

# Russia

## March 2018

### Executive Summary

This country fact sheet provides key trade and investment related statistics for Russia. Specifically, it shows Russia's trade and investment flows including an analysis of top markets and products with South Africa and the Western Cape highlighting the largest and fastest growing products and subsectors. The key highlights in the Russian country fact sheet are provided below:

### Economy

- In 2017, Russia's GDP (PPP) was estimated at USD4trn, making Russia the world's 7<sup>th</sup> largest economy in the world.
- In 2017, Russia's GDP growth was at 1.7%, 161<sup>st</sup> largest global growth.

### Trade

- Russia was the 25<sup>th</sup> largest global importer in 2016, importing USD182bn worth of goods
- Russia was the 17<sup>th</sup> largest global exporter in 2016, exporting USD285bn worth of goods
- South Africa's was Russia 48<sup>th</sup> largest source market and 85<sup>th</sup> largest destination market
- The leading export product to Russia from South Africa in 2017, was citrus fruit valued at USD108m, followed by manganese ores (USD73m) and apples and pears (USD34m).
- The Province's exports to Russia increased dramatically by 49% in 2017 to reach USD162m from USD109m in 2016, while imported goods declined by 60% to reach USD20m in 2017. The Western Cape has consistently experienced a trade surplus with Russia.
- Russia is the Western Cape's 64<sup>th</sup> largest source market and the 15<sup>th</sup> largest destination market for global exports.

### Investment

- In the last decade (2007-2017), Russia received USD255bn worth of investment (3920 projects), far above their outward investment of USD151bn (1536 projects).
- Between January 2007 and December 2017 a total of 14 FDI projects were recorded from Russia into South Africa. These projects represent a total capital investment of USD439.90m which is an average investment of USD31.40m per project. During the period, a total of 1,427 jobs were created.
- Over the last decade 3 investment projects from Russia occurred into the Western Cape worth USD18.8m.

### Tourism

- There were 8,307 Russian arrivals into South Africa in 2016 and of these, a total of 3 429 visited the Western Cape. When compared to 2015 Russian arrivals, there was a 14% increase into South Africa and the Western Cape.

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## 1. General Information

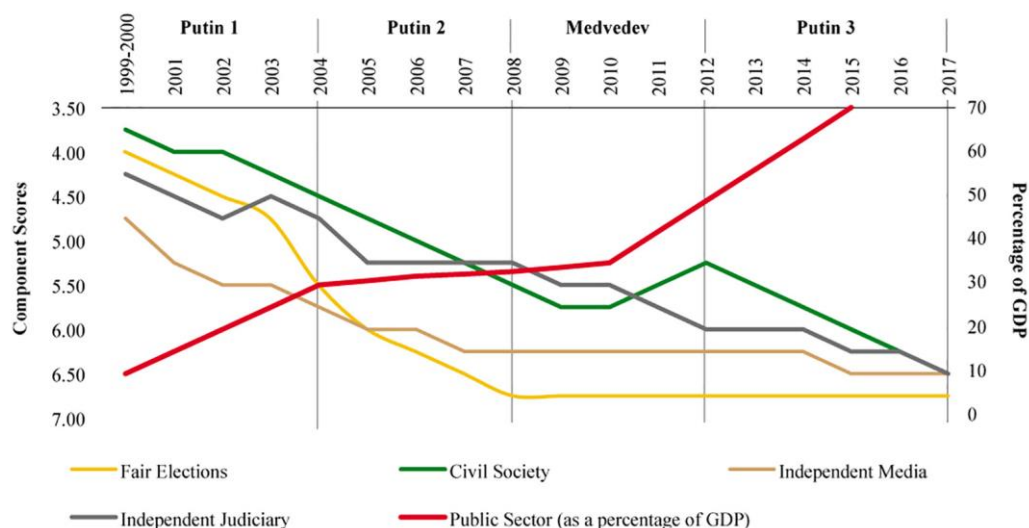
Russia is a country in northern Eurasia. Russia shares land borders with Norway, Finland, Estonia, Latvia, Lithuania, Poland, Belarus, Ukraine, Georgia, Azerbaijan, Kazakhstan, China, Mongolia, and North Korea. It is a federal semi-presidential republic. At 17,075,400km<sup>2</sup>, Russia is the largest country in the world, covering more than one-eighth of the earth's inhabited land area. Russia is also the world's 9<sup>th</sup> most populous nation with 142 million people. Russia's vastness is matched with varied market segments spread across eleven time zones. The major markets of Moscow and St. Petersburg are well served and quite competitive for new market entrants. However other large cities such as Yekaterinburg, Novosibirsk and Vladivostok may not be as developed but can move quickly on a new product/service offering.

Russia is a federation and semi-presidential republic, wherein the president is the head of state and the prime minister is the head of government. Russia is a permanent member of the United Nations Security Council, a member of the G20, the Council of Europe, the Asia-Pacific Economic Cooperation, the Shanghai Cooperation Organization, the Eurasian Economic Community, the Organization for Security and Cooperation in Europe (OSCE), and the World Trade Organization (WTO), as well as being the leading member of the Commonwealth of Independent States.

GENERAL INFORMATION	
Capital city	Moscow
Government type	Federation
Chief of State	President Vladimir Vladimirovich Putin (elections in March 2018)
Population (July 2017 est.)	142 257 519
Life expectancy	71 years
Literacy	99.7%
Ethnic groups	Russian 77.7%, Tatar 3.7%, Ukrainian 1.4%, Bashkir 1.1%, Chuvash 1%, Chechen 1%, other 10.2%, unspecified 3.9%
Religions	Russian Orthodox 15-20%, Muslim 10-15%, other Christian 2% (2006 est.)
Languages	Russian (official) 85.7%, Tatar 3.2%, Chechen 1%, other 10.1%
HDI (2017)	0.804

Source: CIA World Factbook, 2018 and World Bank Data, 2018

The graph below shows the decline of Russia's democratic institutions over time. The scores on the left axis are from the index developed by Freedom House (2017) and the red line graph measuring the public sector is the only one measured on the right axis. In 2014, Russia annexed Crimea and oil prices fell, causing foreign interest and investment to decline. In 2015, when Russia supported Syrian president foreign investment fell again, dropping 91% over the 2-year period.



## 2. Economic Overview

Russia has a market economy with enormous natural resources, particularly oil and natural gas. In 2017, Russia's GDP (PPP) was estimated at USD4trn, making Russia the world's 7<sup>th</sup> largest economy in the world. In 2017, Russia's GDP growth was at 1.8%. As for market-based considerations, Russian firms approach 2018 with cautious optimism. Stable oil prices, a less volatile ruble and a return to growth in some sectors will likely lift the Russian economy in 2018.

ECONOMIC INFORMATION	
GDP (PPP) (2017 est.)	USD4trn
GDP growth (2017 est.)	1.7%
GDP per capita (2017 est.)	USD27,900
Inflation (2014 est.)	4.2%
VAT	18%
Commercial bank prime lending rate (2017)	10.3%
Unemployment rate (2017)	5.5%
Doing Business in...(2018 ranking)	35/190

