

Diversification of Sri Lankan Exports – Russian Federation

S. No.	Product sector	Import statistics	Market situation	Remarks
1	Coconut	<p>0801...Coconut <u>Total import to Russia from the World</u> 2017 39.7 mln.\$ 2018 40.4 mln.\$ 2019 36 mln.\$ 2020 –up to May 14.4 mln.\$.</p> <p>Philippines, Indonesia, Vietnam</p> <p align="center"><u>Import from Sri Lanka</u> 2017 0.01 mln.\$ 2018 0.12 mln.\$ 2019 0.18 mln.\$ 2020 –up to May 0.03 mln.\$.</p> <hr/> <p>151311/151319 Coconut Oil <u>Total import to Russia from the World</u> 2017 46.3 mln.\$ 2018 34.6mln.\$ 2019 29.2 mln.\$ 2020 – up to May 15.8 mln.\$</p> <p>Indonesia, Malaysia, Sri Lanka</p> <p align="center"><u>Import from Sri Lanka</u> 2017 0.3 mln.\$ 2018 0.5 mln.\$</p>	<p>Coconut products are widely used in the Confectionery section.</p> <p>In Russia coconuts are considered exotic fruits and are sold usually in federal supermarket chains. This is explained by the small demand and some peculiarities associated with the storage of the fruit.</p> <hr/> <p>In general, the import of coconut oil into Russia, if we consider long-term trends, has significantly decreased. Back in 2005-2008 annual import exceeded 110 thousand tons, and in 2007 they reached 136 thousand tons. In 2009-2010, imports fell to 88.1-92.1 thousand tonnes, in 2011 to 56.4 thousand tonnes, in 2012-2016 it ranged from 34.3 to 43.0 thousand tonnes, in 2017-2019 - 34.3-43.0 thousand tonnes. - in 2017-2019 it varied between 22.7 and 27.0 thousand tonnes.</p> <p>The decrease in coconut oil consumption is primarily due to both the decrease in the purchasing power of the population in Russia and the growth of competition at the food market (which led to the search for</p>	<p><u>There is a market opportunity in coconut products in Russia</u>, but not on a large scale.</p> <p>The competitiveness is high due to the top countries exporting coconut products to Russia have competitive prices.</p>

		<p>2019 0.6 mln.\$ 2020 –up to May 0.19 mln.\$.</p>	<p>opportunities to minimize the cost of production), and the availability of cheaper alternatives used in the food industry (for example, palm oil). Coconut oil is one of the most expensive oils used in the food industry.</p>	
2	Printing	<p>HS code 49... <u>Total import to Russia from the World:</u> 2017 - 345 mln.\$ 2018 - 346 mln.\$ 2019 - 374 mln.\$ 2020 – upto May - 7.4 mln.\$</p> <p>Main exporters (countries) Finland, Germany, China</p>	<p>The main trend of the Russian printing market is a decline in demand due to a fall in the markets for newspapers, magazines and books. The systemic crisis of publishing printing is caused both by a decrease in readership demand and by substitution of printed matter with electronic means of communication. Rising prices due to the increased cost of almost all components of printing production only aggravate the situation.</p>	<p>Russian has large manufacturers in the Printing industry.</p> <p><u>The potential to enter into the market is minimal.</u></p>

