

Russia

Market Profile 2011 - 2012

May 2011



1. Introduction

The Russian economy was one of the hardest hit by the 2008-09 global economic crisis; oil prices plummeted and the foreign credit that Russian banks and firms relied on dried up. In late 2008, the Central Bank of Russia spent one-third of its \$600 billion international reserves (the world's third largest) to slow the devaluation of the ruble. The government also devoted \$200 billion in a rescue plan to increase liquidity in the banking sector and aid Russian firms unable to roll over large foreign debts coming due. The economic decline bottomed out in mid-2009 and by the second half of the year there were signs that the economy was growing, albeit slowly.

Long-term challenges include a shrinking workforce, corruption, lower capital inflows, tight credit conditions and poor infrastructure in need of large capital investment. However, it is projected the Russian economy will be larger than that of Spain, Canada or Italy by 2020 (source: www.cia.gov).

Economic Indicators	Russia
Population	142.9 million (2010)
GDP	US\$1,229 billion (2009)
GDP Growth Rate	-7.9% (4.8% 2010 est.)
GDP Per Capita (PPP)	US\$15,807 (2010)
Inflation	11.7% (2009)
Total Imports	US\$161 billion
Total Exports	US\$285 billion
Currency	1 Ruble (RUB) = 100 kopeks

Source: Economist Intelligence Unit, UN Comtrade Database

Russian outbound tourism is one of the fastest growing markets in the world, with Russian travellers ranked as the world's ninth-highest spenders according to the World Tourism Organisation. The elite and corporate sectors provide opportunities for New Zealand. Within Russia, Moscow (due to its concentration of wealth) and the Russian Far East (due to its relative proximity to New Zealand and growing resource-based wealth) represent the main areas of opportunity.

When studying abroad, Russian students are interested in language schools, higher education institutions and, to a lesser extent, private secondary schools.

Those interested in English language programmes wish to improve their English language skills and also obtain language certificates in order to enrol at a higher education institute abroad. There is also high demand for specialist English language courses, such as English for economics, medicine, dentistry, veterinary science and, in particular, law.

Those interested in higher education are looking at the full range of academic programmes: bachelors degree programmes, masters degree programmes, MBAs, and PhDs.

Common reasons Russian students cite for studying abroad are to obtain an international degree, and be able to work and reside in the country they have studied in.

Demographically, the total number of Russian students is falling due to low birth rates over the past 25 years.

In 2009/2010, 893 student visas were granted to Russian citizens (not all Full Fee Paying) studying in New Zealand. The majority were enrolled at New Zealand higher education institutions and

private training providers. Just over 100 Russian students were enrolled at New Zealand secondary schools. The number of New Zealand student visas granted to Russians was slightly down compared to 2008/2009. English language students are not required to hold a student visa. Rather, they stay on a tourist visa if they are enrolled in a course for less than three months. This makes student numbers difficult to track.

2. Local Education System

The Russian education system has gone through much change in the past decade. The reforms were carried out to allow decentralisation of the education system, to develop a new financial mechanism, and to give more academic freedom to faculties and students. One result is that there is an increasing number of private, fee-paying secondary schools and higher education institutions in Russia.

Basic compulsory school education lasts for nine years. Graduates from this level may continue to either upper secondary school for two years and then go to a higher education institute for four to six years. There is constant demand for English language teachers in specialised fields, as well as in secondary schools, upper secondary schools and also kindergartens. Most schools have specialties and children attend according to their special interests and abilities. The school day ends at 2pm. Students go on to optional classes (electives) afterwards that end at around 6pm. Examples of optional class types include astronomy, zoology, crafts, environment and anatomy. Russian students officially start taking English in grade five. By then they have already studied one or two other languages, usually German or French.

The academic year goes from 1 September to the end of June everywhere in Russia, with long summer vacations from 1 July to 31 August.

Higher education is provided by public and non-public accredited higher education institutions. Education in public higher education institutions is not completely free of charge. Approximately one-third of the students pay for their studies. In non-State higher education institutions all students must pay tuition fees.

Higher education is under the jurisdiction of the Ministry of Education of the Russian Federation, which is responsible for the accreditation and licensing of higher education institutions and for developing and maintaining State Educational Standards.

