



COUNTRY BRIEF – RUSSIA



Prepared by:
Export Development Board (EDB), Sri Lanka
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RUSSIA AT A GLANCE



GEOGRAPHIC LOCATION

North Asia bordering the Arctic Ocean, extending from Europe (the portion west of the Urals) to the North Pacific Ocean

Total Area: 17 Million

Climate: Much of Russia is covered by snow for six months of the year, and the weather often is harsh and unpredictable. In European Russia, the average annual temperature is 0° C; Moscow's average is 4° C. In Moscow, the average midsummer high temperature is 23°, and the average midwinter high temperature is -9° C.

DEMOGRAPHIC

Population: 142 Million

Russia is the largest country in the world and shares borders with 14 countries: Norway, Finland, Estonia, Latvia, Lithuania Poland, Belarus, Ukraine, Georgia, Azerbaijan, Kazakhstan, the China, Mongolia, and North Korea. Also, Russia is an emerging market among the BRICS countries. The country has undergone significant changes since the collapse of the Soviet Union, moving from a centrally planned economy to a more market-based and globally integrated economy.

According to the UN classifications, the economy of Russia is the 10th largest in the world by GDP nominal value and the 6th largest by purchasing power parity. Russia has an abundance of natural gas, oil, coal and precious metals. It is also rich in agriculture.

Time difference – Russia’s territory includes 11 time zones. Moscow is three hours ahead of Greenwich Mean Time.

Flag - three equal-sized horizontal bands of white (top), red and blue.

Business days and hours – 249 days - 8 hours per day and 40 hours per week with a One hour lunch break.

Special holidays –New Year’s (January 1–2), Orthodox Christmas (January 7), Women’s Day (March 8), Orthodox Easter Monday (variable date in April or early May), May Day (May 1–2), Victory Day (May 9), Russia Day (Independence Day, June 12), National Unity Day (November 4), and Constitution Day (December 12).

Currency unit and ratio to SLR – Russia’s currency is the ruble. 1

Ruble = 3.57626 LKR

ECONOMY

Main Economic Indicators:

	2011	2012	2013
GDP (purchasing power parity):	\$2.437 trillion	\$2.52 trillion	\$2.553 trillion
GDP - real growth rate:	4.3%	3.4%	1.3%
GDP - per capita (PPP):	\$17,100	\$17,800	\$18,100

GDP composition by sector:

Agriculture: 4.2%

Industry: 37.5%

Services: 58.3% (2013 est.)

Main Agriculture Products

Grain, sugar beets, sunflower seed, vegetables, fruits; beef, milk

Main Industries :

complete range of mining and extractive industries producing coal, oil, gas, chemicals, and metals; all forms of machine building from rolling mills to high-performance aircraft and space vehicles; defense industries including radar, missile production, and advanced electronic components, shipbuilding; road and rail transportation equipment; communications equipment; agricultural machinery, tractors, and construction equipment; electric power generating and transmitting equipment; medical and scientific instruments; consumer durables, textiles, foodstuffs, handicrafts

INTERNATIONAL TRADE**EXPORTS: Total (2013) - \$515 billion**

Main export commodities - petroleum and petroleum products, natural gas, metals, wood and wood products, chemicals, and a wide variety of civilian and military manufactures

Main Export partners: - US 18.1%, UAE Netherlands 14.6%, China 6.8%, Germany 6.8%, Italy 6.2%, Turkey 5.2%, Ukraine 5.2%, Belarus 4.7%

IMPORTS: \$341 billion

Import Commodities: machinery, vehicles, pharmaceutical products, plastic, semi-finished metal products, meat, fruits and nuts, optical and medical instruments, iron, steel

Main Import Destinations: China 16.6%, Germany 12.2%, Ukraine 5.7%, Japan 5%, United States 4.9%, France 4.4%, Italy 4.3%

SRI LANKA – RUSSIA RELATIONS;

Diplomatic relations between the Soviet Union and Sri Lanka were established on February 19, 1957. But the history of Russian – Sri Lankan relations have started much earlier. Russian Consulate was established in Galle in 1892.

The solid base for the mutual business interests was laid down in the 60s and 70s of XX century by the package of bilateral agreements worked out and signed by our countries in spheres of trade and economy, science technology and culture. Simultaneously, Moscow and Colombo reached the agreement on opening of air and sea travel routes and on training of national Lankan specialists in the USSR.

During the years of bilateral relations, thousands of Sri Lankan students have graduated from universities of the Soviet Union and then Russia in medicine, engineering, education, etc. In 1959 the Friendship Society with Sri Lanka was established in Moscow.

