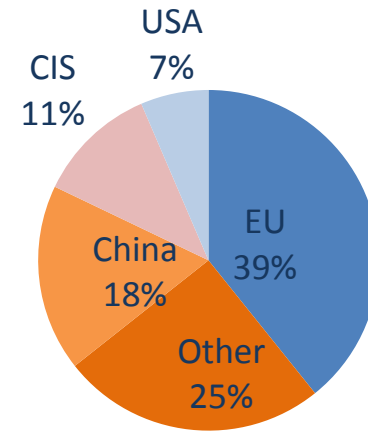


2016

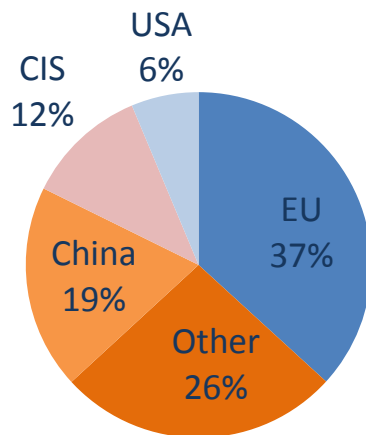
The share of imports from the EU is steadily falling, while the share of imports from the USA share remains stable



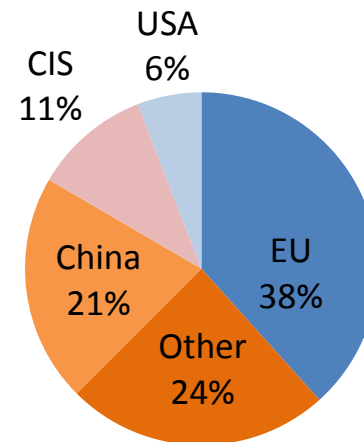
2013



2014



2015



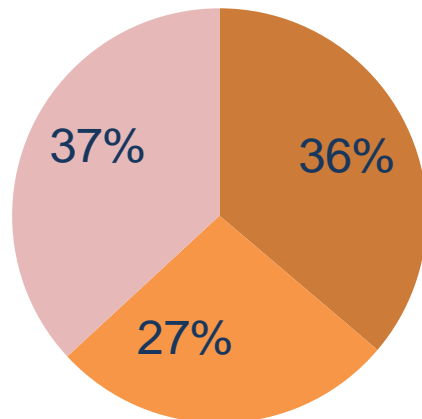
2016

Austrian-Russian Export and Import Structure



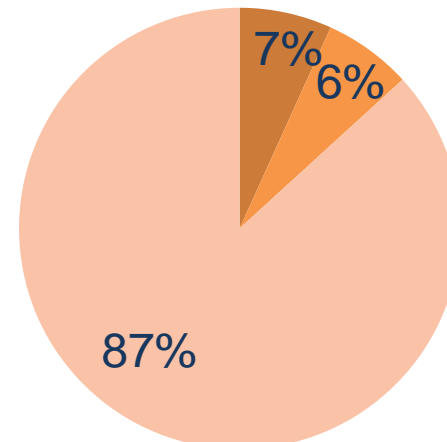
- **Most important exports:** machines and equipment (incl. electronics, car & train equipment), pharmaceuticals
- **Most important imports:** mineral fuels, metals & metal goods

Export to Russia (2016)



- Other
- Pharmaceutical products
- Machines & equipment (incl. electronics, car & train equipment)

Import from Russia (2016)



- Other
- Metals & metal goods
- Mineral fuels

Austrian Foreign Direct Investments



- **Austrian accumulated foreign direct investments** into the Russian Federation total at about **EUR 9 bln.**
- In 2015, Austrian FDI decreased due to increasing uncertainty among investors.
- **Up to 500 Austrian companies continue operating** in the Russian Federation as **representative offices or established firms**

QUO VADIS

**Russia requires intensive foreign investments
to upgrade technology and capital stock,
improve productivity and jumpstart
economic growth.**



Thank you for your attention !