

Bright outlook for business

## Tap into Northwest Russia's opportunities

During the Team Canada mission to Russia in February 2002, Canada's Consul General in St. Petersburg, Dr. Anna Biolik, drew attention to the growing business opportunities in Northwest Russia, an area blessed with rich natural resources and an educated workforce. Canadian companies interested in the Russian market should take a second look at the wide array of opportunities presented by this region.

Northwest Russia, which includes the cities of St. Petersburg, Novgorod, Murmansk, and several large administrative areas, accounts for 10.5% of Russia's territory, 11% of the Russian population, and 11% of Russia's overall economic output.

Timber, copper, nickel, cobalt, diamonds, oil, coal, and manganese are among the natural resources that enrich the region. Some 60% of the wood harvested in European Russia originates in Northwest Russia, and 56% of Russia's newsprint is produced there. As well, certain Russian oil companies expect that this oil-rich area will some day compensate for dwindling production in western Siberia's oil fields, where already one half of the oil reserves are exhausted.

### St. Petersburg — economic hub

St. Petersburg, originally established as the "Gateway to the West", has reclaimed this role with renewed vigour following the collapse of the Soviet Union. The city, now the second-busiest port on the Baltic Sea, increased its industrial output by 11.2% in the first nine months of 2001. As a former hub for high-tech defence industries, St. Petersburg has retained its well-educated, highly qualified and specialized workforce.

The city boasts dozens of research institutes, colleges and universities. Today, St. Petersburg is a centre of

telecommunications, and light industry, and home of Telecom Invest (with stakes in 36 companies in Northwest Russia and GSM licences for 77 of Russia's 89 regions), Baltika Brewery (the second-largest brewery in eastern Europe), the \$330 million Philip Morris tobacco plant, and food processing companies dominated largely by European and Asian firms that have established local sales offices and warehouses.

## EUROPE

### Business climate heats up

Northwest Russia was one of the first regions to adopt progressive investment laws, and ranks second only to the Moscow area for foreign direct investment. The business environment in Northwest Russia may be somewhat complex, but economic trends are positive for export sales from the West, with some 9,000 foreign joint ventures accounting for 40% of St. Petersburg's economic output.

The presence of multinational investors such as Ford Motors, General Electric, ABB, Siemens, Wrigley, Nestle, and Proctor and Gamble is further proof of the improving business climate in Russia.

### Opportunities by sector

Opportunities are centred around the following sectors:

- multi-million dollar expenditure for increased port capacity at

St. Petersburg, to accommodate fertilizer shipments;

- Primorsk oil port;
- Ust-Luga port for shipping coal and iron ore;
- upgraded rail and road links, including the Helsinki-St. Petersburg rail link and a \$1-billion ring road around St. Petersburg;
- air traffic control systems;
- forestry equipment (including used equipment);
- pulp and paper technologies;
- digital replacements for analogue equipment;
- upgrades for water-, energy-, and resource-related equipment in major centres, including water treatment equipment in the oil and gas, pulp and paper, pharmaceuticals, and automotive sectors;
- equipment, network management software, and wireless equipment manufacturing;
- restoration of natural production of salmon and other species;
- upgraded equipment for oil and gas extraction.

### Canadian presence

Canadian exporters may establish branch offices and franchises, or engage local distributors and sales representatives to sell their products and services in Northwest Russia. Close to 40 Canadian companies have already teamed up with local partners.

The trade officers at the Canadian Consulate General in St. Petersburg can help Canadian firms enter the local market.

