

Canadian exports to Russia is shipped through third countries (in particular, Finland, Korea, Latvia, Poland and the United States), this figure significantly understates the true size of our trade flow to Russia. Among Canada's main exports to Russia in 2003 were machinery and equipment for the oil and gas, mining and agricultural sectors; meat; special purpose vehicles and automobiles; building products; telecommunications equipment; instrumentation; cereals; and heating equipment. Although not included in the official statistics, there is also a notable volume of Canadian professional services exports to Russia, especially in the engineering and legal areas.

In November 2003, Export Development Canada (EDC) and Vneshtorgbank, one of Russia's largest banks, signed a memorandum of understanding, setting up a framework to enter into financing arrangements for specific transactions and a US\$50-million line of credit for lending to Russian clients for purchases from Canada. EDC also announced in January 2003 a US\$15-million line of credit with ALROSA, Russia's largest diamond company.

In 2002, Canadian investment in Russia totalled \$244 million. Most of the investment disputes common in the 1990s have now either been settled or are in the court system. Although concerns continue on a lesser scale with respect to corporate governance, an underdeveloped judicial system, bureaucracy and uneven treatment from regional administrations, major Canadian firms are now looking again at Russia as a strategic investment market. Of particular interest are natural resource development, infrastructure, services, industrial development, high technologies and agri-food.

Over the past year, the Russian government has introduced new legislation in areas such as taxation, customs procedures and judicial reform and has improved the laws on enterprise bankruptcy and joint stock companies. Business registration, licensing and verification requirements have also been streamlined, and a new voluntary corporate governance code was introduced in 2002.

Canada's 2003 imports from Russia totalled \$809 million. This figure represents a significant increase of \$429 million over the same period last year. Crude

oil dominates Canadian imports from Russia. Other major Canadian imports are fish, iron and steel products, fertilizer and precious metals.

### **Market Access Results in 2003**

- On bovine spongiform encephalopathy (BSE), Canada and Russia reached an agreement on the resumption of trade in bovine embryos in August 2003 and bovine semen in December 2003.
- On the basis of the Canada-Russia Bilateral Agreement on Air Relations of 2000, in November 2003 Air Canada was granted temporary authority to fly over Russian territory on regular flights from Toronto to Delhi. Discussions are under way to review and adjust the Agreement, including by establishing the Toronto-Delhi route on a long-term basis.

### **Canada's Market Access Priorities for 2004**

- Continue to seek the removal of tariff rate quotas on meat products imposed in April 2003.
- Pursue most-favoured-nation treatment on various products provided for in the Canada-Russia Agreement on Trade and Commerce of 1992.
- Continue representations aimed at removing Russia's remaining BSE measures on imports from Canada, in particular live cattle and beef.

## **IMPROVING ACCESS FOR TRADE IN GOODS AND SERVICES**

### **World Trade Organization Accession Negotiations**

Russia applied to join the World Trade Organization (WTO) in 1993 and made initial market access offers to WTO members in 1998 (for goods) and 1999 (for services). Canada supports Russia's WTO accession and has been an active participant in negotiations. In the process of negotiations, Russia has agreed to lower trade barriers on goods and services of interest to Canadian exporters, and it has enacted legislation and other regulatory changes to improve the business environment in Russia.