

RUSSIAN FEDERATION

1. *What are the rough dimensions of the country in miles?*
The total area of the country is 6,592,735 sq mi.
2. *What is the population? What percentage live in the 3 largest cities?*
The total population of Russia according to 2001 estimate is 145,470,197. About 14% of the total population lives in Moscow (13,200,000 people), St. Petersburg (5,550,000 people) and Novosibirsk (1,418,200).
3. *What is the predominant language? How widely used is English in business?*
The predominant language is Russian. As a foreign language, English is the most extensively used for all kinds of communication including business.
4. *In the last three years have there been any instances of political instability?*
As the state is still in the process of building a democratic society, the political situation in country changes frequently and unpredictably. In the period of 1998-2001 there were several sudden changes of the prime ministers and the government, as well as resignation of the president. The grand-scale terrorist attacks and the beginning of the new war in Chechnya contributed much to the general political instability. Though the social and political situation is gradually improving since 1999, the tragedy with the Russian submarine "Kursk" in 2000 has immensely undermined the prestige and rating of the government and aroused general dissatisfaction with the power in the state.
5. *What is the currency? What is the exchange rate to US dollars? How has it changed in the past two years?*
The monetary unit is Russian ruble (RUR). The exchange rate is 30.75 rubles for one dollar. During the last two years the ruble has depreciated by 10%, from 28 rubles to 30.75 for a dollar.
6. *What time zones exist in this country? What time is it in the capital when it is noon in Cambridge, MA?*
There are 10 times zones. Moscow time is 8 hours ahead, so when it is noon in Cambridge, it is 8 PM in the capital.
7. *What unique requirements exist for products sold in this country? (e.g. testing, packaging, language, safety, etc.)*
All imported food products must feature Russian-language labels or packaging with the products name, producer, weight, ingredients, expiration date and other information. Importers are responsible for compliance. On non-food products, information must be placed on the label or an insert with each unit of the goods including the name of the product, country of origin and name of the manufacturer. It must also contain the main characteristics, rules and conditions for effective and safe use of the product. The sale of products that do not contain such information was prohibited on July 1st 1998. Russia's July 1993 Consumer Protection Law requires official certification (by Gosstandart) of imported products for conformity to Russian technical, safety, and

quality standards. Certification is based on a combination of international (notably EU) and Russian standards. All food items imported into Russia are subject to food quality and safety standards and require a certificate for each shipment. Manufactured items can receive certificates allowing import of a good over a three-year period. Import licenses are required on the normal range of dangerous and harmful materials and goods. The procedures of obtaining the required certification can be long and costly.

8. *What regulations or limitations exist regarding freight transport?*

Regulations: The major concern to all transportation companies operating in Russia is complicated and unpredictable Russian customs legislation and the poor level of coordination between Russian customs and other Russian authorities responsible for transportation. As an example, an order, issued without any prior notice, by Russian customs in 1998 required all freight companies to use paid customs escorts on the territory of Russia for all imported cargo crossing the Russian border. Another example is a similar requirement to present at the Russian border the original or a notarized copy of the license issued to the freight company. Although the above requirements were canceled a short time later, transportation companies suffered losses. Currently, Russian customs requires one commercial invoice for each container shipped to Russia. Russian customs will not accept multiple containers on one commercial invoice.

Limitations: The concern of international courier service companies is Russian customs' unavailability to provide the western-style level of services in terms of timing. Since courier cargo does not have any privileges in Russia compared to all other cargo, it must pass through the same time-consuming customs procedure. As a result, no more than 10 percent of courier's cargo is processed in 24 hours by St. Petersburg customs. In general, the average processing time for courier cargo at the customs is 5-7 days.

9. *Are there saltwater ports, which can handle large ships? How far are the major population centers from those ports?*

The major saltwater ports are Arkhangel'sk, Astrakhan', Kaliningrad, Kazan', Khabarovsk, Kholmsk, Krasnoyarsk, Moscow, Murmansk, Nakhodka, Nevel'sk, Novorossiysk, Petropavlovsk-Kamchatskiy, Saint Petersburg, Rostov, Sochi, Tuapse, Vladivostok, Volgograd, Vostochnyy, Vyborg. The ports are evenly spread across the country, thus, every major population center is relatively close to a seaport.

