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Russia Draws Chinese Interest, But Investors Ill-Informed

By The Moscow Times

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Over the past year Russia has trumpeted a pivot to Asia as ties fray with the West over Moscow's role in the Ukraine crisis.

China's biggest firms are overwhelmingly interested in investing in Russia but know little about doing business in the country, a report said Wednesday, revealing a potential stumbling block to Moscow's plans for closer economic ties with Beijing amid Western sanctions.

According to the report by international audit group Ernst & Young (EY), 91 percent of major Chinese companies see Russia as an attractive market, but 67 percent say they do not know enough about the market. The survey was carried out in May and polled the heads of 142 Chinese firms with average annual turnovers of more than $33 million.

To surmount this barrier, Russia must provide "market transparency and educate foreign investors on local rules and regulations as well as business practices," EY's regional managing partner in China, Albert Ng, was quoted as saying in a press release.

Over the past year Russia has trumpeted a pivot to Asia as ties fray with the West over Moscow's role in the Ukraine crisis. China is the keystone of this strategy, with a massive transnational gas pipeline announced last year and a plan declared to boost annual trade turnover with China to $100 billion by the end of this year.

But, while 61 percent of respondents in EY's survey said they planned to invest in Russia in the next five years, few seemed to know what they were getting into.

Only 15 percent of those interviewed said they had a good understanding of their potential competitors in Russia and market demand for their products, and just 4 percent said they understood Russian legislation well.

When asked to explain their interest in the Russian market, 66 percent of respondents said they were drawn by Russia's ample natural resources and another 62 percent said they were attracted by the size of the Russian market.

Other parts of the business environment were viewed less favorably: 42 percent of respondents said access to Russia's high technology drew their interest, while 40 percent cited labor costs and 33 percent spoke positively of Russian tax legislation.

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