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# Country Targeting Strategy 2011/12

## Country Intelligence

**Russia**



**January 2012**

The data and analysis in this report are meant for information only, and do not constitute the views of Knowledge Management or those of TIKZN

## Country background and economic overview

Founded in the 12th century, the Principality of Muscovy, was able to emerge from over 200 years of Mongol domination (13th-15th centuries) and to gradually conquer and absorb surrounding principalities. In the early 17th century, a new Romanov Dynasty continued this policy of expansion across Siberia to the Pacific. Under PETER I (ruled 1682-1725), hegemony was extended to the Baltic Sea and the country was renamed the Russian Empire. During the 19th century, more territorial acquisitions were made in Europe and Asia. Defeat in the Russo-Japanese War of 1904-05 contributed to the Revolution of 1905, which resulted in the formation of a parliament and other reforms. Repeated devastating defeats of the Russian army in World War I led to widespread rioting in the major cities of the Russian Empire and to the overthrow in 1917 of the imperial household. The Communists under Vladimir LENIN seized power soon after and formed the USSR. The brutal rule of Iosif STALIN (1928-53) strengthened Communist rule and Russian dominance of the Soviet Union at a cost of tens of millions of lives. The Soviet economy and society stagnated in the following decades until General Secretary Mikhail GORBACHEV (1985-91) introduced glasnost (openness) and perestroika (restructuring) in an attempt to modernize Communism, but his initiatives inadvertently released forces that by December 1991 splintered the USSR into Russia and 14 other independent republics. Since then, Russia has shifted its post-Soviet democratic ambitions in favor of a centralized semi-authoritarian state in which the leadership seeks to legitimize its rule through managed national elections, populist appeals by former President PUTIN, and continued economic growth. Russia has severely disabled a Chechen rebel movement, although violence still occurs throughout the North Caucasus.

Russia has undergone significant changes since the collapse of the Soviet Union, moving from a globally-isolated, centrally-planned economy to a more market-based and globally-integrated economy. Economic reforms in the 1990s privatized most industry, with notable exceptions in the energy and defense-related sectors. The protection of property rights is still weak and the private sector remains subject to heavy state interference. Russian industry is primarily split between globally-competitive commodity producers - in 2009 Russia was the world's largest exporter of natural gas, the second largest exporter of oil, and the third largest exporter of steel and primary aluminum - and other less competitive heavy industries that remain dependent on the Russian domestic market. This reliance on commodity exports makes Russia vulnerable to boom and bust cycles that follow the highly volatile swings in global commodity prices. The government since 2007 has embarked on an ambitious program to reduce this dependency and build up the country's high technology sectors, but with few results so far. The economy had averaged 7% growth since the 1998 Russian financial crisis, resulting in a doubling of real disposable incomes and the emergence of a middle class. The Russian economy, however, was one of the hardest hit by the 2008-09 global economic crisis as oil prices plummeted and the foreign credits that Russian banks and firms relied

on dried up. The Central Bank of Russia spent one-third of its \$600 billion international reserves, the world's third largest, in late 2008 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 the economy began to grow in the first quarter of 2010. However, a severe drought and fires in central Russia reduced agricultural output, prompting a ban on grain exports for part of the year, and slowed growth in other sectors such as manufacturing and retail trade. High oil prices buoyed Russian growth in the first quarter of 2011 and could help Russia reduce the budget deficit inherited from the lean years of 2008-09, but inflation and increased government expenditures may limit the positive impact of these revenues. Russia's long-term challenges include a shrinking workforce, a high level of corruption, difficulty in accessing capital for smaller, non-energy companies, and poor infrastructure in need of large investments.

## Country statistics

Indicator	Measure	Rank
<b>Geography</b>		
Area	total: 17,098,242 sq km	1
	land: 16,377,742 sq km	
	water: 720,500 sq km	
Border countries	Azerbaijan 284 km, Belarus 959 km, China (southeast) 3,605 km, China (south) 40 km, Estonia 290 km, Finland 1,313 km, Georgia 723 km, Kazakhstan 6,846 km, North Korea 17.5 km, Latvia 292 km, Lithuania (Kaliningrad Oblast) 227 km, Mongolia 3,441 km, Norway 196 km, Poland (Kaliningrad Oblast) 432 km, Ukraine 1,576 km	
Coastline	37,653 km	
Natural resources	wide natural resource base including major deposits of oil, natural gas, coal, and many strategic minerals, reserves of rare earth elements, timber	
Land use	arable land: 7.17%	
	permanent crops: 0.11%	
	other: 97.72% (2005)	
Irrigated land	43,460 sq km (2008)	
<b>Demographics and population development</b>		
Population size	138,739,892 (July 2011 est.)	9
Population structure	0-14 years: 15.2%	
	15-64 years: 71.8%	
	65 years and over: 13% (2011 est.)	
Popn growth rate	-0.47% (2011 est.)	222
Net migration rate	0.29 migrant(s)/ 1,000 population (2011 est.)	67
Urbanization	73% (2010)	
	growth: -0.2% (2010 - 2015 est.)	
Sex ratio	0.85 male(s)/female (2011 est.)	
Life expectancy at birth	66.29 years (2011 est.)	161
Total fertility rate	1.42 children born/woman (2011 est.)	196
HIV prevalence rate	1% (2009 est.)	46
Literacy rate	99.4% (2002 census)	
School life expectancy	14 years (2008)	