3	Ceramic and Porcelain	<p><u>Total import to Russia from the World:</u></p> <p>2017 - 868 mln.\$ 2018 - 973 mln.\$ 2019 - 933 mln.\$ 2020 – upto May - 299.7 mln.\$</p> <p>Main exporters (countries): China, Germany, Spain</p> <p><u>Import from Sri Lanka</u></p> <p>2017 0.2 mln.\$ 2018 0.3 mln.\$ 2019 0.3 mln.\$ 2020 – up to May - mln.\$.</p>	<p>The Russian porcelain industry has been going through difficult times in recent decades. Dozens of factories have ceased to exist, production output has been significantly reduced, technologies for the production of own raw materials and equipment have been mostly lost.</p> <p>There is almost no competition among the Russian porcelain producers.</p> <p>The growth rates of porcelain and ceramic tableware imports in Russia is about 20-30%. The share of imported porcelain tableware relative to home produced porcelain tableware is more than 80%</p> <p>In physical indicators the consumption of porcelain and ceramic tableware in Russia is far from saturation and it increases 7% every year, in future the increase is possible with the growth of personal sector income. The market growth driver is the professional tableware segment (HoReCa), which is in close connection with the services market and which represents about 20% of the tableware market.</p> <p>There is a trend of shifting demand to the glassware as well.</p>	<p><u>There is a potential in the Russian market.</u></p> <p>Chinese products represent mainly low and middle price segments.</p> <p>The high price segment of the porcelain and ceramic tableware is presented by the European producers.</p>
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4	Ayurveda and Herbals	<p>HS Codes: 3304/3301/3305/3307</p> <p><u>Total import to Russia from the World:</u> 2017 1,850 mln.\$ 2018 1,991 mln.\$ 2019 2,079 mln.\$ 2020 – upto May 49 mln.\$ (Including the general cosmetics)</p> <p><u>Import from Sri Lanka</u> 2017 0.05 mln.\$ 2018 0.2 mln.\$ 2019 0.3 mln.\$ 2020 –up to May 0.2 mln.\$.</p>	<p>Ayurveda is gaining popularity in Russia. More and more ayurveda centers are being opened across the country.</p> <p>Russian consumers are drawn to organic and natural claims as according to Canadean 65,5% of people taking part in the survey stated that they look for personal care products that have natural ingredients.</p> <p>The more disposable income the consumer has the more they look for organic products.</p> <p>Russia takes up the 6th place as far as per capita consumption of cosmetics (all types)is concerned. Among major factors influencing purchase is the brand, recommendations, quality and only then price.</p>	<p><u>There is a significant growing market in Russia.</u></p> <p>The Sri Lankan producers need to compete with the Indian and Chinese products.</p> <p>When it comes to the general cosmetics France has traditionally been an indisputable leader in cosmetic export to Russia as far premium and luxury products are concerned especially skincare and perfumery. Second largest exporter is Germany specialising in hair and body care and natural products. Poland is seventh in the rank with make-up, bath and shower products. Korea has rapidly advance into top-10 driven by the K-Beauty trend which took over Russia as well.</p>
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5	Wellness Tourism	<p>Number of tourists from Russia to Sri Lanka</p> <p>2017 - 59,191 2018 - 64,497 2019 - 86,549</p>	<p>Sri Lanka is one of the nine countries approved by the Government of Russia for its citizens to visit with the diminishing of the Coronavirus outbreak in the island.</p> <p>Wellness tours abroad are popular among Russian tourists. Travel agencies offer package tours to wellness & spa facilities in Europe (Slovenia, Hungary, Czech Republic, Croatia, Greece) and Asia (Indonesia, India) and other countries, such as Israel.</p> <p>Amid the worldwide COVID-19 pandemic, the Russian Government also draws extra attention to the development of domestic tourism, including wellness tourism.</p>	<p><u>There is a potential on promoting wellness tourism in Russia</u></p> <p>In his Address to the Federal Assembly of the Russian Federation in March 2018, President of the Russian Federation Vladimir Putin emphasized the need to develop healthcare and export services in the field of medicine and tourism.</p> <p>In 2018, JSC "St. Petersburg Agency of Medical Tourism" was established. According to the Russian Prime Minister, the government has decided to allocate an additional 15 billion (\$211 million) to develop domestic tourism with subsidies (between 5,000 (\$70) and 15,000 (\$211) rubles, depending on the tour) o Russian tourists vacationing in the home country.</p>
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6	ICT/BPM		<p>The Russian Federation has a well-established ICT/BPM industry which can cater for the rest of the world. According to the International Data Corporation in 2019 the volume of the Russian ICT market reached \$47,05 bln. what is the highest figure among the all Central and Eastern Europe countries.</p> <p>In 2019, 35% of Russian domestic software companies were actively selling their products overseas. Over the period from 2013 to 2019, Russia has risen in the Global Innovation Index rating from 62nd to 46th position.</p> <p>ICT Imports grow much more slowly (1.9%) than exports According to data for the first three quarters of 2019, Russia has become a net exporter of ICT services for the first time in the last ten years; a drop in the volume of trade in ICT services was recorded in Moscow with simultaneous increase in other regions of Russia.</p>	<p><u>The potential to enter into the Russian market is minimal.</u></p> <p>But, there is a possibility to attracting investment from this sector</p> <p>The main share in the domestic export of ICT services falls on computer software products for a wide range of users. In addition, Russia supplies the foreign market with information security systems, security and management systems at enterprises, and telecommunications services.</p> <p>Despite a number of constraints, such as lack of funding and lack of tax incentives for entrepreneurs engaged in innovation, the prospects for domestic exports of ICT services are generally quite high.</p> <p>The Strategy of the Development of Russian Export of Services until 2025 indicates that the volume of foreign sales of ICT services by the designated date should amount to USD 12.15 billion.</p>
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7	Boat and Ship Building	<p><u>Total import to Russia from the World:</u> 2017 - 2,371 mln.\$ 2018 - 1,555 mln.\$ 2019 - 1,744 mln.\$ 2020 – upto May - 484 mln.\$</p> <p>Main exporters (countries) Korea, China, Turkey, Germany</p> <p><u>Import from Sri Lanka</u> 2017 0 mln.\$ 2018 0 mln.\$ 2019 0 mln.\$ 2020 –up to May 0 mln.\$.</p>	<p>In the first 8 months of 2019, imports of shipbuilding products decreased compared to the same period last year by 0.7% to \$ 1.197 billion. In physical terms, there was an increase by 28% to 465.9 thousand tons.</p> <p>In January-August 2019 the import of sea tankers increased significantly - both in value terms (10.8 times to \$ 424.5 million) and in terms of weight (4.7 times to 106.5 thousand tons). The import of refrigerated vessels also increased, by 30.9 times to \$ 54.8 million (7.5 times to 43.7 thousand tons). At the same time, the import of cargo / cargo-passenger ships decreased significantly - by 55.3% to \$ 282.3 million (-5.9% to 223.1 thousand tons).</p> <p>More than 60% of the total value of imports of ships, boats and floating structures to Russia comes from South Korea, China and Turkey. In terms of physical weight, the top three exporters to Russia are South Korea, China and Germany.</p> <p>Import of ships, boats and floating structures to particular regions of Russia in 2019:</p>	<p><u>The possibility to enter into the Russian market is minimal</u></p> <p>But, there is a possibility of attracting investments from Boat and shipbuilding</p> <p>Concerning this product category, the Russian government hopes to increase the export of shipbuilding products by 10 times. This goal is set in the strategy for the development of the shipbuilding industry until 2035.</p> <p>Imported products are essential for the Russian yacht market. This is especially true for motor cruisers ranging in size from 30 to 80 feet and sailing yachts, which are very poorly represented by domestic manufacturers.</p>
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8	Electronic and Electrical	<p>2017 - 26,730 mln.\$ 2018 - 29,912 mln.\$ 2019 - 29,765 mln.\$ 2020 - upto May 122 mln.\$</p> <p>Main exporters (countries): China, Viet Nam, India</p> <p><u>Import from Sri Lanka</u> 2017 2.3 mln.\$ 2018 4.9 mln.\$ 2019 3.5 mln.\$</p>	<p>According to the Center for Contemporary Electronics, the most demanded segment of the Russian market is electronics for military and aerospace technology - sales amount to about \$ 1 billion (39% of the total). Industrial electronics is in second place (\$ 500 million, 20%). It is followed by communications equipment (\$ 230 million, 10%), security systems (\$ 215 million, 9%), lighting and display equipment (\$ 200 million, 8%). The turnover of commercial equipment and medical electronics is \$ 100 million per year (4% each). Consumer electronics and automotive electronics each have 3% of the market, with sales of about \$ 80 million in each industry.</p> <p>Electronics is one of the industries the Russian government targets in supporting during the post-pandemic period. The new bill is being developed to prioritize Russian manufacturers as suppliers of electronics to the national</p>	<p><u>The possibility of enter into the Russian market is minimal</u></p> <p>But, there is a possibility of attracting investment from this sector</p> <p>Of the total number of companies engaged in the production of electronic equipment in Russia, 36% are in the production of purchased and custom components, 18% - the development and marketing of modules, 30% - the development and marketing of finished equipment, 3% - the manufacture of cases. 5% of companies are engaged in the assembly of production facilities, and 8% are in the assembly and testing of modules and equipment.</p>

