

Overseas Market Information



Russia

Market Survey Report on Hand Tools

Country Profile

Full Country Name	: Russia
Population	: 142.89 million (2006)
Capital City	: Moscow
Ethnic Groups	: Russian 79.8%, Tatar 3.8%, Ukrainian 2%, Bashkir 1.2%, Chuvash 1.1%, Chechen 0.9%, Armenian 0.8% and Others 10.3%
Currency	: 1 US Dollar = 25.65 Rubles.
Government	: The Politics of Russia (Russian Federation) take place in a framework of a federal presidential republic, whereby the President of Russia is the head of State and the Prime Minister of Russia is the head of Government.
Climate	: Ranges from steppes in the south through humid continental in much of European Russia; subarctic in Siberia to tundra climate in the polar north; winters vary from cool along Black Sea coast to frigid in Siberia; summers vary from warm in the steppes to cool along Arctic coast.

Basic Economic Facts

GDP	: Purchasing power parity - \$ 1,734 billion (2006)
GDP per head	: Purchasing power parity - \$ 12,186 (2006)
Annual GDP Growth	: 6.7% (2006)
Inflation	: 9.7% (2006)
Unemployment	: 7.6%
Major Industries	: Complete range of mining and extractive industries, All forms of machine building industries, defense industries, 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.
Major Trading Partners	: Netherlands, Germany, Ukraine, Italy, China, US, Switzerland, Turkey, Japan, Kazakhstan, and France.
Exports	: \$ 317.6 billion (2006 est.)
Exports - commodities	: Petroleum and petroleum products, natural gas, wood and wood products, metals, chemicals, and a wide variety of civilian and military manufactures.



Imports	: \$ 171.5 billion (2006 est.)
Imports - commodities	: Machinery and equipment, consumer goods, medicines, meat, sugar, semi-finished metal products.
Trade in goods	: The total Russian trade in goods in 2006 (est.) is \$ 489.1 billion, an increase of 32.18% over 2005.

Economic Overview

The Russian economy continues to perform very well. Russia ended 2006 with its eighth straight year of growth; it grew 6.7% in 2006 and by one-half since 1999. Although high oil prices and a relatively cheap ruble are important drivers of this economic rebound, since 2000 investment and consumer driven demand have played a noticeably increasing role. During this time, Poverty has fallen from 22% to 15% and the middle class has continued to expand. Russia is enjoying record trade and fiscal surpluses. Reserves stand at \$ 243 bn, and are rising at \$ 4-5 bn a month. Inflation has now fallen from 84% in 1998 to 9.7% in 2006. Russia's involvement in the international economy is deepening rapidly. FDI doubled in the first quarter of 2006. Russian companies are increasingly interested in foreign acquisitions. Russia has made good progress in WTO Negotiations. It is actively developing its international energy relations, and has made energy security a priority of its G8 Presidency. Oil, natural gas, metals, and timber account for more than 80% of exports, leaving the country to vulnerable to swings in world prices. Russia's manufacturing base is dilapidated and must be replaced or modernized if the country is to achieve broad-based economic growth. Other problems include a weak banking system, a poor business climate that discourages both domestic and foreign investors, corruption and widespread lack of trust in institutions. Markets are developing rapidly, and their dynamic growth is changing the face of Russia. They offer excellent opportunities for foreign investors. But a bureaucratic state is also growing, fuelled by a large budget surplus. This hinders the full potential of market development through inefficiency, over-regulation and corruption. Most fundamentally, Russia has made little progress in building the rule of law, the bedrock of a modern economy.

Introduction to Local Markets

Consumer driven demand has played a noticeable role for economic rebound in Russia. Oil, natural gas, metals and timber accounts for more than 80% of exports, although high oil prices and a relatively cheap ruble are important drivers of this economic rebound. In the 1980s the Soviet Union became a major world oil producer. The Western Siberian region, between the Ural Mountains and the Central Siberian Plateau became known as the "Russian Core". With the downfall of the soviet union in 1991, oil production fell sharply, but a turnaround in Russian oil output began in 1999 with the privatization of the industry, rising world prices, and effects of the 1998 financial crisis and the consequent devaluation of the ruble.

The rebound in Russian oil production has continued since 1999. In 2003 total crude production was 802 million bbl/d, an increase over last year and almost 40% higher than the 1998 level of production. In 2003 Russia was the world's second largest producer of crude oil, only behind Saudi Arabia. Prior to 2003, five companies such as Yukos, lukoil, surgutneftegaz, Tyumen oil and sibneft dominated the Russian oil industry, the companies accounted for approximately 70% of the country's oil production.

