RUSSIAN FEDERATION

What’s happening in this economy

Real GDP growth in Russia reached 2.3 per cent in 2018, mostly due to one-off effects of energy construction.

In the latter half of 2019, Russia’s Central Bank downgraded its 2019 Russian GDP growth projection from 1.2 to 1.7, to 1 to 1.5 per cent. The International Monetary Fund and World Bank had lowered their estimates to 1.2 per cent.

Russia has ambitious goals by 2024, including a 3 per cent growth rate and top 5 economy status (on a PPP basis). Most analysts consider 1.5 to 2.0 per cent a likely forecast in the absence of fundamental structural reform.

While further shocks are possible, Russia has policy flexibility to weather economic headwinds due to its low budget deficit, significant foreign exchange reserves ($532 billion), low public debt and positive current account.

Trade, investment, and commercial opportunities and activities

- Commercial opportunities with Russia are limited, especially by sanctions and Russian counter-sanctions. These particularly impact exports of Australian agricultural products:
  - Austrade is focused on areas where there are capability gaps—including agribusiness, mining, education, and urban and transport infrastructure—and where the impact of sanctions is lower.

- Australian investment is mostly in mining equipment, technology and services (METS) where there are opportunities to grow Australian exports of goods and services:
  - there is potential for niche premium consumer products in the wealthy cities of Moscow, St Petersburg, Yekaterinburg, Tiumen and some others.

- The Russian economy is heavily reliant on the resource and energy sector. This is a globally exposed sector, companies are significant in size, largely privately held, and are seeking to improve operational efficiency:
  - there are opportunities for Australian METS companies, especially to supply innovative specialised equipment and technologies, and for industry skills and training. Major initiatives to capitalise on opportunities include:
    o Mining World Russia (April 2020)
    o METS missions to Russia linked to Mining World Russia
    o Russian and CIS Mining delegations to Australia
    o the Moscow Urban Forum (July 2020), and
    o Austrade Education missions to Russia.

Key facts and figures

- Global economy ranking: 12th
- Population: 146 million (2018)
- GDP growth (2018): 2.3%
- GDP per capita PPP – (Int’l $) $29,266.90 (2018)
- Two-way trade (goods and services): AUD 1,184 million
- Key goods and services exports (2018): live animals (AUD 70 million), hides and skins (AUD 17 million), education-related travel (AUD 59 million), and personal travel excluding education (AUD 54 million)
- Two-way investment (2018): AUD 2,311 million

Note: This insight is current at October 2019. Refer to Disclaimer on the final page.
Despite sanctions and counter-sanctions, the agribusiness and food sector holds some continued promise. Russian government agricultural policy is focused on improving self-sufficiency, which offers some potential for Australian agricultural services and technology.

Russia is a small and declining market for student recruitment (1,209 enrolments in 2018) due to demographic factors and improved education quality in local universities. There are however about 32 Australian education institutions engaged in the market which demonstrate appetite for high quality students—especially at graduate and post-graduate levels—and academic and research collaboration with research universities. The focus in 2019–20 is on developing institutional linkages and borderless/online education solutions in the priority sectors of agribusiness, infrastructure and resources.

Significant investment is planned to address Russia’s infrastructure shortcomings and to enable an export pivot from Europe and North Asia. Austrade’s focus is on identifying opportunities in transport infrastructure (heavy haul rail and multimodal facilities), industry skills training and urban development.

Australian autonomous sanctions prohibit—or restrict—export or trade of certain goods and services to Russia. Information on the Australian autonomous sanctions to Russia is available on the Department of Foreign Affairs and Trade website (https://dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/Pages/russia.aspx).

Visitor arrival figures from Russia increased 7.6% in 2018–19.

Trade policy and negotiations

Russia is a member of the Eurasian Economic Union (EAEU), an integrated single market for goods and services between Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan. The EAEU has free trade agreements with Vietnam, Serbia and Singapore, and is negotiating trade agreements with India, Israel, Iran and Egypt.

Russia has banned road and rail transport of goods from Ukraine, unless they are diverted through Belarus. This right was awarded by the World Trade Organization (WTO) in 2019 as a national security exemption from global trade rules.

While there are no plans to negotiate a free trade agreement between Australia and Russia, Australian businesses can still access the Russian market (in non-sanctioned areas) at WTO tariff rates.

As an APEC member, Russia offers Australian business people a streamlined entry processes for short-term travel under the APEC Business Travel Card scheme. Registration applies – visit apec.org for details.

Russia is a member of the G20 and a strong supporter of the rules governing international trade.

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