			<p>market. Import restrictions may be introduced, which will apply directly to electronics and computer equipment, as well as to household electrical appliances, lighting, and optical equipment.</p> <p>As of 02/07/2020, the bill on the above is under consideration at relevant Russian ministries.</p>	<p>For the development of the industry, <u>the Ministry of Industry and Trade of Russia has developed a draft strategy for the development of the electronic industry in Russia until 2030</u>. The strategy assumes an increase in domestic production by more than 2.5 times over this period. It is also expected to increase the volume of the civil electronics sector by 940 million to 4.6 billion rubles. The share of the domestic component base in microelectronics, according to the plan of the Ministry of Industry and Trade, should grow from 20 to 80%.</p> <p>The strategy provides for the creation of institutions that will be responsible for its implementation and stimulate the strengthening of cooperation in the industry - strategic alliances, centers for joint design and design, competency exchange programs.</p> <p>The strategy will be implemented in several stages - the first of them will focus on the</p>
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9	Logistics	<p>2017 - 14,492 mln \$ 2018 - 15,250 mln \$ 2019 - 15,403 mln \$</p> <p>Main exporters (countries): EU states</p> <p>(Note: above estimate includes postal & courier services, sea transport, air transport, other modes of transport)</p>	<p>In 2019, the logistics services market in Russia developed rather slowly but steadily.</p> <p>In 2019, the market of transport and logistics services in Russia grew within the projected corridor - by 3-5% in relation to the indicators of 2018. The main share fell on land transportation (excluding the pipeline) - more than 80% of the total internal cargo turnover. Automobile deliveries have traditionally become the key driver, which together accounted for 70% of the total turnover. The volume of traffic by sea, river and air also increased, but overall slightly.</p> <p>Customers become more and more interested not just in cargo</p>	<p>Major industry players are forced to invest in the development of warehouse complexes, consolidation warehouses, marking equipment, etc., as well as to offer customers a range of services related to the full import cycle.</p>