Indicator	Measure	Rank
<i>The economy</i>		
Currency	Russian rubles: 30/US\$ (2010 est.), 31.74 (2009)	
GDP (PPP)	total: \$2.223 trillion (2010 est.)	7
	growth: 4% (2010 est.); -7.8% (2009 est.)	99
	per capita: \$15,900 (2010 est.)	7
GDP composition	agriculture: 4%	
	industry: 36.8%	
	services: 59.1% (2010 est.)	
Labour force	75.49 million (2010 est.)	7
	unemp rate: 7.5% (2010 est.)	78
Labour force by occupation	agriculture: 10%	
	industry: 31.9%	
	services: 58.1% (2008 est.)	
Poverty rate	13.1% (2009 est.)	
Gross investment (% of GDP)	21.9% of GDP (2010 est.)	91
Public debt	9% of GDP (2010 est.)	123
Inflation rate	6.9% (2010 est.); 11.7% (2009 est.)	174
Commercial bank prime rate	10.81% (Dec 2010)	47
Agricultural products	grain, sugar beets, sunflower seed, vegetables, fruits; beef, milk	
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	
Electricity	production: 925.9 billion kWh (2009 est.)	5
	consumption: 857.6 billion kWh (2008 est.)	5
	production: 10.13 million bbl/day (2010 est.)	2

Indicator	Measure	Rank
Oil	consumption: 2.937 million bbl/day (2010 est.)	6
	exports: 1.407 million bbl/day (2009 est.)	2
	imports: 42,750 bbl/day (2009 est.)	93
	reserves: 60 billion bbl (Jan 2011 est.)	8
Natural gas	production: 610.1 billion cu m (2010 est.)	2
	consumption: 424.9 billion cu m (2010 est.)	3
Current account balance	\$71.13 billion (2010 est.); \$49.37 billion (2009)	4
Trade	exports: \$400.1 billion (2010 est.)	11
	imports: \$248.7 billion (2010 est.)	18
Export commodities	petroleum and petroleum products, natural gas, metals, wood and wood products, chemicals, and a wide variety of civilian and military manufactures	
Import commodities	machinery, vehicles, pharmaceutical products, plastic, semi-finished metal products, meat, fruits and nuts, optical and medical instruments, iron, steel	
Export partners	Germany 8.2%, Netherlands 6%, US 5.6%, China 5.4%, Turkey 4.6% (2010)	
Import partners	Germany 14.7%, China 13.5%, Ukraine 5.5%, Italy 4.7%, Belarus 4.5% (2010)	
Reserves of forex & AU	\$479.4 billion (2010 est.)	3
FDI stock	at home: \$297.4 billion (2010 est.)	18
	abroad: \$274.6 billion (2010 est.)	17
<b>Communications</b>		
Telephones	main lines in use: 44.959 million (2010 est.)	4
	mobile cellular: 238 million (2010 est.)	4
Internet	country code: .ru <b>note</b> - Russia also has responsibility for a legacy domain ".su" that was allocated to the Soviet Union and is being phased out	
	hosts: 10.382 million (2010)	12
	users: 40.853 (2009)	10
<b>Transportation</b>		
Airports	1,213 (2010)	5
	with paved runways: 593	
	with unpaved runways: 620	

Indicator	Measure	Rank
Pipelines	condensate 122 km; gas 160,952 km; liquid petroleum gas 127 km; oil 77,630 km; oil/gas/water 38 km; refined products 13,658 km (2010)	
Railways	87,157 km	2
Roadways	982,000 km	7
Ports and terminals	Kaliningrad, Kavkaz, Nakhodka, Novorossiysk, Primorsk, Saint Petersburg, Vostochnyy	

**Data sources**

Central Intelligence Agency [CIA]; *the World Factbook*. [www.cia.org](http://www.cia.org). Accessed: January 18 – 19, 2012.