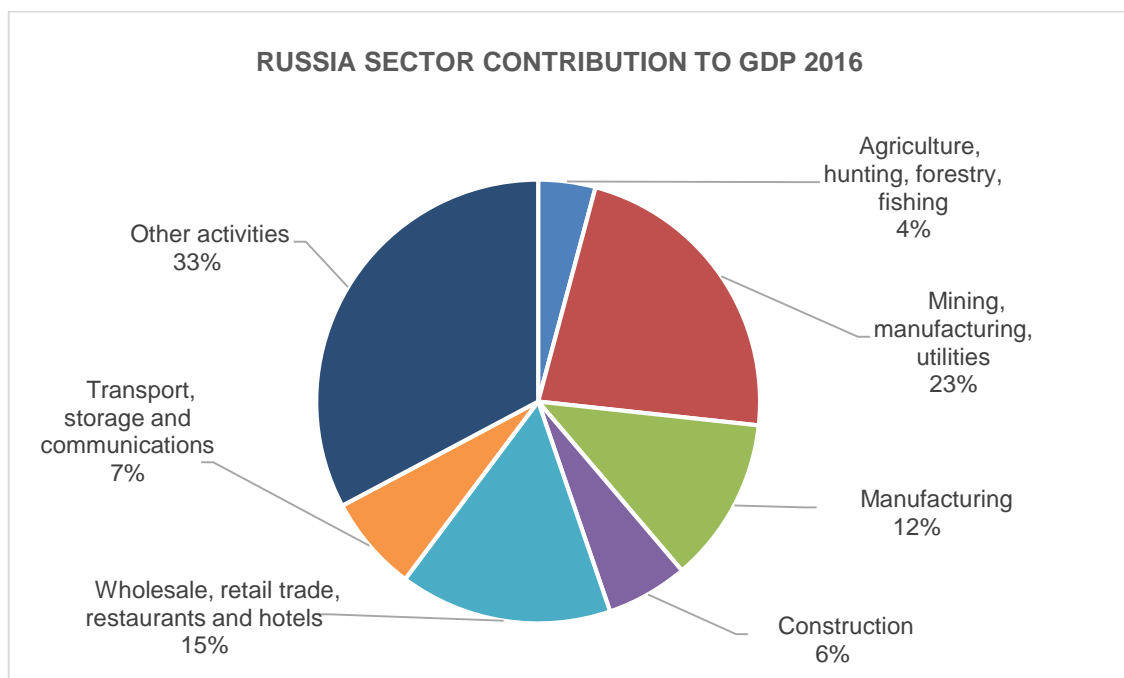
Source: CIA World Factbook, 2018; Doing Business in Russia, 2018, IMF, 2018

A combination of low oil prices, structural limitations, and sanctions pushed Russia into a recession in 2015, with the economy contracting by four percent. The Russian economy then fell by about .6 percent in 2016. The Economist estimates that structural weaknesses, low investment and fiscal tightening will keep GDP growth at about 2% a year in the medium term (Export.gov, 2018). Short-term tailwinds including increased state spending ahead of the March 2018 presidential elections and the summer 2018 World Cup will drive a modest acceleration in real GDP growth in 2018. However, as the impact of these one-off factors subsides Russia will resume a low growth trajectory (BMIResearch, 2018).



Source: BMIResearch, 2018

According to the figure below, Russia's largest sector in 2016 was mining, manufacturing and utilities with a 23% share of GDP. Wholesale, retail trade, restaurants, hotels and manufacturing were ranked second and third accounting for 15% and 12% respectively.



Source: UNCTAD, 2018

**Energy:** Russia accounted for 12.2% of global oil output, 16.2% of global gas output, and 5.2% of global coal output in 2016. Russia remained the largest exporter of oil and natural gas in the world. Russia exported 77% of produced oil, 33% of produced gas, and 55% of produced coal. Russia holds the sixth largest oil proved reserves in the world (6.4% of the total), and the second largest gas proved reserves (17.3% of the total) (BP, 2017).

**Agriculture:** In 2016 Russia became the world's biggest exporter of grains, at more than 34m tonnes. Total Russian grain production hit a record 119m tonnes. The turnaround is striking as 15 years ago Russia was a net importer of grains (Financial Times, 2017). Russia has also fully substituted imports with domestic production of

pork and chicken and become a top producer of sugar beet. While agriculture remains far below oil and gas, the sector has overtaken arms sales to become Russia's second-biggest export.

**Automobile sector:** Automotive production is a significant industry in Russia, directly employing around 600,000 people or 1% of the country's total workforce. Russia produced 1,303,989 vehicles in 2016, ranking 16th among car-producing nations in 2016, and accounting for 1.4% of the worldwide production. The main local brands are light vehicle producers AvtoVAZ and GAZ, while KamAZ is the leading heavy vehicle producer.

**IT Sector:** From 2011 to 2016, Russian software exports have more than doubled, reaching about USD7bn. At the same time, demand for IT companies' products on the domestic market has been falling. Analysts attribute it to a transformation of the Russian market, with demand shifting from hardware to services.

**Defence sector:** Russia is the world's 2<sup>nd</sup> largest conventional arms exporter after the United States. The most popular types of weaponry bought from Russia are Sukhoi and MiG fighters, air defence systems, helicopters, battle tanks, armoured personnel carriers and infantry fighting vehicles

The table below lists the top 10 Russian companies on Forbes List in 2017. Six of the top 10 are in the oil and gas sector.

TOP 10 RUSSIAN COMPANIES ON FORBES TOP 2000 COMPANIES IN THE WORLD, 2017						
FORBES RANK	COMPANY	SECTOR	SALES (USDbn)	PROFITS (USDbn)	ASSETS (USDbn)	MARKET VALUE (USDbn)
40	Gazprom	Gas	91.4	12.1	265.4	51.8
56	Sberbank	Banking Services	43	8.1	415.6	63.9
82	Rosneft	Oil	74.9	2.7	193.2	62.4
129	Lukoil	Oil	74.6	3.1	83.2	44.6
305	Surgutneftegas	Oil and Gas	13.9	7.8	60.9	18.5
397	VTB Bank	Banking Services	19.5	699	206.2	14.9
542	Novatek	Gas	8	3.8	15.8	39
586	Norilsk Nickel	Mining	8.2	2.5	16.5	24.9
658	Transneft	Banking Services Transport	12.7	3.5	45.6	4.7
673	Tatneft	Oil & Gas Operations	8.7	1.6	17.9	14.6

Source: Forbes, 2018

## 2.1 Doing Business in Russia

According to the World Bank's *Doing Business 2018* report, Russia is ranked 35<sup>th</sup> out of 190 countries in terms of the ease of doing business. Russia's strengths in terms of ease of doing business include getting electricity (10<sup>th</sup>), registering property (12<sup>th</sup>) and enforcing contracts (18<sup>th</sup>).

RUSSIA'S EASE OF DOING BUSINESS, 2018	
SELECTED INDICATORS	RANKING OUT OF 190 COUNTRIES, 2018
Starting a Business	28
Dealing with Construction Permits	115
Getting Electricity	10
Registering Property	12
Getting Credit	29
Protecting Investors	51
Paying Taxes	52
Trading Across Borders	100
Enforcing Contracts	18
Resolving Insolvency	54
<b>Doing Business 2018</b>	<b>35</b>

Source: *Doing Business*, 2018

## 2.2 Russia's Risk Ratings

The table below shows Russia's sovereign risk status and its capacity to meet financial commitments. Russia received a long-awaited upgrade to its sovereign rating from S&P Global, a move set to bolster capital inflows into its financial markets just weeks before a presidential election as it moves from below investment grade to investment grade (Reuters, 2018).

RUSSIA'S COUNTRY RATINGS				
STANDARD & POORS SOVEREIGN RATINGS			FITCH RATING	MOODY'S RATINGS
Local Currency Rating	Foreign Currency Rating	T&C Assessment	Credit Rating	Credit Rating
BBB-	BBB-	BBB-	BBB-	Ba1

Source: various, 2018

The table below shows Russia's risk assessment in terms of export transactions and direct investments. Ratings are between 1 and 7, and between A and C, with 7 and C being the maximum risk indicators. The table below shows that the political risk, commercial risk, war risk, risk of expropriation and transfer risk in Russia are all categorised as medium or high.

RUSSIA'S RISK ASSESSMENT		
EXPORT TRANSACTIONS		
Political Risks	Short Term	3
	Medium-Long term	4
	Special Transactions	3
Commercial Risk	C	
DIRECT INVESTMENTS		
War risk	4	
Risk of expropriation and government action	5	
Transfer risk	4	

Source: ONDD, 2018

### 3. Trade

#### 3.1 Russia Global Trade

In 2013 Russia experienced the highest trade value in terms of exports over the period. Russia's exports grew by 25% in 2017 to reach USD357bn from USD285.5bn, while imports increased by 24% in 2017 to reach USD227bn. Over the period analysed Russia has consistently maintained a positive trade balance.



Source: TradeMap, 2018

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China was the leading destination market for Russia with a value of USD38.92bn. Netherlands and Germany rank second and third valued at USD35.61bn and USD25.75bn respectively. The fastest growing markets between 2013 and 2017 for Russian exports were Germany (6.79% pa), Turkey (6.74% pa) and China (4.64% pa).

