

TO RUSSIA WITH LOVE

The Chamber of Commerce's official trade missions aim to boost exports and expand international business ties. Are Luxembourgish companies seeing a return on their investment?

Aaron Grunwald (text), Olivier Minaire (photo)

More than 100 company executives and government officials from the Grand Duchy participated in a mid-April official trade mission to Russia, the largest international delegation ever organised by the **Luxembourg Chamber of Commerce**. Participants say the event has successfully promoted Luxembourg abroad, as well as their own businesses and report the economic climate in Russia is much improved.

According to Chamber officials and members, trade missions are an ever more important part of building long-term business relationships in emerging markets, especially as global economic growth increasingly comes from countries outside of Europe.

Today, 80% of Luxembourg exports go to European markets, states **Carlo Thelen**, Head of the International Department at the Luxembourg Chamber of Commerce. *"In five to ten years, that may change in favour of countries outside of Europe,"* with growth coming from Asia and South America, particularly the so-called "Bric" countries (Brazil, Russia, India and China).

The delegation to Russia – one of the Chamber's 15 international sorties this year – featured His Royal Highness **Grand Duke Henri** and Minister of the Economy and Foreign Trade **Jeannot Krecké**, as well as presentations by mission partners **Luxembourg for Business**, **Luxembourg for Finance** and Luxembourg's embassy in Moscow. The group, which mainly represented the Grand Duchy's construction, engineering, and financial services sectors, met with more than 450 Russian executives in Moscow and more than 150 in St. Petersburg, all of whom were personally iden-

tified and invited by the Embassy and Chamber's members.

MOOD IN MOSCOW

The current economic environment in Russia today is *"vibrant,"* states **Paul Chambers**, Partner at tax advisory firm **Atoz**, who participated in the Chamber's previous Russian visits in 2006 and 2008. *"People have a lot of ideas. They're looking for financing, they're moving. It's not a depressed country."*

Nico Reuter, Vice President at **ArcelorMittal**, which has supplied Russia with specialised steel products used in large construction projects for more 30 years, concurs. *"The market is picking up again. After one-and-a-half years of slowdown, we see financial rescheduling done or nearly done,"* for several projects that had been stopped. *"Now construction is going on again and it's good to see that."*

"Russia is back on track," reports **Venant Krier**, Managing Director at the industrial construction firm **Astron Buildings**, which made its first sale in the market in 1985 and opened a local factory last year. He cites stabilised oil and gas prices, which have restored the country's economic engine, along with stabilised interest rates, which have re-started bank lending, and notes *"consumer confidence is also coming back."*

Luxembourg executives reckon trade missions provide opportunities to both enhance relations with current customers and get in a foot in the door with new ones. With the Grand Duke and Minister present, many executives invited key Russian contacts. *"It shows the client we value them,"* says Krier. *"It feels good for them to be part of this. The feel-good function is important."* At the same time, it breaks down barriers in reaching

key decision-makers, especially in the energy sector. *"It attracts a level of executive I otherwise wouldn't get the opportunity to talk to. Normally they wouldn't take my cold call, but there they're spending the evening sitting next to you."* Krier adds it garnered him face-time with Moscow's mayor, and other local and regional officials, that otherwise *"I have no chance of getting."*

André Kremer, Senior Executive Vice President at **Paul Wurth**, which has been supplying blast furnaces to the country's largest steel makers since 1978, echoes the sentiment: *"The appearance of economic power is very important in Russia. Power has substantial meaning to our Russian customers"* because of their government's level of interest in the steel industry. Generally speaking, he believes he *"is not important enough"* to take a meeting with Russia's oligarchs. However, doors are opened when the Grand Duke and Minister are present: *"That's the importance of these missions."*

However, participants see Chamber trade missions both as part of a bigger investment in the Grand Duchy's future, and as a long-term investment in business development. *"As a Luxembourg player, it should be our civic responsibility to help put Luxembourg on the map in new markets,"* states **Marc Feider**, Senior Partner at **Allen & Overy**, the only law-firm in Russia with a dedicated Luxembourg desk. *"Beyond that, we also get to promote ourselves and to sell our own services."* He says it was *"quite exceptional"* that during the course of the mission he signed a new client, receiving *"a very prestigious instruction, one that had been pending for a while."*

Indeed, relationship-building and exposure are the principal benefits, as business deals are almost never concluded during these trade mis-



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sions. *“I was not expecting to walk home with a major contract in my pocket,”* says Reuter. In his industry, *“You may well have to start three to five years”* before an agreement is signed, *“nevertheless we find it’s worth going.”*

“EVEN YEARS LATER”

Krier explains that companies might be disappointed if they were expecting *“immediate results.”* However, he quite often gets opportunities *“even years later,”* such as a deal he sealed a year after visiting Kazakhstan with Prime Minister Jean-Claude Juncker and Minister Krecké, and a large contract he signed five years after meeting an executive during a trade mission to Romania. Yet the numbers are compelling. *“Our turnover has increased by ten percent over the last five years due to participation in trade missions,”* calculates Chambers. *“I get calls from people that I met five years ago. At that time they didn’t need anything, but then they’ve woken up to fact they need something in Luxembourg and they give me a call. It’s been very beneficial.”*

Chambers adds there is scope for improving the Grand Duchy’s economic missions. *“The Russian mission was a very good one. What I see is that if you have a good embassy that lays a good groundwork over several years, you see a very concrete result. You see the quality of people attending is different. If we could get other embassies to follow the Russian embassy’s lead, we would see better results.”* For example, Luxembourg’s Ambassador to Russia, **Gaston Stronck**, clearly *“knew a lot of high level people by name. You could feel the guy had done a lot of groundwork before.”*

In the coming months, Chamber members will participate in official trade visits to, among other places, Saudi Arabia, Israel and Angola. However, Feider thinks it *“would be extremely helpful”* if trade missions to the Bric countries took place more frequently, especially to Brazil, where Luxembourg has no embassy. He also *“wants more countries”* to be selected, such as burgeoning markets like Indonesia and Vietnam, and even Canada, which he says *“is a huge market opportunity for Luxembourg.”* ●

Trade and investment figures ‘DA’ NOT ‘NYET’

Last year Russia was Luxembourg’s 13th largest export market for goods (103 billion euro, down from 140 billion in 2008 and 147 billion in 2007) and 19th largest source of imports (9 billion euro, down from 17 billion in 2008 and 44 billion in 2007), according to Carlo Thelen at the Luxembourg Chamber of Commerce. He points out the Grand Duchy exports more products to Russia than to Switzerland, Denmark or Portugal. Statec figures show the top three export product categories are machines and devices, paper and paper products, and metals and metal goods. Plastics and rubber, chemicals, and metal goods are the top imported products. Luxembourg also claims top position when it comes to foreign direct investments. In fact, Moscow Mayor **Yury Luzhkov** told the Chamber’s trade mission that Luxembourg is considered the biggest international investor in Russia, with more than 13 billion US dollars invested by Luxembourg funds. This figure is including Russian monies managed through the Grand Duchy. ● A. G.