The equivalent of a bachelors degree is four years of study. Most students continue with a masters degree of two years of study.

About 30% of Russian students obtain the equivalent of a bachelors degree, and more than 50% of adults have completed some form of post-secondary education, including technical and vocational.

Popular university studies involve technology, public administration and finance. Technical/scientific universities play the biggest role in tertiary education in Russia closely followed by pedagogical institutions. Private institutions offer degrees in non-engineering fields such as business management, economics, law, culture and sociology.

2.1 Undergraduate and Postgraduate Courses

There are 180,000 tertiary education institutions in Russia with a total of 7.5 million students. Russia's top universities have very rigorous entry requirements and special entry exams are held each year. Students with Russian citizenship, regardless of residency outside of Russia, must apply according

to the standard competitive system and directly with a faculty admissions office. Applicants for advanced degrees (MA/MSc, PhD, DSc) should have their prior degree in the same or a very similar field. This is a stricter requirement than in some other countries.

Opportunities for New Zealand education providers exist in business education - especially MBA programmes, finance, management, law, creative arts, sociology, hospitality and tourism, information communications technology, engineering, logistics and manufacturing.

Business education is a rapidly developing industry in Russia and is increasingly important for international export education. The MBA curriculum was standardised by the Russian Ministry of Education and now business schools provide a national standard MBA degree. Many business schools have joint programmes with western business schools and issue Russian and western diplomas. Moscow, St Petersburg and other large cities have a relatively developed industry of short-term business education, but many Russian cities, especially in the Russian Far East, have a lack of good training programmes. The Russian Far East market for short-term business education is dominated by foreign government-sponsored business training and exchange programmes, such as the Business to Russia programme by International Research and Exchanges Board (IREX), and other organisations such as the Chamber of Commerce and Industry (CCI), the Special American Business Internship Training (SABIT), American Russian Center, Winrock International and the Japanese Center. These programmes are usually the only sources of business education in such remote areas as Magadan, Kamchatka and Yakutsk.

There are government-funded scholarships available for undergraduate and postgraduate programmes at foreign higher education institutions. A few Russian companies are also providing scholarships for Russian students to study abroad in a specific field of study. However, most scholarships are provided for studies within European countries.

International reputation and high achievements in international rankings of foreign institutions is very important to Russian tertiary students.

2.2 Vocational and Technical Qualifications

These types of courses are well known for their wide coverage of specialisations and their relevance to employment. However, this relevance can be described as artificial, because it was established within a tradition of central economic planning and centralised job placement. It was assumed that everyone should be equipped with job-specific skills before entering the labour force. This assumption led to the development of a huge vocational training system.

Short-Term Business Training Courses

These courses are especially popular among small- and medium-size companies. The main tendency in this niche sector is a shift from general business training to speciality training such as merchandising of cosmetics or business-to-business sales. Knowledge of Russian market specifics is mandatory. The most popular business seminars in Russia are sales and marketing (about 80% of total training sessions), human resource management, finance management, management and negotiation techniques. Market demand is expected to significantly increase in coming years for courses addressing international accounting standards and international certification.

Corporate Programmes

Some large Russian companies are not interested in general business educational programmes, but rather request universities and consulting companies to develop industry-specific or even company-specific cases and tasks for students. The annual growth rate of corporate educational programmes in Russia is 10%.

Training for Trainers and Professors of Business Schools

While several courses for training trainers are available in Moscow, they all focus on methodology and practical training techniques. There is scope here to diversify offerings.

The New Zealand vocational training sector offers considerable potential for growth, particularly as a pathway to low-cost entry into higher education.

2.3 Secondary Schools

Interest for full-fee paying school education abroad has noticeably increased. The market is still very small though with a little more than 100 Russian students (mostly Full Fee Paying) enrolled at New Zealand secondary schools each year. Close collaboration with Russian education agents is crucial to benefit from the growing demand for secondary education abroad. Again, obtaining a foreign qualification as pathway to tertiary education or work opportunities in New Zealand is very important to Russian students and parents.

