

Workshop II

“Russia Opens its Doors”

Russia’s Massive Investment Opportunity and Rapid Growth

Hong Kong investors should not be overawed when looking at the scale and the scope of opportunities being presented in Russia and the Commonwealth of Independent States (CIS).

That was the message presented by Avtandil Gorgiladze the Vice President of JSC – more commonly known as Russian Railways. Mr Gorgiladze has in recent years overseen developments that are simply staggering in size.

Mr Gorgiladze made his remarks at the “Investment Opportunities in Russia and the CIS” seminar on January 21 – the second day of the Asian Financial Forum (AFF) 2010 held at the Hong Kong Convention and Exhibition Centre.

“All the world’s greatest countries and biggest territories are not easy to manage,” Mr Gorgiladze said. “But that of course makes the rewards even greater if your projects do succeed.”

All Aboard

Mr Gorgiladze told the seminar audience about plans his company has made for the next few years as the “largest provider of transport services in Russia.” In 2009, Russian Railways carried 1.1 billion passengers, said Mr Gorgiladze, noting that services required for such a market presented opportunities for 147 subsidised enterprises. “The investment needs up until 2015 are estimated to be in the vicinity of US\$100 billion,” he said. “And so we need partners.”

Russian Railways alone accounts for 3.6 per cent of Russia’s gross domestic product and handles 80 per cent of the nation’s transport, said Mr Gorgiladze, and its authorized capital is about 1.54 trillion roubles (US\$51.6 million).

The company puts huge importance in establishing international links, and has “major plans in the pipeline,” he said, explaining that “expansion is at the head of those plans.”

Risks and Rewards

Paul Brown, CEO at Jones Lang LaSalle Sallmanns, who also has a wealth of experience in guiding investments in Russia, took the workshop audience through the legalities of working in the country. He described a wealth of opportunities available to Asian investors. Mr Brown urged caution, however, saying, “These are markets that can be volatile.”

That view was shared by the AFF seminar chairman Sergio Men, who serves as both chief executive officer at Eurasia Strategics and vice-chairman of the Hong Kong General Chamber of Commerce’s Europe Committee. Mr Men introduced the workshop and each speaker, before he joined the audience and led a question and answer session before the seminar closed.

Eurasia Strategics was established specifically to help emerging Russian and CIS enterprises find financial backing from international sources. Mr Men said many lessons had been learned during that process, and that the possibilities were almost limitless.

He explained that he joined Eurasia Strategics in 1998 and has watched with interest as Russia’s metallurgical and oil and gas markets have expanded. Mr Men began his career working for the Russian Presidential Executive Office and said that he had been increasingly working as a go-between for government organizations in China and Hong Kong and those in Russia and the CIS.

“Mining and exploration are the areas most people chose to become involved in,” he said. “And for sure there is risk involved, but like any businesses you have to be confident in the partnerships you make.”

Mr Men said Russia had suffered somewhat of an image problem in recent years, but regulations had been introduced to allow more safeguards for investors.

“Russia is advancing rapidly and the opportunities are increasing as time goes on as well,” he said. “Events like the Asian Financial Forum help to increase awareness of what is going on in Russia and the CIS, and more communication is good for everybody.”