TOP 10 DESTINATION COUNTRIES FOR RUSSIA'S EXPORTS, 2017			
RANK	COUNTRY	VALUE 2017 (USDbn)	% GROWTH 2013-2017
1	China	38.92	4.64
2	Netherlands	35.61	-12.23
3	Germany	25.75	6.79
4	Belarus	18.42	4.34
5	Turkey	18.22	6.74
6	Italy	13.84	-13.77
7	Korea, Republic of	12.35	-1.57
8	Kazakhstan	12.32	-5.73
9	Poland	11.58	-8.89
10	United States	10.74	-0.12
85	South Africa	0.2	-7.2%
TOTAL EXPORTS		357.08	-7.10%

Source: TradeMap, 2018



China was the leading import market in 2017, valued at USD48.04bn. Germany and the United States were ranked second and third valued at USD24.23bn and USD12.66bn respectively. The fastest growing import market (2013-2017) tabulated was Kazakhstan growing by 1.71%.

TOP 10 SOURCE MARKETS FOR RUSSIA'S IMPORTS, 2017			
RANK	COUNTRY	VALUE 2017 (USDbn)	% GROWTH 2013-2017
1	China	48.04	-0.20
2	Germany	24.23	-7.11
3	United States	12.66	-4.06
4	Belarus	11.77	-1.01
5	Italy	10.11	-5.65
6	France	9.63	-0.04
7	Japan	7.76	-10.72
8	Korea, Republic of	6.93	-3.50
9	Kazakhstan	4.92	1.71
10	Ukraine	4.91	-21.28
48	South Africa	0.63	-4.33%
TOTAL EXPORTS		226.97	-5.24%

Source: TradeMap, 2018

Crude petroleum oils was the leading export product valued at USD93.31bn. Refined petroleum oils and coal were ranked second and third valued at USD58.24bn and USD13.53bn respectively. The fastest growing export products were copper (27%) and wheat and meslin (18%).

Medicaments were the leading imported product in Russia, valued at USD8.4bn, followed by telephone sets and parts and accessories of tractors were ranked second and third at USD8.39bn and USD7.94bn respectively. The fastest growing import products were machinery for plant or laboratory work (40%) and motor vehicles (6%).

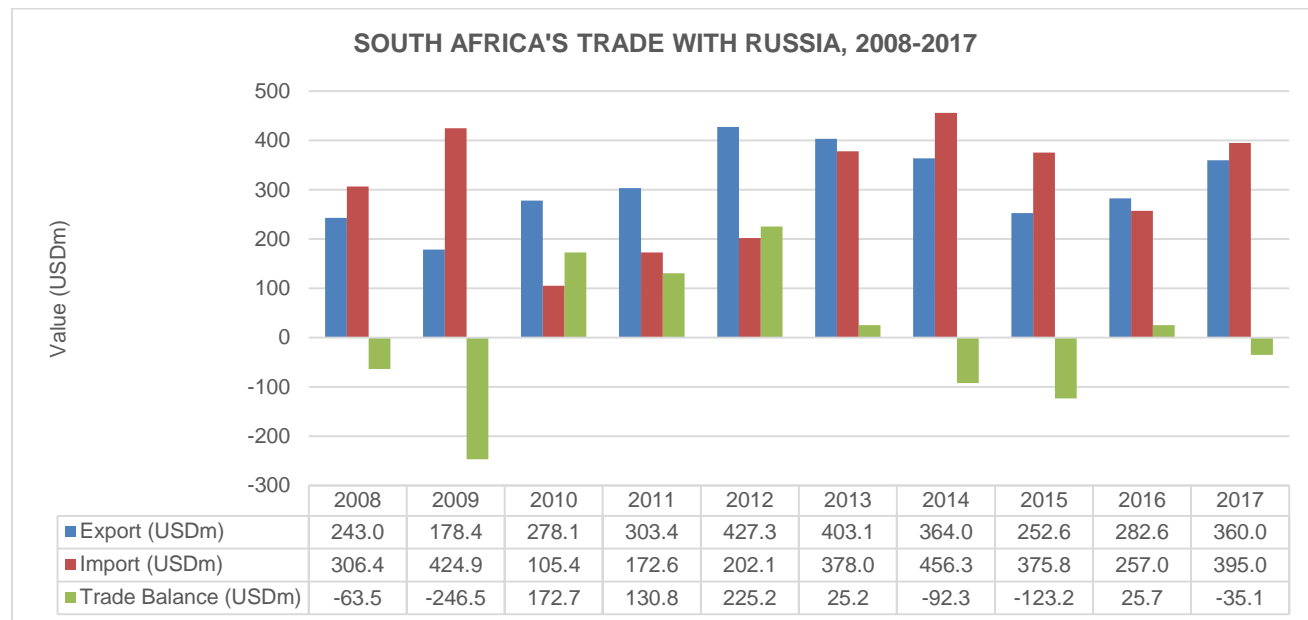
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TOP 10 PRODUCTS EXPORTED BY RUSSIA 2017				TOP 10 PRODUCTS IMPORTED BY RUSSIA, 2017			
RANK	PRODUCT	VALUE 2017 (USDbn)	% GROWTH 2013-2017	RANK	PRODUCT	VALUE 2017 (USDbn)	% GROWTH 2013-2017
1	Crude petroleum oils	93.31	-11.07	1	Medicaments	8.40	-5.70
2	Refined petroleum oils	58.24	-10.26	2	Telephone sets	8.39	3.77
3	Coal; briquettes, ovoids	13.53	6.44	3	Parts and accessories for tractors, motor vehicles	7.94	-3.66
4	Semi-finished products of iron or non-alloy steel	6.03	0.87	4	Machinery, plant or laboratory equipment	6.95	39.95
5	Wheat and meslin	5.79	18.16	5	Motor cars and other motor vehicles	6.70	-17.32
6	Unwrought aluminium	5.46	-1.76	6	Automatic data-processing machines and units thereof	5.10	2.98
7	Petroleum gas and other gaseous hydrocarbons	4.72	-28.87	7	Motor vehicles for the transport of goods	2.00	5.97
8	Diamonds	4.70	0.23	8	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks	1.82	-4.27
9	Wood sawn or chipped lengthwise, sliced or peeled	3.99	3.36	9	Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses	1.78	-2.96
10	Copper, refined, and copper alloys, unwrought	3.65	27.16	10	Machines and mechanical appliances having individual functions	1.74	-7.80
TOTAL EXPORTS		357.08	-7.10	TOTAL IMPORTS		226.97	-5.24

Source: TradeMap, 2018

### 3.2 Trade with South Africa

South Africa's exports to Russia increased by 27% in 2017 to reach USD360m, while imports increased by 54% to reach USD395m. South Africa had a trade surplus with Russia from 2010-2013, driven by the export of motor vehicles for the transport of goods and engines.



Source: Quantec, 2018

The leading export product to Russia from South Africa in 2017, was citrus fruit valued at USD108m, followed by manganese ores (USD73m) and apples and pears (USD34m). It is evident from the basket of goods shown that Russia has an appetite for South African agricultural products as well as agribusiness, machinery and manufactured metals.

The leading import product into South Africa from Russia was copper wire valued at USD102m, followed by wheat and meslin (USD98m).