10. *What business terms and financial instruments are typically used for import commercial transactions?*

One of the most common forms of commercial credit in Russia is the promissory note, or "veksel." Russian companies of all sizes, Russian banks, and many local and regional governments use promissory notes in lieu of cash in an economy where commercial credit is still hard to obtain. While promissory notes do carry significant risk, knowledge and common sense can serve companies well when they encounter this ubiquitous financial instrument. In general, the business terms used for commercial transactions are international as well as the financial instruments.

11. *How large is a typical supermarket or retail food store (square feet or meters)?*
A typical food retail store is around 60-100 sq m, and a supermarket can be from 800 sq m and larger.
12. *Do any of the large US discount retailers (Wal-Mart, K-Mart, Toys 'R Us) have stores in this country?*
No, Russia has only European representation of chain stores. Moreover, large-scale discount stores are very new to Russia and may be found only in the largest cities.
13. *Describe the highway and rail infrastructure. Are they: extensive, moderate, or primitive nationwide?*
The railway infrastructure consists of total 150,000 km; 87,000 km are in common carrier service; 63,000 km serve specific industries and are not available for common carrier use and 40,000 km of the railway in common carrier use are electrified.
Highways total 952,000 km, paved: 752,000 km (including, in addition to about 336,000 km of conventionally paved roads, about 416,000 km of roads, the surfaces of which have been stabilized with gravel or other coarse aggregates, making them trafficable in wet weather); unpaved: 200,000 km (these roads are made of unstabilized earth and are difficult to negotiate in wet weather).
14. *How bad is the traffic congestion in the major cities?*
The traffic congestion hasn't become a serious problem for Russia yet. However, the major cities, such as Moscow, do experience a lot of traffic jam problems. Also, traffic congestion is typical for old historic cities, where the roads were originally built very narrowly and there is no potential for expansion.
15. *Which countries are the primary trading partners? For each partner, in which direction is the balance of trade (import or export)?*
Russia exports to US 8.8%, Germany 8.5%, Ukraine 6.5%, Belarus 5.1%, Italy 5%, Netherlands 4.8% (2000) and imports to Germany 13.8%, Belarus 10.7%, Ukraine 8.3%, US 7.9%, Kazakhstan 4.6%, Italy 3.8% (2000). The principle export commodities are petroleum and petroleum products, natural gas, wood and wood products, metals, chemicals, and a wide variety of civilian and military manufactures. Today, Russia remains heavily dependent on exports of commodities, particularly oil, natural gas, metals, and timber, which account for over 80% of exports. The chief import markets are Germany 13.0 %, Ukraine 11.8%, US 8.5%, Kazakhstan 6.9% all others 59.8%.
16. *Is security an issue in logistics? Why?*
As in every other country security is a big issue in logistics. On a global scale Russia has taken measures to prevent thefts of its transported goods by directing the shipping routes from the former USSR republics to Russia exclusively. Rigid control over transported goods was established after it was discovered that large amounts of oil and gas were regularly being stolen in the Ukraine.
Since many businesses have become private, the problem of goods being stolen during their transportation has become very significant. Today, shippers and handlers have the

greatest liabilities ever, being totally responsible for the safety of cargoes. Therefore, expediting goods is becoming more common.