2.4 English Language

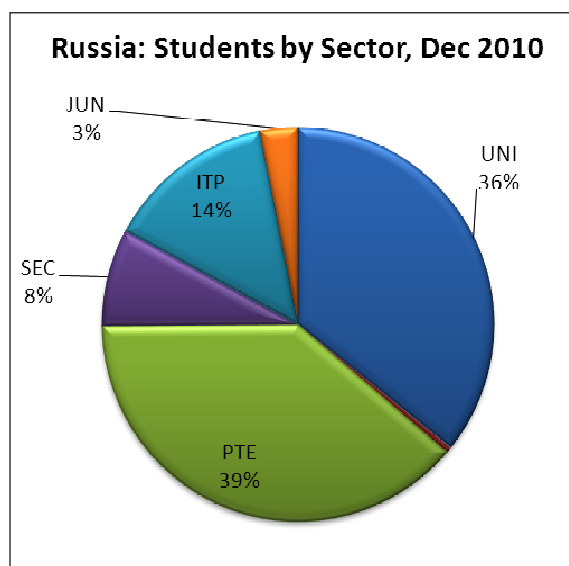
The English language sector is still a promising sector for New Zealand providers, especially if they provide specific courses. Numbers have increased over the last five years. According to a survey in 2009, there were approximately 615 Russian students enrolled at New Zealand English language schools – some on student visas and some on tourist visas or other permits.

3. General Advice for New Zealand Providers

In 2009/2010 there were 893 New Zealand student visas issued to Russian citizens for study purposes. This was a slight decrease from 2008/2009. A considerable number of these, however, were issued onshore in New Zealand. The majority of student visas were granted for tertiary and English language studies – about even for each of the two sectors. Secondary education in New Zealand is bottom of the league, yet numbers are increasing.

Russian students generally study in New Zealand for four weeks to three years depending on the type of studies. Russian students stay at New Zealand tertiary institutions for one to three years on average. Those who study at English language and secondary schools usually stay for four weeks to one year and want to continue with higher education in New Zealand. About 25% of Russian tertiary students are enrolled at private tertiary training providers in New Zealand. Study and work for residency is popular due to attractive immigration policies.

The majority of the Russian students studying in New Zealand come from the Russian Far East and Siberia. The make-up of students from Russia is expected to move towards students requiring full tertiary education rather than shorter-term English language studies. Courses most popular among Russian students in New Zealand are hospitality, business and computing.

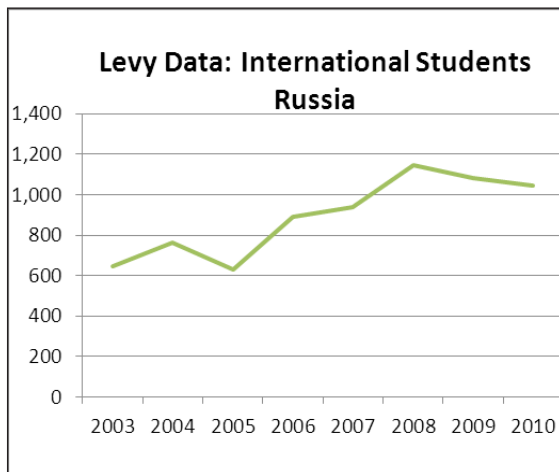
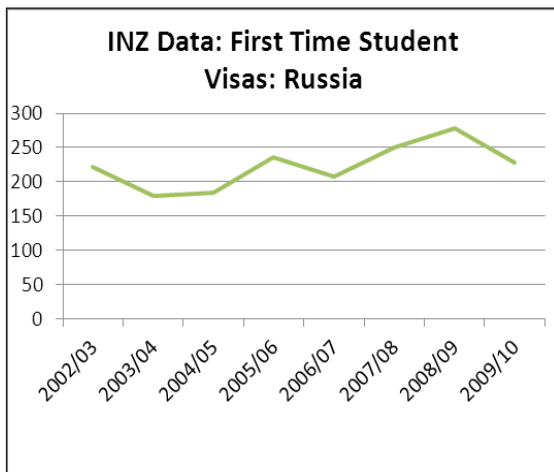


(UNI=Universities; PTE=Private Training Establishments; SEC=Secondary; ITP= Polytechnics; JUN=Junior (Primary, Composite, Contributing, Intermediate))

A barrier to success for New Zealand education providers is the perceived long distance between Russia and New Zealand, and high-cost airfares. New Zealand is also often perceived as being a lot further away than Australia. This perception is caused by a lack of general awareness of New Zealand in Russia.

