

"Doing Business in Russia, Ukraine, and Moldova"



A Luncheon Seminar

featuring

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12:00 - 2:00 p.m.

(11:30 a.m. reception)

Plimsoll Club, 30th Floor, WTC

(Free validated parking in the WTC Garage)

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RUSSIA

In 2002, Russia experienced its fourth consecutive year of robust economic growth, and there are signs that the country's current political and economic stability will be sustained. In 2002 Russia became the world's largest oil exporter, and oil revenues have replenished state coffers. Inflation is relatively moderate and the currency is stable. The Putin administration's ambitious program of reforms is well-advanced and producing positive results. Membership in the WTO will remain its priority commercial objective over the coming years. Russia is rapidly integrating into the global economy and in 2002 both the United States and the European Union formally granted the country market economy status.

Russia is a fully diversified economy with a highly educated workforce and can provide a market for a wide range of technologically sophisticated American products. Few other countries are able to offer the United States as broad a range of partnership opportunities or capabilities for cooperation in every scientific or technical sphere. However, recent growth has derived in large part from natural resources – oil, gas, and metals – that have had a ready export market. Until recently, few of the profits of these industries were reinvested in Russia, but the continuing political and economic stability has encouraged successful Russian industrialists to

seek investment opportunities in high-growth sectors within Russia - agribusiness, food processing, automotive, retail and telecommunication.

Russia's GDP was projected to grow by 4.2 percent in 2002, a respectable performance in light of the recent global economic downturn, but short of the 9 percent growth of 2000 and 5 percent of 2001. Industrial output showed similarly impressive increases. However, these gains are from a very low base and, at current rates of growth it will take many years for Russia to regain some of the industrial prowess it enjoyed in the past. With a population roughly half that of the United States, and a resource-rich territory 1.8 times the size, Russia managed a gross domestic product of only US\$ 310 billion, or US\$ 2,140 per capita in 2001. Most major corporations, especially those from Europe, have concluded that the vast potential of the country demands they have a presence in Russia. A significant number are finding that presence to be profitable, and the majority express optimism for the future.

For more information on Russia, see

http://www.bisnis.doc.gov/bisnis/country/Rsfactsheet_2002.htm

UKRAINE

Ukraine is an emerging market with great potential as a new market for U.S. trade and investment. Since achieving independence in 1991, Ukraine has followed a course of slow economic reform and integration with the West. While Ukraine has achieved significant progress, particularly in the last few years, a tremendous amount of work still lies ahead. The country's resources and economic strengths include rich agricultural land, a strong scientific establishment, an educated, skilled workforce, and significant coal and moderate oil and gas reserves.

After suffering a decade of annual economic declines, Ukraine's economy grew by 6 percent in 2000, and 9 percent in 2001. The pace of growth slowed in 2002, with year-on-year growth in the first half of the year at about 4.3%, and forecasted to be 4.1% by year's end. Ukraine's GNP for 2001 was US\$35.5 billion. Exports were US\$19.8 billion, and imports were US\$16.9 billion. Inflation dropped to 1.8% in the first six months of 2002. The national currency, the hryvnia, has remained stable, and even appreciated slightly in 2002, fueled in part by the downturn of the dollar in relation to the euro along with increased demand for money due to economic growth. Ukraine's external economic situation has been stable due to a trade surplus and growth in foreign currency reserves, but this trend is likely to slow in 2003 with an increase in domestic and foreign debt.

Exports have been the main factor behind Ukraine's economic performance. Growth in Russia, Ukraine's main trading partner, boosted Ukrainian exports. At home, pension and wage arrears were paid off, lifting consumer spending and confidence. The food products and consumer goods industries are now the fastest growing sectors in Ukraine. Increased consumer confidence is also reflected in the banking sector, where household bank accounts are increasing. Business confidence in general is good, as evidenced by strong growth in new business registrations, mostly in the small- to medium-enterprise sector. U.S. businesses exporting goods to Ukraine will discover that the country's commercial infrastructure, which is still only partially developed, has matured rapidly over the last two to three years. Logistics and distribution networks have improved dramatically, and western business structures such as franchising, leasing, and licensing are becoming more common.

For more information on Ukraine, see

<http://www.bisnis.doc.gov/bisnis/country/020729UkrFactSheet.htm>

MOLDOVA

Moldova, with a population of 4.4 million (including the breakaway region of Transnistria), is a small open economy heavily dependent on its agribusiness sector. Demand for Western goods is small, although such goods are considered high quality. Demand is stymied by the generally low paying capacity of consumers. Moldova is still in the process of implementing the principles of a free market economy. Although Moldova has achieved substantial progress on the road to reforming the Soviet-based command economy, it is faced with the arduous task of making the existing market-based institutions and laws more efficient. Moldovan businesses view favorably their American counterparts, due to the latter's rigorous business standards and access to cash. Moldovans are generally willing to do joint business projects with American firms. Also, Moldovans look at the U.S. as a source of technology and know-how and oftentimes are willing to offer their own technology solutions. No strong attachment toward locally produced brands is evident, except for a few traditional local products such as juices, wines, and confectionery. Moldovans are especially interested in Western equipment and technologies for food processing and to a lesser extent packaging. Information technology products are also gaining wider acceptance in Moldova. Agricultural inputs, such as fertilizers, chemicals, and farming machinery are in high demand in Moldova.

For more information on Moldova, see

<http://www.bisnis.doc.gov/bisnis/country/020813MDFactSht.htm>

Information and registration also are available on-line at www.wtc-no.org.

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**Registration and
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