

Hints Emerge That 'Reset' Is Buoying U.S. Firms

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In a possible sign of increased business activity amid the “reset” in U.S.-Russian ties, a U.S. government agency that assists U.S. companies enter and expand in Russia has seen an increase in demand over the past year.

The U.S. Commercial Service, a federal agency within the U.S. Commerce Department, helped 177 U.S. companies enter Russia or increase their sales here during fiscal year 2011 that ended Sept. 30, a U.S. Embassy source said.

That compares with 155 companies that used help from the U.S. Commercial Service in the previous fiscal year, the source said, asking for customary anonymity.

The total value of local sales made by those companies last year reached \$4 billion, the person said. It included several large aircraft sales, so it turned out to be significantly higher than usual. In fiscal year 2010, the number was \$1 billion.

Much has been discussed about U.S. President Barack Obama's reset of relations with Russia, with officials on both sides touting political achievements such as the New START nuclear arms reduction treaty and cooperation over Afghanistan.

But few figures are available for how the reset has influenced economic ties — an area that both sides have declared as the next stage of the reset.

The figures from the U.S. Commercial Service, shared with The Moscow Times for publication for the first time, offer anecdotal evidence that interest from U.S. companies is growing.

The U.S. Commercial Service, whose Moscow office is based at the U.S. Embassy, offers a fee-based service to U.S. companies that seek assistance in working in Russia, including in finding partners, navigating the paperwork and creating strategies to enter the market, according to the agency's website, Export.gov/russia.

Ron Pollett, president and CEO of GE in Russia and the CIS, which works with the U.S. Commercial Service, praised the reset as a boon to his corporation's local businesses, which include technology infrastructure, energy infrastructure, financial services and entertainment.

"In short, it has helped us a lot," he said in an interview in November, two months after GE announced that it was expanding here with multibillion-dollar deals to set up two joint ventures in health care and energy.

"U.S.-Russia relations do affect us," Pollett said. "When the relationship is good, it helps us open doors; when it's bad, it creates some turbulence; so it's definitely very important for us."

But Indra Nooyi, chairman and CEO of PepsiCo, said the reset has had no impact on her company's operations, which have grown quickly with the acquisitions of Lebedyansky for \$1.4 billion in 2008 and Wimm-Bill-Dann for \$3.8 billion in 2010.

"It hasn't helped," Nooyi said of the reset. "I mean, we have always been a friend of Russia since Don Kendall came here, way back 53 years ago," she said in an interview in October. Kendall is the legendary Pepsi CEO who brought Pepsi to Russia.

"Russia has always been a friend of PepsiCo, and PepsiCo has always been a friend of Russia," she said.

U.S. companies that have turned to the U.S. Commercial Service over the past year work in sectors as diverse as farming and aviation. But they all seem to have an eye trained on the strength of Russia's economy and good prospects for growth.

Wisconsin-based CETS shipped a second piece of its potato-growing equipment to Russia in December, said Janina Petrick, the company's president. The equipment made by Controlled Environment Technology Systems, or CETS, helps farmers to grow high-quality seed potatoes in special chambers at half the current price. Russia now imports many of the seeds from countries like Holland.

This is the second deal for CETS in Russia. The first piece of equipment arrived in 2010 to the Prikubansky farm in the Krasnodar region — and drew a curious high-placed visitor,

Governor Alexander Tkachyov, in November.

Halltec, an Ohio-based manufacturer of tire valves for “over-the-road equipment” such as cars and trucks, is studying Russia as a potential market.

“We are looking to expand into Russia as it is one of the countries where mining is a large business,” said executive vice president Dave Caruso.

The company needs to find out about the size of tires that are in use and the current distribution model, he said.

“The big challenge we have is the language barrier and the distribution model,” Caruso said.

Halltec will have to find a distributor that is in the tire market or a company that does tire servicing in the mining industry, he said.

The company also supplies its products into Japan, Canada, China, Mexico, South America, Europe and Australia.

The U.S. industrial conglomerate 3M plans to invest at least \$15 million building local plants through 2015, its managing director in Russia, Reza Vaziri, said last March. One of the facilities will produce 3M’s insulation material Thinsulate for clothing and the other glass bubbles used as additives to cement that fortify oil and gas wells.

The company planned to invest an additional \$8 million last year, mainly to increase production of face masks for the chemical and mining industries at its existing plant in Volokolamsk.

The manufacturing company's previous investments in Russia amount to \$28 million, including the cost of building the Volokolamsk plant, which started work in 2008.

3M regards the lack of domestic raw materials of sufficient quality — such as resins — as one of the biggest challenges in localizing production, Vaziri said.

In the area of services, NetJets, the private jets operator, is seeking to do more business here.

The company, which performs more than 2,000 flights per year in and out of Russia, now looks to increase the number and also fly inside Russia, said its chief for Europe, Eric Connor.

“We have 150 customers in Russia and look to expand this number,” he said. “Russia is attractive because of the strength of its economy and stronger prospects for growth.”

Nearly all its flights start and end in Moscow. In Europe, the company operates aircraft at more than 1,000 airports.

In addition to macroeconomic factors that affect every market, the specific challenges for NetJets’ business in Russia include the weather and low temperatures — the kind that grounded flights at Domodedovo last year, Connor said.

Staff writer Andrew McChesney contributed to this report.

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