Another barrier is that Russian agents have in the past lacked extensive knowledge and experience of how to promote and sell New Zealand education effectively. In March 2011, Education New Zealand carried out New Zealand Specialist Agent Training, and 16 Russian education agents attended. Feedback received from participating agents was extremely positive. A list of accredited Specialist Agents and their contact details is available online at <http://agents.newzealandeducated.com/New-Zealand-Specialist-Agents.html>

Advantages for New Zealand education providers are the country's seasons and its climate, comparatively low cost of living (especially for long-term students), and a friendly and save learning environment. Pathways to residence are also advantageous to attract Russian students.



*The Department of Labour (Immigration New Zealand) and The Ministry of Education provide regular updates to the Visa and Export Education Levy Statistics. The latest statistical information can be found at www.educationnz.org.nz/policy-research-stats/statistics

4. Competition

About 35,000 Russian students study abroad each year. Approximately 50% choose to study in the UK, 15% in the USA, 20% in Continental Europe, and 6% in Canada and Australia.

The choice of destination is primarily based on future job perspectives, followed by the quality of education, reputation, costs of study and living, history and culture, and the climate of the country.

In 2009, more than 1200 Australian student visas were issued to Russians (excluding short-term language students) which resembles an increase of 22% from 2008. Australia is much more prominent in the media and therefore better known to Russian students.

5. Immigration Requirements

Short language courses of up to three months do not require a student visa but a tourist visa for New Zealand.

Students need to apply for a student visa/permit if enrolled in a study programme for more than three months or if enrolled in more than one course for less than three months duration.

Student visa applications are handled through the New Zealand Embassy in Moscow. The application form can be downloaded at www.immigration.govt.nz

Applicants must prove that their intention to study in New Zealand is genuine.

Renewals of student permits for Russian students that are already in New Zealand can be undertaken through local New Zealand Immigration offices.

6. Helpful Hints

- You need to follow up on meetings and stay in close contact with your business partners throughout the year. It is crucial to keep a close and ongoing personal relationship with your agents to continue to receive students from them.
- You will find that families make the decisions about studying abroad, as parents generally fund the study. Families will engage local agents to find out about the quality and nature of international study programmes. However, the amount of direct contact expected between the parents and the school is generally limited. Students are more likely to choose an institution if they have heard or read about it. Agents play a crucial role in recruitment as well.
- Russians have a formal side as well as a more relaxed side. While they are often reserved, and may consider speaking or laughing loudly as rude, they are also extremely hospitable. You may well be invited to have a drink or to join in a toast, and you should participate. Russians have a lot to toast, their economy is now among the world's fastest-growing consumer markets.
- Patience is a virtue in Russia. You may find during meetings and negotiations that you require patience when your own punctuality is not reciprocated, or when your hosts take a great deal of time with discussions. Also, be aware that apparent ultimatums do not actually signal the end of negotiations – often the outcome will be more beneficial if you can hang in there. Do not be discouraged if there are walkouts or outbursts of anger during meetings.
- It is best not to arrive empty handed in Russia. You should have plenty of business cards with one side printed in Russian, and giving of gifts can be an important way of cementing relationships with locals.

For the latest travel advice visit www.safetravel.govt.nz

7. Public Holidays 2011

New Year's Day	1 January
Bank Holiday for New Year	3-6 January
Orthodox Christmas Day*	7 January
Orthodox New Year*	14 January
Defenders of the Motherland Day	23 February
International Women's Day	8 March
International Labour Day	1 May
Victory Day (World War II)	9 May
Independence Day	12 June
Bank Holiday	13 June
National Unity Day	4 November
Constitution Day ¹	12 December

¹*May only be observed by the local community

A listing of Russian public holidays can be found at <http://www.worldtravelguide.net/russia/public-holidays>

8. When to Visit

The best times of year to visit Russia is February to June, and September to November.



www.educationnz.org.nz

