



CANADA-RUSSIA TRADE RELATIONS

Canada's commercial relations with Russia traditionally were dominated by major grain sales, which made Russia our biggest wheat customer in the world. In the past two years, however, the bilateral trade relationship has changed substantially. Russia is no longer one of Canada's main wheat purchasers but is instead an importer of capital goods, services, consumer goods, processed foods and technologies. Today Russia is Canada's 20th largest export market in the world.

Russia's large market offers opportunities in many sectors. Canada's leading exports include machinery and mechanical parts, processed foodstuffs, vehicles, electronics, prefabricated buildings and, most important, services (engineering, financial and legal). Total exports of goods reached \$430 million while exports of services amounted to \$220 million in 1993, for a total of \$650 million.

Russian exports to Canada amounted to \$430 million in 1993 and consisted mostly of metals and minerals, fish, machinery, mechanical parts and heavy equipment. Russia received General Preferential Tariff status in 1992.

The Canadian exporting community remains very interested in Russia despite the difficulties often encountered in penetrating this vast new market. Rules and regulations tend to change quickly and transparency is often lacking. These factors are particularly important for foreign investors.

Given the scarcity of hard currency in Russia, exporters have had to rely on multinational financing available from the World Bank and the European Bank for Reconstruction and Development. Some European private banks are also offering financing. The Export Development Corporation (EDC) has reactivated a \$100-million line of credit. However, this line of credit has virtually all been committed.

Canadian industry is very interested in the sourcing of Russian raw industrial materials and advanced, but as yet uncommercialized, technology. Russian advanced industrial materials and biomedical engineering expertise, for example, could be valuable to many Canadian companies.

Investment

The epoch-making political and economic changes, still under way, have increased the complexity of the Russian market. The new policies and practices have led to a wider scope for diversification of Canada's investment relationship with one of the world's largest economies.

Total Canadian investment in the Russian Federation is estimated at \$300 million. By far the bulk of that investment is in the oil and gas sector, where 30 joint ventures have been created over the past three years. Additional Canadian investment can be found in the construction, retail and services sectors.

A new Foreign Investment Protection Agreement (FIPA) is currently being negotiated with Russia. It is believed that the agreement will be ready for signature in early 1995. Such agreements support the establishment of joint ventures and wholly foreign-owned subsidiaries.

November 1994