			<p>transportation services, but in complex solutions related to customs clearance, storage, courier delivery of goods, etc. The market for 3PL and 4PL services is growing.</p> <p>A new type of express delivery logistics operator is being formed amid the development of e-commerce.</p>	
10	Marine and Offshore Engineering		<p>Russia is the world oil and gas power. Almost the entire Russian offshore is located in the cold seas of the Arctic Ocean and the Sea of Okhotsk. Its length off the coast of Russia is 21% of the total shelf of the World Ocean. About 70% of its area is prospective in terms of minerals, primarily oil and gas.</p> <p>The oil and gas industry of the Russian Federation is a large-scale component of the national economy, which has the world's largest mineral resource base, developed infrastructure, qualified human resources and significant innovative potential.</p>	<p><u>The potential to enter into the Russian market in this area is minimal.</u></p>
11	Construction	<p>2017 - 4,386 mln \$ 2018 - 4,687 mln \$ 2019 - 5,338 mln \$</p> <p>Main exporters (countries): Belarus, Kazakhstan, China, Germany, Turkey</p>	<p>Over the last few years the import substitution policy has prevailed on the Russian construction materials market. According to the Deputy Minister of Industry and Trade, the Russian construction industry can fully provide a construction site in terms of both basic and finishing materials.</p>	<p>The construction industry in Russia is well developed with new technologies and the <u>potential to enter into the Russian market is minimal in this area.</u></p>