The below agreements have been entered in to between Russia and Sri Lanka

1 Agreement on Economic & Technical Corporation

After commencement of diplomatic relations between the two countries, the first high level delegation headed by Hon. V.A. Sergiyev , Deputy Minister of Foreign Economic Affairs of Soviet Union visited Sri Lanka in February 1958. As a result of

discussions both countries had signed an Agreement on Economic & Technical Corporation on 25th February 1958. Based on agreement Soviet Union had supported

to Ceylon to construct Steel corporation in Oruwala, Tyre corporation in Kelaniya and Floor Mill in Modara.

2. Agreement on Housing Constructions

In late 1963, Hon. V.A. Sergiyev , Deputy Minister of Foreign Economics Affairs of Soviet Union and Hon. M.P.Z. Siriwardane had signed an agreement on Housing Construction which was enable to establish a Building High Rice Apartment & Component Factory in Narahenpita Colombo.

3. Agreement on Goods Exchange

In February 1958, signed the first Trade Agreement between Ceylon and Soviet Union which permitted to exchange goods between countries. According to the agreement from Ceylon its was allowed to send Tea, Rubber, coconut Oil and Coir Products. From Soviet Union granted to send Heavy machinery equipments such as Bulldozers, Tractors, Trippers and cranes , Cement, Sugar and Cotton.

Subsequently in 1964, 1975 and 1977 agreements were updated by Hon. T.B. Illangarathne, Minister of Trade Sri Lanka. Agreement signed in 1977 enabled the currency system to be convertible.

4. Agreement on Air services

Since activities between two countries got increased, both countries were interested to establish a direct air service. As a result of discussions Agreement on Air Services had signed on 22nd February 1964 and commenced the flight service on 15th March

1965 by Soviet Government Airline – Aeroflot. But unfortunately it stopped in 1999.

5. Agreement on Education

As a result of the Agreement on Education, the first batch of 31 students went to Moscow for higher studies in 1960. This made possible to launch a preparation of professionals mainly in Medicine and Engineering. During Soviet Regime numbers of students get increased up to more than 100 per year. After the Soviet Union got disintegrated numbers of scholarships got reduced and students were allowed for higher educational institutions on payment basis.

TRADE WITH SRI LANKA

<u>Year</u>	Trade between Russia and Sri Lanka (Value – US\$ Mn)		
	Sri Lanka Exports to Russia	Sri Lanka Imports from Russia	Total Trade
2009	192	3	195
2010	243	27	270
2011	281	79	360
2012	262	90	352
2013	280	146	426

Source – Sri Lanka Customs Statistics

The balance of trade has continuously been in favour of Sri Lanka during the last decade.

Sri Lanka's main export products to Russia:

Tea in Bulk and packed, Apparel, Industrial & Surgical Gloves of Rubber, Aircrafts & Parts, Desiccated Coconut, Activated Carbon, Discharge Lamps, Green Tea, Mixed Coir Fiber, Coir Pads, Coir Yarn, Pneumatic & Retreated Rubber Tyres & Tubes

Sri Lanka's Potential Products in Russia:

Tea (Value added), Apparel especially for fashion apparels, Rubber finished products, Gems & Jewelry, garment accessories, confectionary products and activated carbon.

Main imports from Russia to Sri Lanka :

Base Metal Products, Paper & Paper Products, Non - Metallic Mineral Products, Chemicals & Plastic Products, Electrical & Electronic Products, Parts & Machinery Woven Fabrics

Top ten Sri Lankan exporters to Russia

No	Company Name	Products
1	Empire Teas (Pvt) Ltd	Tea
2	Akbar Brothers Exports Pvt Ltd	Tea
3	Regency Teas (Pvt) Ltd	Tea
4	U K Beverages (Pvt) Ltd	Tea
5	Uniworld Teas (Pvt) Ltd.	Tea
6	Basilur Tea Export (Pvt) Ltd	Tea
7	Jafferjee Brothers Exports (Pvt) Ltd.	Tea
8	Union Commodities Exports (Pvt) Ltd	Spices, Tea
9	M J F Teas Pvt Ltd	Tea
10	Van Rees Ceylon Ltd	Tea

Issues and Constraints

- ☐ Limited awareness about the trade, tourism & investment opportunities and offers in Russia. The lack of knowledge is particularly prevalent at the regional level, exporters only being aware of Russia's biggest cities ex: Moscow & St. Petersburg.
- ☐ Political and legislative environment and inter-regional disparities in Russia.
- ☐ Heavy concentration on one export product, i.e 80% of Sri Lanka's exports to Russia accounts for Tea
- ☐ High tariffs impact in to Russia
- ☐ Lack of information on trade, tourism & investment potential in to Russia

Source: CIA World Fact Book and Sri Lanka Customs

<http://www.ey.com/RU/en/Issues/Business-environment/Russia-attractiveness-survey-2013>