In contrast to the rest of the world, the area under forest in Russia is slowly increasing rather than decreasing. As the total forested area in Russia amounts to 1.1 billion hectares, a sizable timber industry developed in the country. Russia produces and processes more than 130 million cubic meters of timbers. About 1.4 million people work in this industry. Its annual sales volumes exceed \$ 4.5 billion, which is 2.9% of the gross domestic product (GDP) of the Russian Federation.



Up to 85% of production is geared to export. Timber industry hold fifth place as a source of income after gas, oil, and ferrous and nonferrous metals industry.

Due to the abundance of forests in Russia, there has always been a sizable production of paper, pulp, and cardboard, a large part of which has always been exported. Thus, Russian pulp and paper combines have not only survived the harsh transition period, but have also gradually started to grow.

Russia has the opportunity to expand its exports significantly while prices are high and often continue to grow. For example, natural gas, which provides 28 per cent of Russia’s export earnings, at the same time, Russia’s actual oil production increased by 11 per cent last year. In Russia, gas is the cheapest fuel. The downside of this is that Russia’s energy consumption heavily depends on gas. Consumption of coal, fuel oil and other alternative fuel types is down, and the industries that produce them are stagnating. Gazprom has more gas than any other gas company in the world, with about 17% of the world’s proven gas reserves, and over 60% of Russia’s reserves. Gazprom Group’s proven gas reserves are estimated at around 29.1 trillion m³.

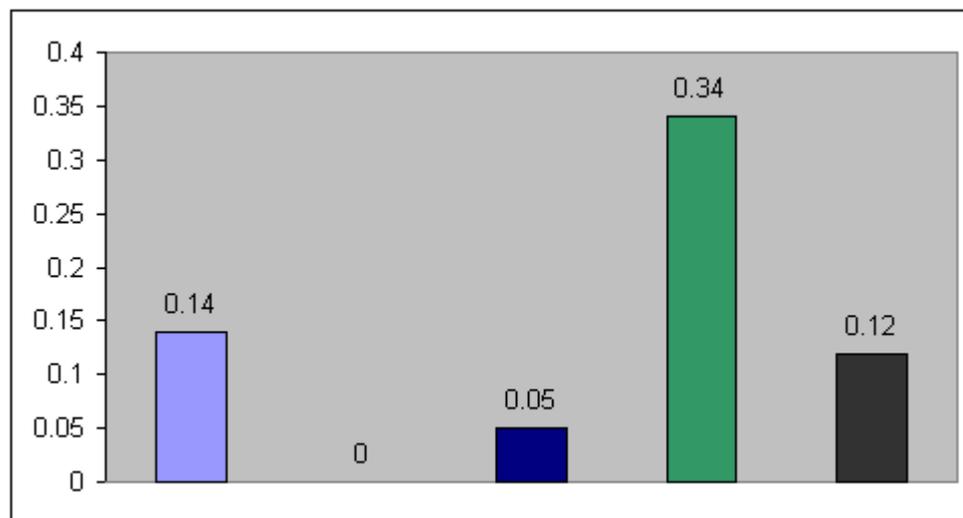
Global Imports

The exhaustive details are available on the following paid Websites : www.megaross.ru

Imports from India

(Value in US \$ million)

<i>HS Code</i>	<i>2002-2003</i>	<i>2003-2004</i>	<i>2004-2005</i>	<i>2005-2006</i>	<i>2006-2007 (Apr. - Feb.)</i>
820551 – House hold hand tool					
India	0.14	0	0.05	0.34	0.12