17. *How reliable is the phone system? How long for a consumer to get a phone line installed? How extensive is the mobile phone network?*

The telephone system has undergone significant changes since 1990s. Today there are more than 1,000 companies licensed to offer communication services; access to digital lines has improved, particularly in urban centers; Russia has made progress toward building the telecommunications infrastructure necessary for a market economy; however, a large demand for main line service remains unsatisfied. Domestic: cross-country digital trunk lines run from Saint Petersburg to Khabarovsk, and from Moscow to Novorossiysk; the telephone systems in 60 regional capitals have modern digital infrastructures; cellular services, both analog and digital, are available in many areas; in rural areas, the telephone services are still outdated, inadequate, and low density. Russia is connected internationally by three undersea fiber-optic cables; digital switches in several cities provide more than 50,000 lines for international calls; satellite earth stations provide access to Intelsat, Intersputnik, Eutelsat, Inmarsat, and Orbita systems. Presently, there are around 45 million main lines in use. It takes a customer in urban areas on average 10 days to get a phone line installed. For distant rural areas it can take up to 2 months.

The number of cellular phone users is growing at a fast pace. In 1995 there were 645,000 users, in 2000 it is already 2.5 million users.

18. *How many people have Internet access?*

According to the data of 2000 there were 10.5 million Internet users around the country and 90 Internet service providers, and these numbers are growing very rapidly.

19. *What is the price of regular gasoline, \$ per gallon?*

The price of regular gasoline fluctuates from \$0.0572 to \$0.0858 per gallon (\$0.22 to \$0.32 per liter) depending on the region.

20. *What trade restrictions exist? What are the highest import duties – which products and countries of origin? What embargoes exist, if any?*

In general, Russia imposes few non-tariff import restrictions. A number of new regulations have been introduced on the import and sale of alcoholic beverages. A state monopoly on alcohol production and sale was reintroduced on November 1st 1998; along with new accreditation criteria for wholesalers selling imported alcohol. A new law introduced a temporary ban on the import of ethyl spirits to Russia until January 1st 2002. Leading foreign liquor producers have not lost their right to operate in Russia. Imported alcohol and tobacco products are cleared through customs only if they bear appropriate excise stamps. There are otherwise two basic lists of commodities subject to import license requirements. Licenses are required to import weaponry and weapons materials, technology for military use, explosives, atomic and radioactive materials, precious metals, precious and semi-precious stones, narcotics and poisons. There is a regulation that governs import and export of nuclear and non-nuclear materials and technologies. Most of these goods require certification for standards and safety requirements. The

government has introduced a quota of 3.65m tones on imports of sugar for 2001. The government will slap a prohibitive 30% duty on sugar imported in excess of the annual quota of 3.65m tons, which is subject to a 5% tariff.

Export duties: In crude oil trade, the system allows duty-free exports when prices fall below a certain level. The export of dual-purpose goods and technology with potential military application as well as nuclear-related technologies is controlled on their sale to foreign persons. The commodities liable to export duties are precious metals, aluminum, diamonds, oil and gas.

21. *What customs documents are required for an import shipment? For export?*

Russia trades according to the international standards, thus, the same documents. So, the required documents are Customs Declaration, Commercial Invoice, Bill of Lading, Freight Manifest and Railroad Bill depending on the transportation mode.

22. *How common is "bribery" (US definition) in trade transactions? (Normal, infrequent, very rare). What are the legal ramifications?*

Bribery has already become a national tradition in Russia, not, however, approved by the legislation. Only, this month, President Putin ousted railways minister Nikolai Aksyonenko after prosecutors charged him with misappropriating \$2.3 million in government funds.

According to Russian news agency Interfax in 2001, about 8,000 instances of bribery were exposed in Russia, which is 14 per cent more than in 2000. Statistically, up to half of all illegal proceeds in Russia are spent on bribing officials.

23. *How strong are the unions? In what industries are they an important factor? Are they predominantly national or local? What impact do they have on logistics?*

Before the collapse of the Soviet Union, trade unions exercised a lot of power in all industries due to the state involvement. In the 1990s the trade unions were still able to provide certain benefits to their workers. Especially strong were the miners', doctors' teachers' and drivers' unions. However, since late 1990s they have not been able to control the situation in the industry. Consequently, unions are not a significant factor in today's economy and don't have any impact on logistics. Presently, the government is fostering the formation of new independent unions that can help to create the right conditions for people to work honestly and to receive a decent wage.