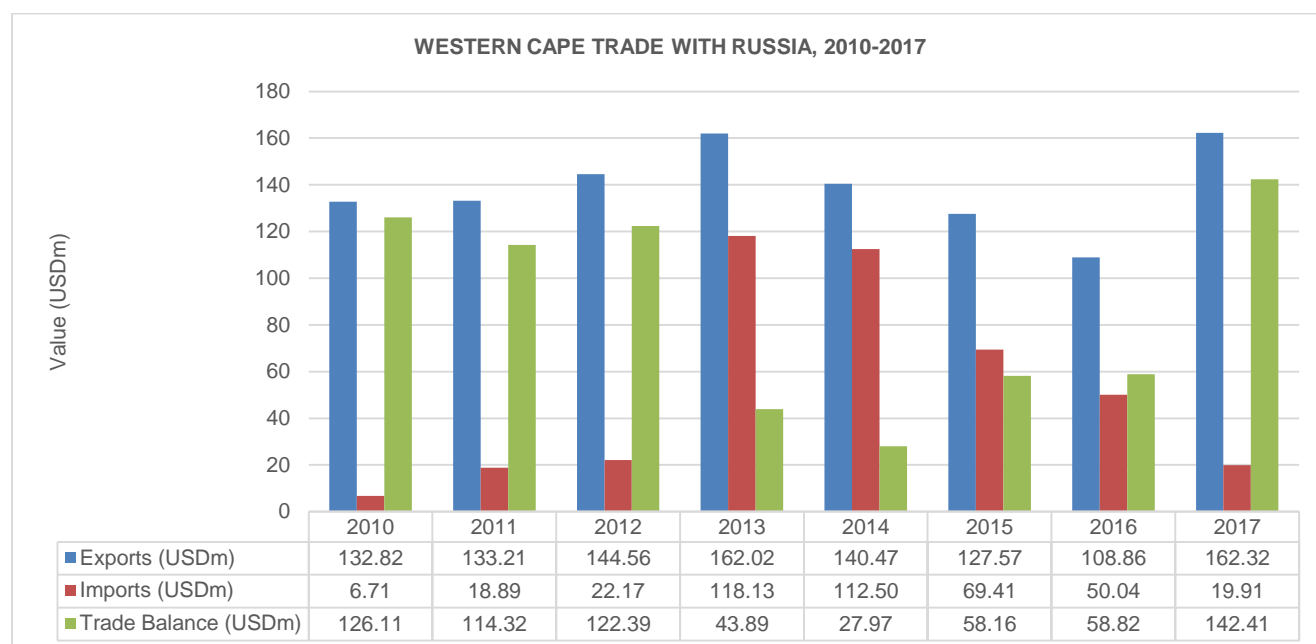
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SOUTH AFRICA'S EXPORTS TO RUSSIA, 2017				SOUTH AFRICA'S IMPORTS FROM RUSSIA, 2017			
RANK	PRODUCT	VALUE 2017 (USDm)	% GROWTH 2013-2017	RANK	PRODUCT	VALUE 2017 (USDm)	% GROWTH 2013-2017
1	Citrus fruit	107.66	47.28	1	Copper wire	102.07	136.33
2	Manganese ores and concentrates	72.98	58.78	2	Wheat and meslin	97.89	86.59
3	Apples, pears and quinces	34.22	48.66	3	Mineral or chemical fertilisers	70.74	221.92
4	Flat-rolled products of stainless steel, of a width of >= 600 mm	33.45	-28.73	4	Coke and semi-coke of coal, of lignite or of peat	13.27	-
5	Wine	21.89	17.90	5	Synthetic rubber and factice derived from oils	11.62	-5.42
6	Grapes	17.23	69.41	6	Ferro-alloys	10.85	68.33
7	Chromium ores and concentrates	13.10	270.64	7	Mineral or chemical nitrogenous fertilisers	8.89	-15.29
8	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes,	10.64	20.26	8	Chemical wood pulp, soda or sulphate	7.93	-
9	Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading	10.35	60.46	9	Coal; briquettes, ovoids and similar solid	7.46	-
10	Apricots, cherries, peaches incl. nectarines, plums and sloes, fresh	4.37	138.98	10	Uncoated kraft paper and paperboard, in rolls of a width > 36 cm	4.76	48.89
TOTAL EXPORTS		359.98	27.37	TOTAL IMPORTS		395.04	6.30

Source: Trademap, 2018

### 3.3 Western Cape Trade with Russia

The Province's exports to Russia increased dramatically by 49% in 2017 to reach USD162m from USD109m in 2016, while imported goods declined by 60% to reach USD20m in 2017. The Western Cape has consistently experienced a trade surplus with Russia with the largest trade surplus in 2017 of USD142m.



Source: Quantec, 2018

The leading export product to Russia from the Western Cape was fresh or dried citrus fruit, valued at USD73m, followed by apples, pears and quinces (USD31m). It is evident from the basket of goods shown that Russia has an appetite for Western Cape agricultural products. The leading import product into the Western Cape from Russia was wheat and meslin (USD10m) followed by coal; briquettes and ovoids (USD4m).

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WESTERN CAPE'S EXPORTS TO RUSSIA, 2017			WESTERN CAPE'S IMPORTS FROM RUSSIA, 2017		
RANK	PRODUCT	VALUE 2017 (USDm)	RANK	PRODUCT	VALUE 2017 (USDm)
1	Citrus fruit, fresh or dried.	72.83	1	Wheat and meslin	9.92
2	Apples, pears and quinces, fresh.	30.56	2	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	4.43
3	Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09.	21.41	3	Harvesting or threshing machinery	1.95
4	Grapes, fresh or dried.	16.14	4	Electric (including electrically heated gas), laser or other light or photon beam, ultrasonic, electron beam	0.88
5	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes,	10.63	5	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	0.74
6	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh.	4.17	6	Chromium oxides and hydroxides	0.47
7	Other fruit, fresh.	1.34	7	Plywood, veneered panels and similar laminated wood	0.29
8	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried.	1.01	8	Synthetic filament yarn (excluding sewing thread), not put up for retail sale	0.24
9	Fruit, nuts and other edible parts of plants	0.89	9	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices	0.13
10	Other nuts, fresh or dried, whether or not shelled or peeled.	0.76	10	Tubes, pipes and hoses, and fittings therefor (for example, joints, elbows, flanges), of plastics	0.12
<b>TOTAL EXPORTS</b>		<b>162.32</b>	<b>TOTAL IMPORTS</b>		<b>19.91</b>

Source: Quantec, 2018

### 3.4 Trade Regulations Markings and Standards

Russia has a number of requirements regarding trade regulations and standards that sellers of products must adhere to. Below are a few selected requirements that must be adhered to.

#### 3.5.1 Labelling and Marking Requirements

**Labels on food items** must feature the following general information in the Russian language:

- Type and name of the product;
- Legal address of the producer;
- Weight/volume of the product (if item is preserved in liquid, weight without liquidmass);
- Food contents (name of basic ingredients/additives listed by weight in decreasing order);
- Nutritional value (calories, vitamins if their content is significant or if product is intended for children, for medical, or for dietary use);
- Conditions of storage;
- Expiration date (or production date and period of storage);
- Directions for preparation of semi-finished goods or children's foodstuffs;
- Warning information with regard to any restrictions and side effects;
- Terms and conditions of use.

**Labels on non-food items** must include the following general information:

- Name of the product;
- Country of origin and name of manufacturer;
- Usage instructions;
- Main characteristics,
- Rules and conditions for effective and safe use of product;
- Any other information determined by the state regulation body.

It is advisable to place the rostest mark on the label for products that have appropriate rostest and sanitary-epidemiological certificates. These rules are applicable to both food and non-food items.

The import and export of goods in Russia is carried out in accordance with the Federal Law on "Government Regulation of International Trade Activities" of 2003, which stipulates the application of quotas, licenses and other temporary restrictions on such operations. Import licenses are issued by the Russian Ministry of Industry and Trade or its regional branches, and controlled by the Federal Customs Service.

### 3.5 Tariffs

Tariffs imposed on South African exports to Russia for 2016 are listed below. These tariffs are listed by the importing country i.e. Russia.