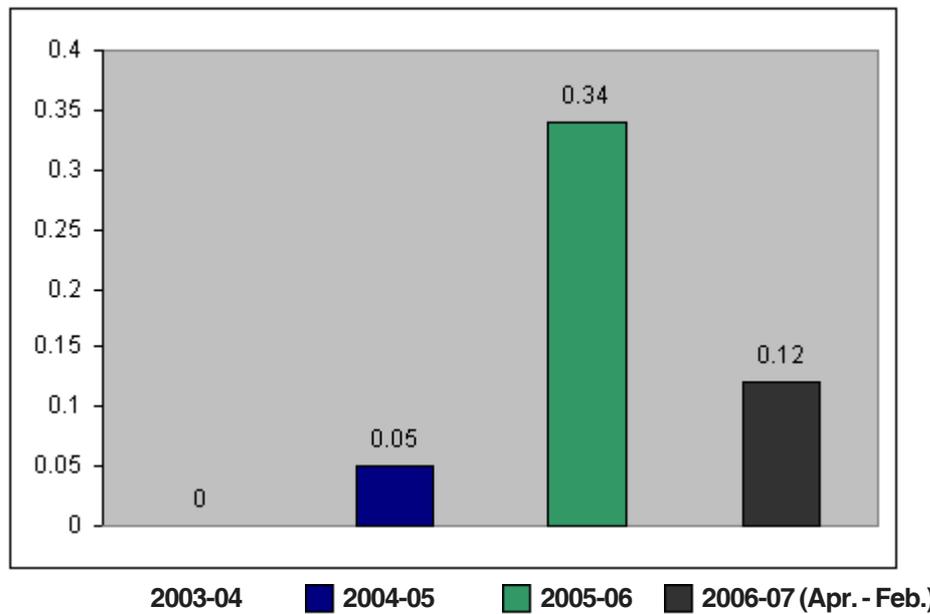


■ 2002-2003 ■ 2003-2004 ■ 2004-2005 ■ 2005-2006 ■ 2006-2007 (Apr. - Feb.)



(Value in US \$ million)

HS Code	2003-04	2004-05	2005-06	2006-07 (Apr – Feb)
82055190 – Other House hold hand tool				
India	0	0.05	0.34	0.12



Issued affecting Import from India

Language : More than 95% of the people, including top business executives and Government officials speak and understand only Russian language and they don't understand English. This is one of the main bottleneck to establish trade link with this country. The businessmen in India, if they want to focus Russia, they have to prepare all their catalogues/brochures etc. in Russian language. All business communications have to be exchanged only in Russian language.

During the visit of our businessmen, they have to engage interpreter. Engaging interpreter is little expensive for the Indian businessmen. On an average, if we require to engage technically qualified interpreter, we have to incur approximately US\$ 200 – US\$ 250 for a day of 8 hours. All follow-up communications are also to be sent only in Russian language and Indian exporters have to spend considerable amount regularly on this account.

Logistics : If we send the goods by sea, it will take more than 45 to 60 days by sea or sea-air. There are no regular sailings available to Russia and the frequency is less. Some of the exporters are sending the goods by Road from Dubai and other ports in Middle east and Europe – but it needs to be insured as the trucks are going and pass through number of places where there is no safe. Hence, an insurance charge has to be incurred extra by the exporters.

Travel : Russia is a vast country – where 40% of business houses are in Moscow and 40% business houses as in St.Petersburg and remaining 20% are spread in different parts of the country. The businessmen have to travel extensively to these places. Businessmen have to undergo little tiresome journey while traveling within Russia since flight connections are not adequate.

Measures taken by major competitors to promote exports

China is building a cooperative bilateral relationship with Russia maintaining an independent foreign policy. They both have set up a multilateral forum, which discusses regional security and economic cooperation.



Germany has a strong interest in integrating the Russian Federation into the European union and supports the process of transition in Russia. German-Russian relations have taken a dynamic and positive turn. Mutual interest is keen and bilateral cooperation is increasing as reflected by the annual intergovernmental consultations and the frequent exchange of visits on the political, economic and cultural fronts. The visa facilitation agreement limits visa charges and simplifies visa procedures, in particular for various professional sectors and participants in the exhibitions, scientific and academic exchange programmes.

Japan is actively increasing its assistance to promote Russia's reforms. Japan is an important participant in the process of Russia's accession to the WTO. Japan did not commence with bilateral meetings to discuss specific aspects of tariff reductions with Russian trade authorities until 1998. In March 1998, Japan participated in its first bilateral meetings with the Russian Government regarding Russian tariff rates and a schedule for their reduction. Japan's diplomatic relations with Russia has improved in the aftermath of two direct bilateral meetings. They both have set up a multilateral forum that discusses trade and economic issues.

Measures to be taken to promote exports

- (1) We have to closely work with leading chambers of commerce in Moscow, St. Petersburg and other areas to get suitable importers for our items. Most of these chambers are doing service on chargeable basis and they provide all assistance such as Business Centre, Interpreter, and Database etc.
- (2) Regularly we have to organize Exhibitions to show the capability of our items to this market.
- (3) All our brochures/catalogues are to be printed in Russian Language. The Government of India may formulate a separate scheme and give subsidy to the exporters to print their catalogues and to undertake publicity in Russia.