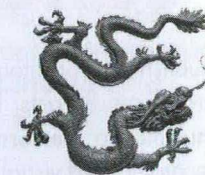
For more information, contact:

- Andrei Galaev or Margarita Sandal, Trade officers, Canadian Consulate General, St. Petersburg, tel.: (011-7-812) 325-8448, fax: (011-7-812) 325-8393, e-mail: [spurg@dfait-maeci.gc.ca](mailto:spurg@dfait-maeci.gc.ca) Web site: [www.infoexport.gc.ca/ru](http://www.infoexport.gc.ca/ru)
- Michael Reshitnyk, Trade Commissioner, Eastern Europe Division, DFAIT, tel.: (613) 996-7701, e-mail:

*continued on page 9 — Northwest*

Fast track to China

## Canada trade mission to Hong Kong



Canadian firms interested in opportunities in China — currently the world's seventh-largest economy and poised to become Asia's single largest market — are invited to join David Kilgour, Secretary of State for Asia-Pacific, on a **trade mission** he will be leading to **Hong Kong, November 8-11, 2002**.

Mission organizers include the Hong Kong Economic and Trade Office (Canada), the Hong Kong Canada Business Association (HKCBA), the Hong Kong Trade Development Council, and the Hong Kong Tourism Board.

"The Chinese market, though lucrative, is potentially staggering," explains Maxwell Brotman, National Chair of the HKCBA. "SMEs considering this market will need the help of entrepreneurs with experience dealing in both Asian and Western arenas — not only from a business perspective, but culturally as well. Hong Kong can be considered the gateway to China, a role it has played for decades."

The trade mission program has been structured to offer practical benefits to Canadian participants:

- Tips on conducting business in China — A full-day conference hosted by experts on China and industry players will provide an overview of general and sector-specific business opportunities.
- Pre-mission business matching services — Delegates will receive a head-start in finding potential partners in China, even before the mission begins.
- Networking activities — Partnership matching will receive full support from our government and industry partners in Hong Kong, including InvestHK, Hong Kong Trade Development Council, the Canadian Chamber of Commerce in Hong Kong and a number of technology associations in Hong Kong.
- Visit to mainland China — Canadian companies will receive a first-hand view of joint ventures operating in China.
- HKCBA International Forum — Trade mission participants can enjoy the added benefit of this international networking opportunity, **November 13-15, 2002**.

Reporters from CTV's Report on Business and Fairchild Television will accompany the delegation, and CEOs of selected companies will be invited to participate in television interviews and panel discussions before, during, and after the trade mission. Cathay Pacific, the sponsoring airline, will also be offering special travel packages.

### Hong Kong — gateway to China

Hong Kong businesses have been investing substantially in Southern China for more than a quarter of a century, and this economic integration has brought

wealth and prosperity to both. Over the years, Hong Kong has evolved into the financial centre, raising the capital that has fuelled the rapid development of Guangdong province, in addition to providing the legal, accountancy and managerial services sought after by the mainland business community.

Hong Kong is only an hour or two away by train or high-speed ferry from southern Guangdong's booming manufacturing region, which channels its products to the rest of the world through Hong Kong's container port and its airport. Hong Kong companies employ an estimated 5 million workers in Guangdong province.

China's accession to the World Trade Organisation (WTO), and its growing affluence, present tremendous opportunities. However, although the Chinese market is lucrative, China's complex operating environment, its regional differences and language and cultural barriers, and its evolving rules and regulations continue to present business challenges.

Hong Kong's rules-based legal system and regulatory regimes, combined with its cultural, ethnic, and business ties to Mainland China, and its ideal location, make it the natural choice for companies interested in doing business in China. "Last year, more than 3,200 multinational corporations set up their regional headquarters or head offices in Hong Kong," reports Rosanna Ure, Director of the Hong Kong Economic and Trade Office. "Hong Kong is unquestionably the international business, financial and logistics centre of Asia, and the main gateway to China."

For more information, contact Shirley Wong, Principal Consultant, Hong Kong Economic and Trade Office (Canada), tel.: (416) 924-5544 ext. 213, e-mail: [Shirley\\_wong@hketotoronto.gov.hk](mailto:Shirley_wong@hketotoronto.gov.hk) Web site: [www.hketo.ca/trademission](http://www.hketo.ca/trademission) or DFAIT's China and Mongolia Division, tel.: (613) 996-0905, e-mail: [pcm@dfait-maeci.gc.ca](mailto:pcm@dfait-maeci.gc.ca)