TARIFFS IMPOSED ON SOUTH AFRICAN IMPORTS BY RUSSIA, 2016					
HS CODE AND PRODUCT DESCRIPTION	TARIFF (%)	HS CODE AND PRODUCT DESCRIPTION	TARIFF (%)	HS CODE AND PRODUCT DESCRIPTION	TARIFF (%)
H01: Live animals	0	H33: Essential oils, perfumes, cosmetics, toiletries	11	H65: Headgear and parts thereof	24
H02: Meat and edible meat offal	25	H34: Soaps, lubricants, waxes, candles, modelling pastes	16	H66: Umbrellas, walking-sticks, seat-sticks, whips	29
H03: Fish, crustaceans, molluscs, aquatic invertebrates	4	H35: Albuminoids, modified starches, glues, enzymes	0	H67: Bird skin, feathers, artificial flowers, human hair	15
H04: Dairy products, eggs, honey, edible animal product	6	H36: Explosives, pyrotechnics, matches, pyrophorics	2	H68: Stone, plaster, cement, asbestos, mica, articles	6
H05: Products of animal origin	0	H37: Photographic or cinematographic goods	4	H69: Ceramic products	13
H06: Live trees, plants, bulbs, roots, cut flowers	7	H38: Miscellaneous chemical products	2	H70: Glass and glassware	9
H07: Edible vegetables and certain roots and tubers	11	H39: Plastics and articles thereof	5	H71: Pearls, precious stones, metals, coin	1
H08: Edible fruit, nuts, peel of citrus fruit, melons	4	H40: Rubber and articles thereof	16	H72: Iron and steel	7
H09: Coffee, tea, mate and spices	3	H41: Raw hides and skins (other than furskins) and leather	5	H73: Articles of iron or steel	9
H10: Cereals	12	H42: Articles of leather, animal gut, harness, travel goods	29	H74: Copper and articles thereof	1
H11: Milling products, malt, starches, inulin, wheat gluten	11	H43: Furskins and artificial fur, manufactures thereof	19	H75: Nickel and articles thereof	0
H12: Oil seed, oleagious fruits, grain, seed, fruit,	5	H44: Wood and articles of wood, wood charcoal	7	H76: Aluminium and articles thereof	5
H13: Lac, gums, resins, vegetable saps and extracts	5	H45: Cork and articles of cork	0	H78: Lead and articles thereof	0
H14: Vegetable plaiting materials, vegetable products	7	H46: Manufactures of plaiting material, basketwork, etc.	20	H79: Zinc and articles thereof	0
H15: Animal, vegetable fats and oils, cleavage products,	9	H47: Pulp of wood, fibrous cellulosic material, waste	0	H80: Tin and articles thereof	0
H16: Meat, fish and seafood food preparations	13	H48: Paper & paperboard, articles of pulp, paper and board	5	H81: Other base metals, cermets, articles thereof	0
H17: Sugars and sugar confectionery	11	H49: Printed books, newspapers, pictures	3	H82: Tools, implements, cutlery, of base metal	9
H18: Cocoa and cocoa preparations	8	H50: Silk	0	H83: Miscellaneous articles of base metal	12
H19: Cereal, flour, starch, milk preparations and products	26	H51: Wool, animal hair, horsehair yarn and fabric thereof	6	H84: Nuclear reactors, boilers, machinery	2
H20: Vegetable, fruit, nut food preparations	20	H52: Cotton	16	H85: Electrical, electronic equipment	4
H21: Miscellaneous edible preparations	10	H53: Vegetable textile fibres paper yarn, woven fabric	4	H86: Railway, tramway locomotives, rolling stock, equipment	0
H22: Beverages, spirits and vinegar	9	H54: Manmade filaments	16	H87: Vehicles other than railway, tramway	16
H23: Residues, wastes of food industry, animal fodder	7	H55: Manmade staple fibres	14	H88: Aircraft, spacecraft, and parts thereof	2
H24: Tobacco and manufactured tobacco substitutes	100	H56: Wadding, felt, nonwovens, yarns, twine, cordage	15	H89: Ships, boats and other floating structures	0
H25: Salt, sulphur, earth, stone, plaster, lime and cement	0	H57: Carpets and other textile floor coverings	23	H90: Optical, photo, technical, medical apparatus	0
H26: Ores, slag and ash	0	H58: Special woven or tufted fabric, lace, tapestry	16	H91: Clocks and watches and parts thereof	0
H27: Mineral fuels, oils, distillation products,	1	H59: Impregnated, coated or laminated textile fabric	8	H92: Musical instruments, parts and accessories	14

TARIFFS IMPOSED ON SOUTH AFRICAN IMPORTS BY RUSSIA, 2016					
HS CODE AND PRODUCT DESCRIPTION	TARIFF (%)	HS CODE AND PRODUCT DESCRIPTION	TARIFF (%)	HS CODE AND PRODUCT DESCRIPTION	TARIFF (%)
H28: Inorganic chemicals, precious metal compound, isotopes	1	H60: Knitted or crocheted fabric	19	H93: Arms and ammunition, parts and accessories thereof	24
H29: Organic chemicals	1	H61: Articles of apparel, accessories, knit or crochet	42	H94: Furniture, lighting, signs, prefabricated buildings	29
H30: Pharmaceutical products	0	H62: Articles of apparel, accessories, not knit or crochet	43	H95: Toys, games, sports requisites	4
H31: Fertilizers	0	H63: Other made textile articles, sets, worn clothing	72	H96: Miscellaneous manufactured articles	12
H32: Tanning, dyeing extracts, tannins, derivatives, pigments	3	H64: Footwear, gaiters and the like, parts thereof	28	H97: Works of art, collectors pieces and antiques	0

Source: Market Access Map, 2018

NOTE: Exporters should not take the HS2 tariff as conclusive and as the actual tariff that will be applied to the exported product. The tariffs indicated above are average tariffs and for products within the category it may be higher or lower than indicated. Where the tariff is zero it can be assumed that there is zero tariff applicable to all products within that HS code. Tariffs are determined according to the importing country's national tariff line from the HS6 level and upwards. Exporters are advised to visit [www.macmap.org](http://www.macmap.org) to determine the exact tariff applicable to the product at HS6.

### 3.6. Port-to-Port Rates

The table below shows the distance and time it takes goods to travel from Cape Town Port terminal to Russia's main sea ports. The Baltic Basin area is economically developed and the most populous catchment area, mainly because it has the highest concentration of population in Russia and its close proximity to key transshipment hubs. The Far East Basin is usually the fastest route for transportation of containers from Asia to Moscow. The Black Sea Basin offers close proximity to major cities of central Russia.

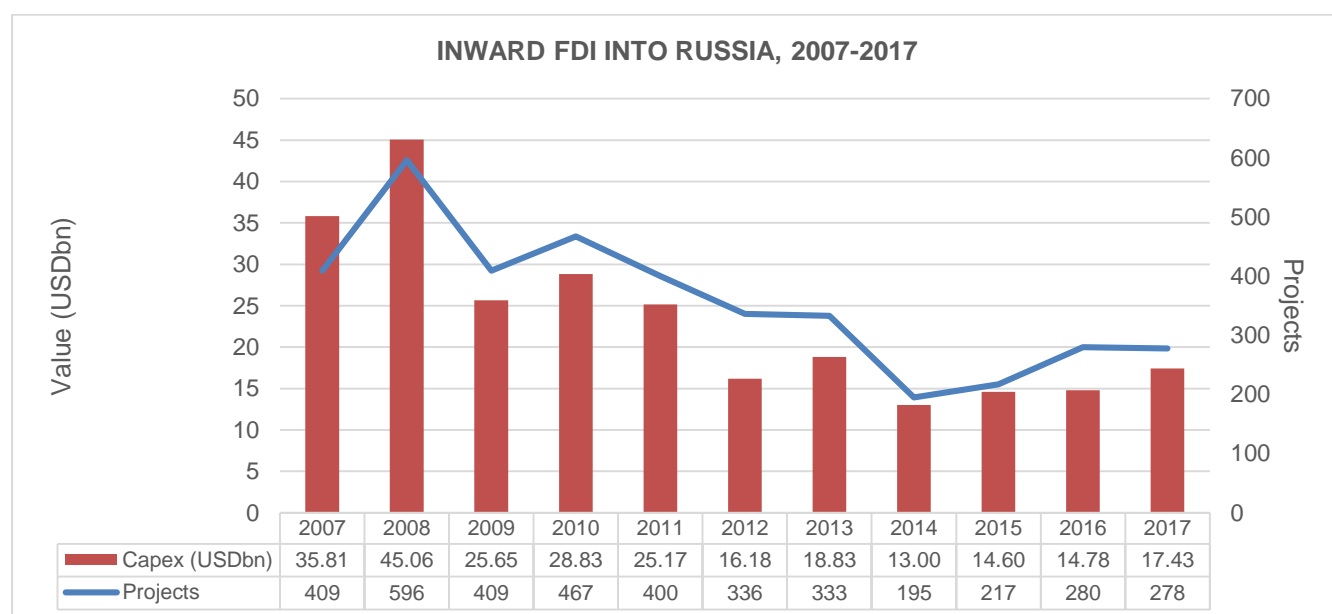
CAPE TOWN PORT TERMINAL TO SELECTED RUSSIAN PORTS			
RUSSIA PORTS	LOCATION	DISTANCE	TRANSIT TIME
Novorossiysk Terminal	Black Sea and Sea of Azov	7674.56 mi (12351.01 km)	19 days 20 hours
Rostov-on-bon	Black Sea and Sea of Azov	7850.88 mi (12634.77 km)	20 days 7 hours
Kaliningrad	Baltic Sea	7825.13 mi (12593.33 km)	20 days 5 hours
Saint Petersburg	Baltic Sea	8279.16 mi (13324.01 km)	21 days 9 hours
Arkhangelsk Terminal	White Sea, Barents Sea, and other seas of Arctic Ocean	9359.69 mi (15062.96 km)	24 days 4 hours
Murmansk	White Sea, Barents Sea, and other seas of Arctic Ocean	8867.95 mi (14271.59 km)	22 days 22 hours
Kholmsk	Seas of Pacific Ocean	10203.72 mi (16421.30 km)	26 days 9 hours
Magadan	Seas of Pacific Ocean	11135.76 mi (17921.27 km)	28 days 19 hours
Vanino	Seas of Pacific Ocean	10278.23 mi (16541.21 km)	26 days 13 hours