			<p>It has been also observed that Russian development companies acquire their own production facilities so as not to depend on suppliers for a number of sophisticated products - and to save money.</p>	
12	Education	<p>No. of Russian students abroad 2019 - 75,000</p> <p>Main service providers (countries): Germany, USA, Canada, Czech Republic, UK, France, Netherlands, Switzerland</p>	<p>According to UNESCO, in 2017 more than 56,600 students from Russia were studying abroad, which is 1.5% of the global total.</p> <p>According to a study conducted by Hotcourses, business and management are confidently leading the list of disciplines for which Russians travel to other countries. In addition, programs in the field of IT, science and technology, engineering, medicine, fashion and design are popular among Russian students of foreign universities. This is largely due to the fact that foreign diplomas in these specialties are more in demand at the international level than Russian diplomas.</p> <p>It is reported that in 2019 an estimated 75,000 Russian students were enrolled in foreign universities and that these figures were expected to jump to 120,000-130,000 within the next couple of years.</p>	<p><u>There is no potential market in education sector in Russia</u></p> <p>Russia attracts 6% of the world's foreign students. According to this indicator, it ranks eighth after the USA, Great Britain, Australia, China, Canada, Germany and France. At the same time, Russia exports more education than it imports (more students from abroad than Russians abroad). The share of foreign students in the last year has grown by 5.7%, and in ten years - by 100%.</p>

			The available statistics also show that more than half of Russian students applying to study abroad apply for postgraduate education programmes (masters and postgraduate studies).	
13	Processed Food	<p>2017 - 18,293 mln.\$ 2018 - 19,325 mln.\$ 2019 - 20,159 mln.\$ 2020 – May 6,439 mln.\$</p> <p>(including fresh fruits and vegetables)</p> <p>Main exporters (countries): worldwide</p> <p><u>Import from Sri Lanka</u></p> <p>2017 0.3 mln.\$ 2018 0.5 mln.\$ 2019 1.3 mln.\$</p>	<p>Processing of potatoes (+ 30.6%) and vegetables (+ 17.2%) underwent significant growth in 2018. Production of canned and preserved fish increased by 45.4% due to record catches of sea fish and seafood, and expansion of production capacity. Since 2007, investments in the country's seafood industry have increased almost 10 times to \$216 million.</p> <p>Globally, Russia has the eighth largest market for packaged food products with 27.5 million tons of trade volume, as well as beverages (alcoholic and soft) with a trade volume of 26 billion liters.</p> <p>In the Russian Federation, the yield increases annually. However, about 1/3 of its volume is lost. And only 15% of vegetables and 25% of fruits are processed. About 30% of processed fruits and vegetables are imported.</p>	<p><u>There is a potential market for processed foods in Russia in a few product sectors.</u> The production of the processed foods is a large industry in Russia.</p> <p>Russia has a new technology in the processed food sector and could see the <u>possibility of attracting investments in this area.</u></p>
14	Seafood	<p><u>Total import to Russia from the World</u></p> <p>2017 - 1,626 mln.\$</p>	Russia is among the ten largest fishing countries.	Export can be done only by the registered exporters under Third Country Register of the Federal Agency for the Sanitary and

		<p>2018 1,802 mln.\$ 2019 1,797 mln.\$ 2020 – May 655,7 mln.\$</p> <p>Main exporters (countries) Chile, Faroe Islands, China</p> <p><u>Import from Sri Lanka</u> 2017 - 2.4 mln.\$ 2018 - 3 mln.\$ 2019 - 3 mln.\$ 2020 – up to May 0.7 mln.\$</p>	<p>In Russia, the most consumed fish is herring, followed by mackerel, salmon, cod and pollock.</p>	<p>Phytosanitary Surveillance of the Russian Federation.</p> <p>The market that has been opened for <u>those registered exporters need to be promoted.</u></p>
15	Spices and Concentrates	<p>2017 - 107.80 US\$ Mn. 2018 - 98.18 US\$ Mn. 2019 - 100.61 US\$ Mn. 2020 – January to April - 47.51 US\$ Mn.</p> <p>Main exporters (countries) in 2019 Vietnam, China, India</p>	<p>The Russian market is not consuming a higher amount of spices for their food preparations, but when considering the country population, it has a considerable market opportunity for the spices especially in the HoReCa (Hotel, Restaurant and Café) segment.</p>	<p>As a main competitor Vietnam is benefited by the duty free market access under the Free Trade Agreement with Russia.</p> <p><u>There is a market opportunity for Sri Lankan spices in small scale.</u> The competitiveness is high with the Vietnam products.</p>