Local importers of product under reference

The exhaustive details are available on the following paid website : www.megaross.ru

Contact Details

Ministry of Economic Development and Trade

Government of the Russian Federation
Tel. : +(7)-(95)-2516965
E-mail : prescenter@economy.gov.ru
URL : www.economy.gov.ru

Ministry of Foreign Affairs

32/34 Smolenskaya-Sennaya pl., 119200, Moscow G-200
Tel. : (495) 2444119
Fax : (495) 2444112
E-mail : dip@mid.ru
URL : www.mid.ru

Ministry of Industry and Energy

Kitaygorodskiy proezd
7, Moscow, Russian Federation 109074
Tel. : (495) 710-55-00
Fax : (495) 710-57-22
E-mail : pr@mte.gov.ru, info@mte.gov.ru
URL : www.minprom.gov.ru

High Commission of India

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URL : www.india.mid.ru

Trade Promotion Organisation

Indian Trade Promotion Organisation

119330, Russia, Moscow
Lomonosovosky
Prospect, 38
Tel. : +7 (495) 147-62-15
Fax : 147-14-03

Chambers of Commerce

Arkhangelsk Chamber of Commerce

52 Troitsky Prospekt, Arkhangelsk
The Arkhangelsk 163061, Russia
Tel. : (8182)21-01-73, 21-11-58, 20-03-98
Fax : (8182)21-11-58, 20-03-98
URL : www.arhtpp.ru
E-mail : tpp@arh.ru



Camera di commercio italo-russa

Via Silvio Pellico 8 – 20121 Milano
Tel. : 02 86995240
Fax : 02 85910363
URL : www.fondazioneitaliarussia.it/CCIR?camera.php
E-mail : info.ccir@fondazione-italiarussia.it

Irkutsk East Siberian Chamber of Commerce

16 Suhe-Bator St., Irkutsk
The Irkutsk Region 454080, Russia
Tel. : (3512) 64-75-53, 66-52-18
Fax : (3512) 68-90-28
URL : www.tpp.chelreg.ru
E-mail : mail@tpp.chelreg.ru

Kaliningrad Chamber of Commerce

20 Vatutigrad St., Kaliningrad
The Kaliningrad Region 236010, Russia
Tel. : (0112) 55-58-81, 21-87-15
Fax : (0112)21-87-15
URL : www.kaliningrad-cci.ru
E-mail : kaliningrad_cci@baltnet.ru

Karelia Chamber of Commerce

4 Engels St., Petrozavodsk
the Republic of Karelia 185000, Russia
Tel. : (8142) 78-30-40
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URL : www.chamber.karelia.ru
E-mail : presstpp@rambler.ru

Komi Chamber of Commerce

30, 50 Let Oktyabrya St., Kudymkar
The Komi Permyak Autonomous area
The Perm region 617240, Russia
Tel. : (34260) 2-24-89
Fax : (34260) 2- 24-89
E-mail : arcadia@perm.raid.ru

Krasnodar region Chamber of Commerce

8, Kommunarov St., Krasnodar
The Krasnodar Region 350063, Russia
Tel. : (8612) 68-22-13
Fax : (8612) 68-22-13
URL : www.tppkuban.ru
E-mail : tppkk@tppkuban.ru

Kronstadt Chamber of Commerce

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16/2 – 189690 Kronstadt
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Moscow Chamber of Commerce

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E-mail : mtpp@mtpp.org

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E-mail : tpprf@tpprf.ru

Customs URL & E-mail

URL : www.russian-customs.org

Regional Customs Directorates

- 1. Central Customs Directorate (CTU)**
E-mail : ots-geg@mtu.customs.ru
- 2. Siberian Customs Directorate (STU)**
E-mail : stu-kl@stu.zsttk.ru
- 3. North West Customs Directorate (SZTU)**
E-mail : kontakt_sztu@mail.customs.ru
- 4. Kaliningrad Customs Administration**
E-mail : ovs@customs.kaliningrad.org
- 5. Southern Customs Directorate (JTU)**
E-mail : jtu_kontakt@mail.customs.ru
- 6. Privolzhskoe Customs Directorate (PTU)**
E-mail : ptu_contact@ptu.volga.castoms.ru
- 7. Urals Customs Directorate (UTU)**
E-mail : UTU-KS-MTS@ural.customs.ru
- 8. Far Eastern Customs Directorate (DVTU)**
E-mail : contactline_dvtu@dvtu.vladivostok.ru

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Federal State Statistics Service

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(Source : EEPC Net)