Source: Sea-Rates, 2018

## 4. Investment

### 4.1 Global Investment into Russia

Between 2007 and 2017 a total of 3,920 FDI projects were recorded into Russia. These projects represent a total capital investment of USD255bn which is an average investment of USD65.1m per project. During the period, a total of 1 million jobs were created.



Source: FDI Intelligence, 2018

Germany was the largest source market for inward FDI into Russia in terms of projects, with 568 investment projects, accounting for 15%. The United States and France ranked second and third accounting for 13.3% and 8.1% respectively.

TOP 10 SOURCE MARKETS FOR FDI INTO RUSSIA, 2007-2017					
RANK	COUNTRY	PROJECTS	% PROJECTS	CAPEX (USDm)	% CAPEX
1	Germany	568	14.5	34019.8	13.3
2	United States	522	13.3	23667.4	9.3
3	France	316	8.1	19145.7	7.5
4	UK	252	6.4	14263	5.6
5	Japan	205	5.2	12391	4.9
6	Italy	193	4.9	12532.1	4.9
7	Spain	175	4.5	4041.5	1.6
8	China	157	4.0	21763.8	8.5
9	Finland	153	3.9	11756	4.6
10	Sweden	145	3.7	9852.8	3.9
<b>Total</b>		<b>3920</b>	<b>100%</b>	<b>255351.2</b>	<b>100%</b>

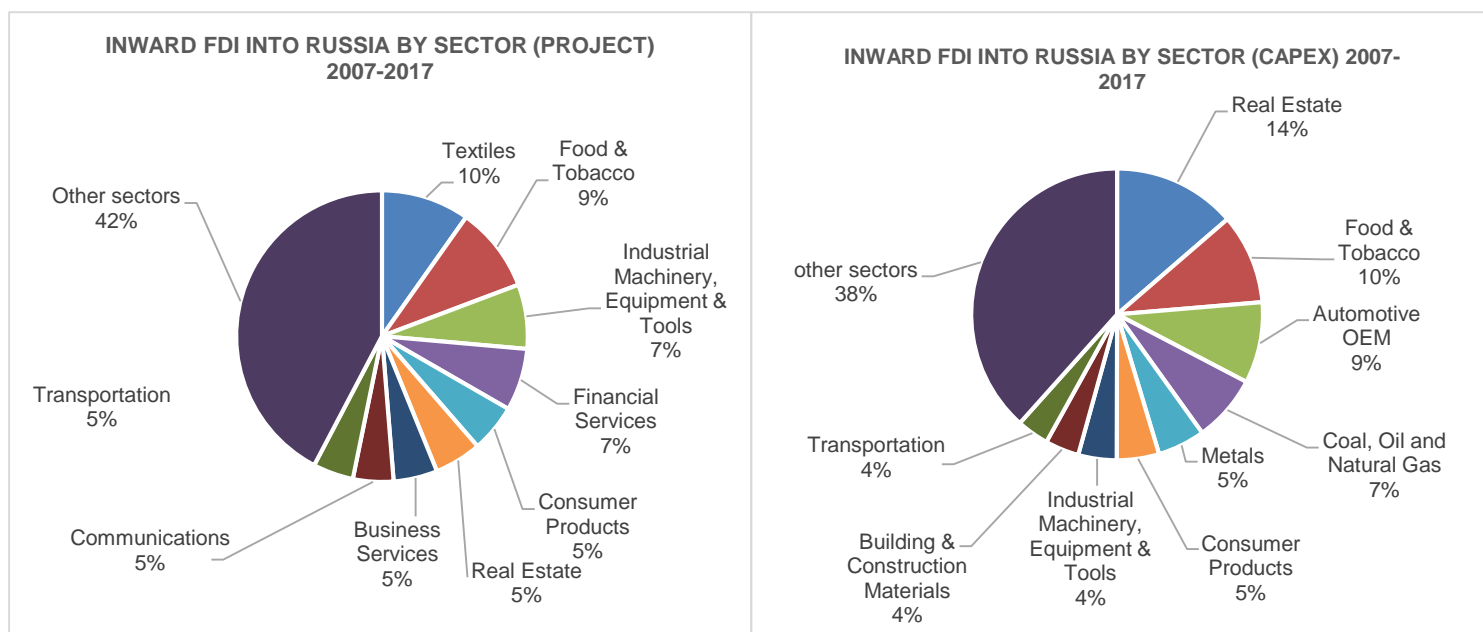
Source: FDI Intelligence, 2018

The figures below show global inward FDI into Russia by sectors, for 2007 to 2017 by number of projects and CAPEX. In terms of FDI projects, most projects were in the following sectors:

- Textiles accounting for 9.8% share of projects.
- Food and tobacco accounting for 9.5% of projects,
- Industrial machinery, equipment and tools (7.1%)

In terms of sector classification of FDI by CAPEX, most FDI went to the following sectors:

- Real estate accounting for 14% of CAPEX,
- Food & tobacco, 10% and
- Automotive OEM accounting for 9% share of CAPEX



Source: FDI Intelligence, 2018

The top 10 global companies investing into Russia by projects from 2007 to 2017 are shown below.

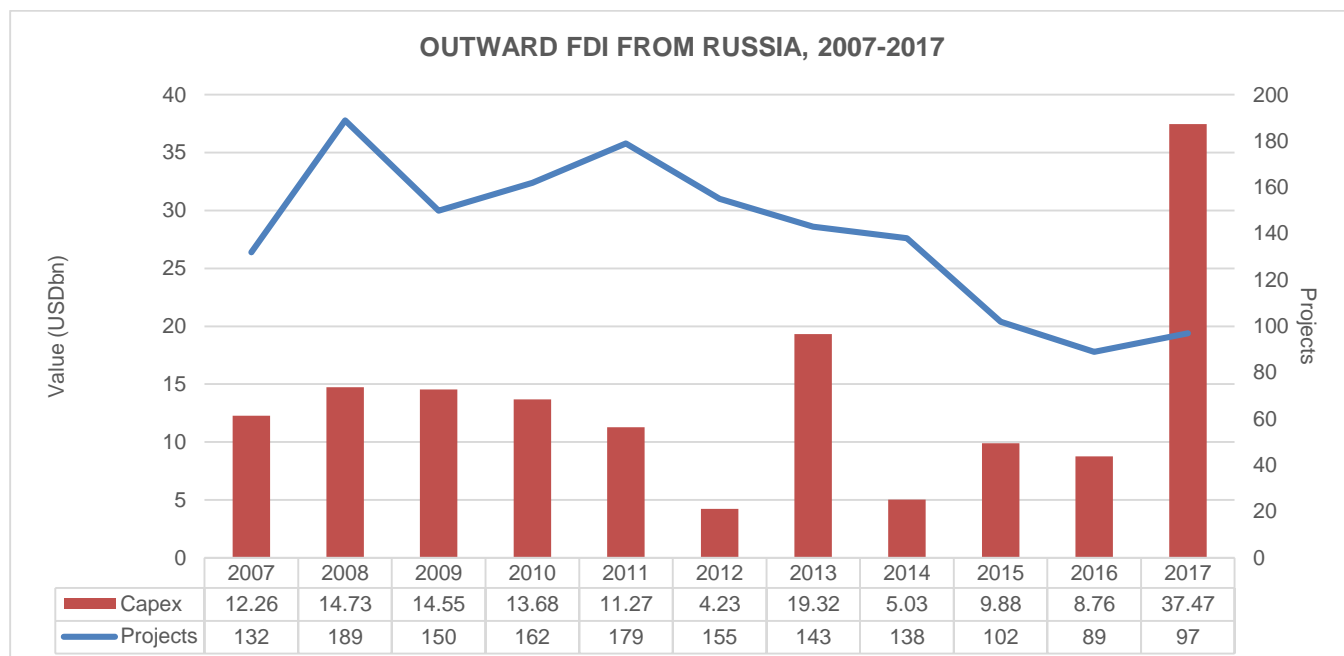
COMPANIES INVESTING INTO RUSSIA, 2007-2017				
RANK	INVESTING COMPANY	SECTORS	PROJECTS	CAPEX (USDm)
1	Inditex	Textiles	76	819.1
2	Auchan Group (Mulliez Group)	Textiles	64	3 921.5
3	Metro	Food & Beverages	57	1 812.7
4	Tele2	Communications	31	835.4
5	Enforta BV	Communications	27	221.7
6	IKEA	Consumer Products	23	3 223.7
7	PrivatBank	Financial Services	22	154.4
8	Allianz Group	Financial Services	20	317.8
9	Hennes & Mauritz (H&M)	Retail	19	189.2
10	OKey (Dorinda Holding)	Food & Tobacco	19	571.0
Total			358	12 066.5

Source: FDI Intelligence, 2018



## 4.2 Global Investment from Russia

Between 2007 and 2017 a total of 1,536 FDI projects were recorded from Russia. These projects represent a total capital investment of USD151.17bn which is an average investment of USD98.4m per project. During the period, a total of 210 230 jobs were created. CAPEX investment spiked in 2017 due to a large nuclear investment into Egypt by Rosatom worth USD30bn.



Source: FDI Intelligence, 2018

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Germany was the largest destination market in terms of projects for FDI from Russia, with 107 investment projects, accounting for 7%. The Ukraine and the United States are ranked second and third accounting for 5.3% each.

TOP 10 DESTINATION MARKETS FOR FDI OUT OF RUSSIA, 2007-2017					
RANK	COUNTRY	PROJECTS	% PROJECTS	CAPEX (USDm)	% CAPEX
1	Germany	107	7.0	4 356.4	2.9
2	Ukraine	82	5.3	2 808.4	1.9
3	United States	82	5.3	3 746.5	2.5
4	China	65	4.2	3 668.3	2.4
5	Armenia	60	3.9	1 729.2	1.1
6	Kazakhstan	57	3.7	4 006.5	2.7
7	UK	50	3.3	2 011.1	1.3
8	India	49	3.2	3 240.3	2.1
9	Belarus	48	3.1	1 484.3	1.0
10	Azerbaijan	46	3.0	1 809.2	1.2
TOTAL		1 536	100.0	151 174.5	100.0

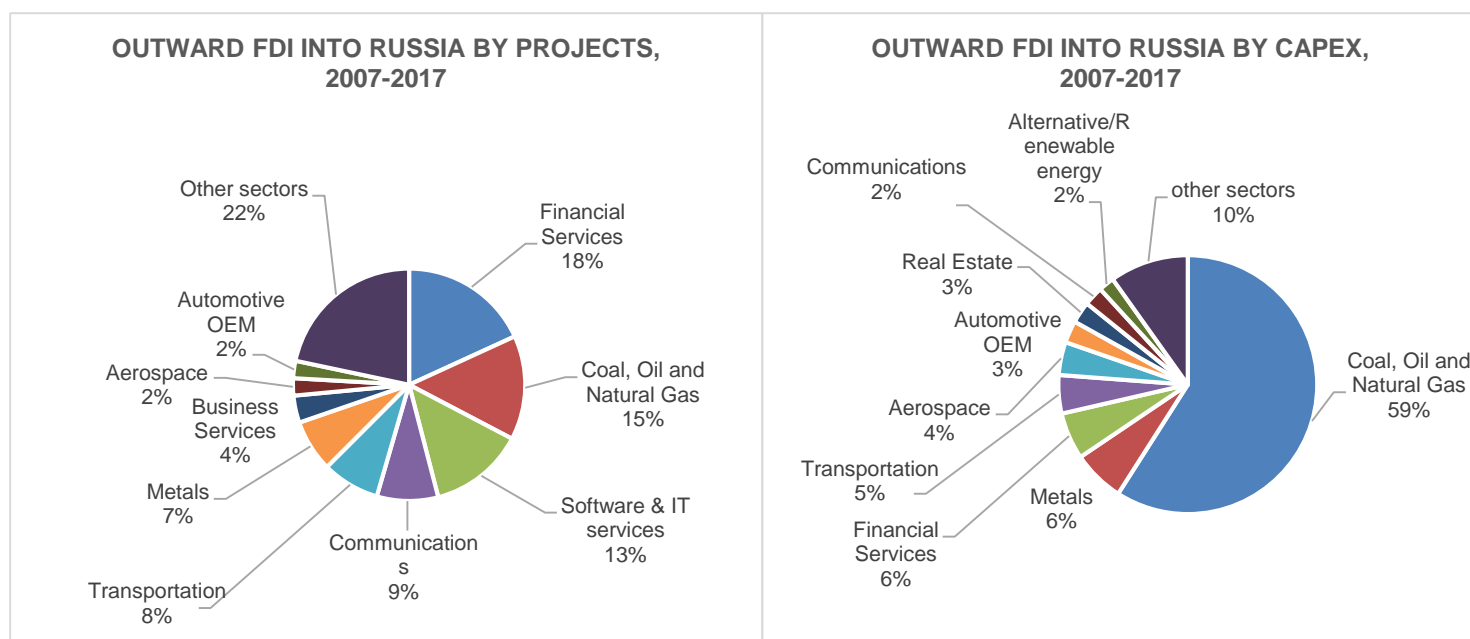
Source: FDI Intelligence, 2018

The figures below show global outward FDI from Russia by sector, for 2007 to 2017 by number of projects and CAPEX. In terms of FDI projects, most projects were in the following sectors:

- Financial services accounting for 18% of projects,
- Coal, oil and natural gas accounting for 15% share of projects, and
- Software and IT services accounting for 13% share of projects.

In terms of sector classification of FDI by CAPEX, most FDI went to the following sectors:

- Coal, oil and natural gas accounting for 59% share of projects,
- Metals accounting for 6% share of CAPEX; and
- Financial Services 6%.



Source: FDI Intelligence, 2018

The top 10 global companies investing from Russia by projects from 2007 to 2017 are shown below.

COMPANIES INVESTING FROM RUSSIA, 2007-2017				
RANK	INVESTING COMPANY	SECTOR	PROJECTS	CAPEX (USDm)
1	Gazprom	Coal, Oil and Natural Gas	51	6 984.2
2	Kaspersky Lab	Software & IT services	45	511.0
3	Lukoil	Coal, Oil and Natural Gas	34	10 683.0
4	Luxoft	Software & IT	24	393.7
5	Gefco	Logistics	22	907.9
6	Softline Company	Software & IT services	22	221.0
7	Kamaz	Automotive OEM	19	2 256.9
8	Naftna Industrija Srbije (NIS)	Coal, Oil and Natural Gas	16	1 713.7
9	Snoras	Financial Services	16	518.7
10	Rosneft	Coal, Oil and Natural Gas	15	35 766.7

Source: FDI Intelligence, 2018

## 4.3 Investment Relations between South Africa and Russia

### 4.3.1 Russia FDI to South Africa

Over the last decade (2007-2017), a total of 14 FDI projects were recorded from Russia into South Africa. These projects represent a total capital investment of USD439.90m which is an average investment of USD31.40m per project. During the period, a total of 1,427 jobs were created.

Three companies invested USD18.8m into the Western Cape from Russia. Two of these three investments were in business services. Renaissance Capital, a subsidiary of Russia-based Renaissance Group opened a new office in Cape Town in 2015. The office houses a new team of traders and research analysts. Zagrastroy and TMK were the other two investing companies.

RUSSIA FDI TO SOUTH AFRICA, 2007- 2017							
DATE	INVESTING COMPANY	DESTINATION STATE	INDUSTRY SECTOR	SUB-SECTOR	INDUSTRY ACTIVITY	CAPEX (USDm)	JOBS
Jul 2017	Grand Capital	Gauteng	Financial Services	Corporate & investment banking	Business Services	11	21
Sep 2016	Grand Capital	Mpumalanga	Financial Services	Corporate & investment banking	Business Services	11	21
Dec 2015	Renaissance Capital	Western Cape	Financial Services	Corporate & investment banking	Business Services	11	21
Apr 2014	Gazprombank	Gauteng	Financial Services	Corporate & investment banking	Business Services	11.6	27
Mar 2013	Russian Helicopters	Gauteng	Aerospace	Aircraft	Maintenance & Servicing	18.1	142
Feb 2013	Gefco	Gauteng	Transportation	Freight/Distribution Services	Sales, Marketing & Support	3.6	13
Dec 2012	Gefco	Gauteng	Transportation	Freight/Distribution Services	Sales, Marketing & Support	4.7	17
Jul 2012	Rusatom Overseas	Gauteng	Coal, Oil and Natural Gas	Nuclear electric power generation	Sales, Marketing & Support	22.2	54
Jul 2011	Zagrastroy	Western Cape	Business Services	Architectural, engineering, & related services	Business Services	5.0	50
Jun 2010	Pipe Metallurgical Company (TMK)	Western Cape	Metals	Steel products	Sales, Marketing & Support	2.8	9
Feb 2010	Renaissance Capital	Gauteng	Financial Services	Corporate & investment banking	Business Services	11	21
Nov 2009	Kaspersky Lab	Gauteng	Software & IT services	Software publishers, except video games	Sales, Marketing & Support	2.2	10
Dec 2008	Kaspersky Lab	Not Specified	Software & IT services	Software publishers, except video games	Sales, Marketing & Support	5.8	9
Aug 2007	Norilsk Nickel	Not Specified	Metals	Copper, nickel, lead, & zinc mining	Extraction	319.9	1012
<b>TOTAL</b>						<b>439.9</b>	<b>1427</b>

Source: FDI Intelligence, 2018

### 4.3.2 South African FDI to Russia

Between January 2007 and December 2017 a total of 6 FDI projects were recorded from South Africa to Russia. These projects represent a total capital investment of USD877.70m which is an average investment of USD146.30m per project. During the period, a total of 3,929 jobs were created.

SOUTH AFRICA FDI TO RUSSIA, 2007-2017							
DATE	INVESTING COMPANY	SOURCE STATE	INDUSTRY SECTOR	SUB-SECTOR	INDUSTRY ACTIVITY	CAPEX (USDm)	JOBS
Nov-07	Mondi Group	Gauteng	Paper, Printing & Packaging	Pulp, paper, & paperboard	Manufacturing	714.2	1 324
Aug-07	De Beers	Gauteng	Consumer Products	Jewellery & silverware	Retail	58.6	2 215

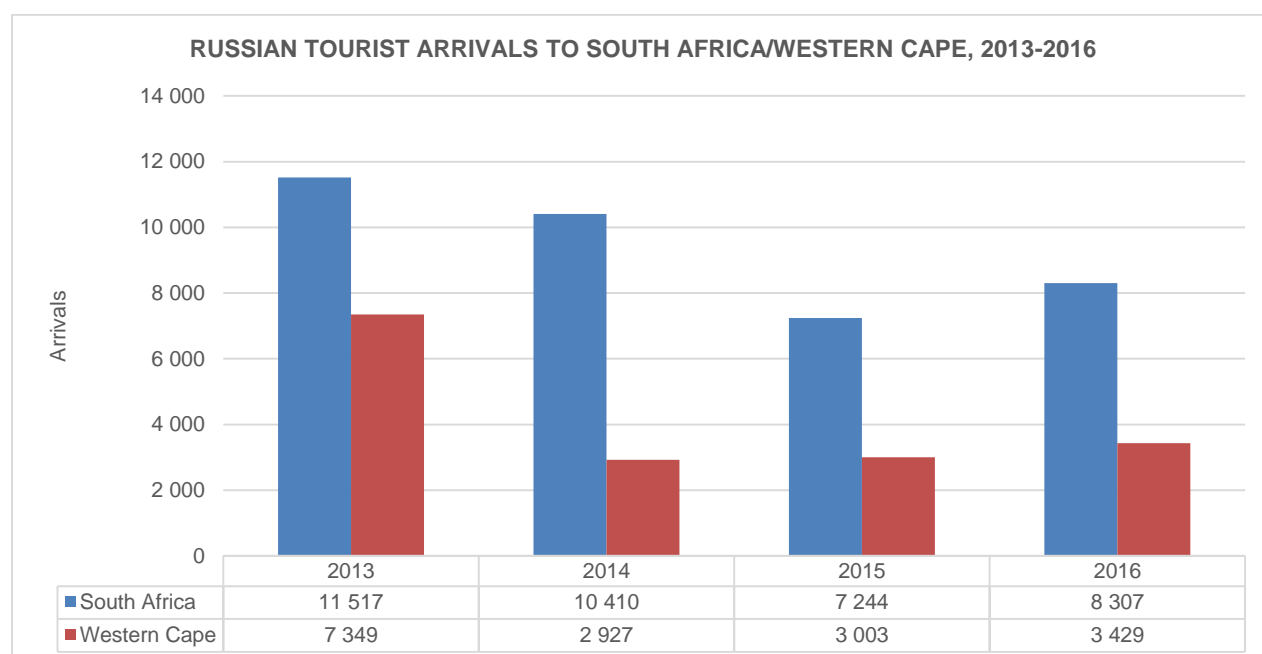
SOUTH AFRICA FDI TO RUSSIA, 2007-2017							
DATE	INVESTING COMPANY	SOURCE STATE	INDUSTRY SECTOR	SUB-SECTOR	INDUSTRY ACTIVITY	CAPEX (USDm)	JOBS
Jul-15	Bell Equipment	KwaZulu-Natal	Industrial Machinery, Equipment & Tools	Agriculture, construction, & mining machinery	Manufacturing	51.4	237
Nov-14	Mondi Syktyvkar	Gauteng	Paper, Printing & Packaging	Pulp, paper, & paperboard	Manufacturing	37.3	30
Jul-16	Barloworld Logistics	Gauteng	Transportation	Freight/Distribution Services	Logistics, Distribution & Transportation	12	100
Sep-13	Aspen Pharmacare Holdings	KwaZulu-Natal	Pharmaceuticals	Pharmaceutical preparations	Sales, Marketing & Support	4.2	23
<b>TOTAL</b>						<b>877.7</b>	<b>3 929</b>

Source: FDI Intelligence, 2018

## 5. Tourism

### 5.1 Russia's Tourist Arrivals to South Africa & the Western Cape

There were 8,307 Russian arrivals into South Africa in 2016 and of these, a total of 3 429 visited the Western Cape. When compared to 2015 Russian arrivals, there was a 14% increase into South Africa and the Western Cape.



Source: SATourism

*\*Note: Statistics SA made changes to the release of its Tourism & Migration reports in 2014 and now no longer report on transit arrivals. As a result of this change, the weighting methodology has been revised and the results are now not comparable to data prior to 2013. 2014 represents the beginning of a new series of data.*

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