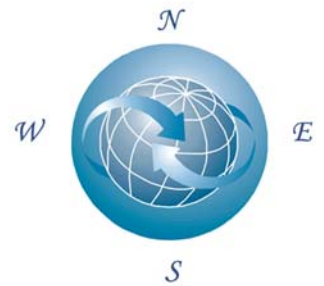


EATUCenterConsult



Monitoring of Export-Import and Transit Cargo Flows in North-West Russia

Consulting services for market studies and analyses for cargo and future markets in North – West Russia in the frame of North East Cargo Link project (NECL)



County Administrative Board of Västernorrland has decided to apply EATU-CenterConsult according to tender of assignment on November 19th 2004.

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CONTENTS

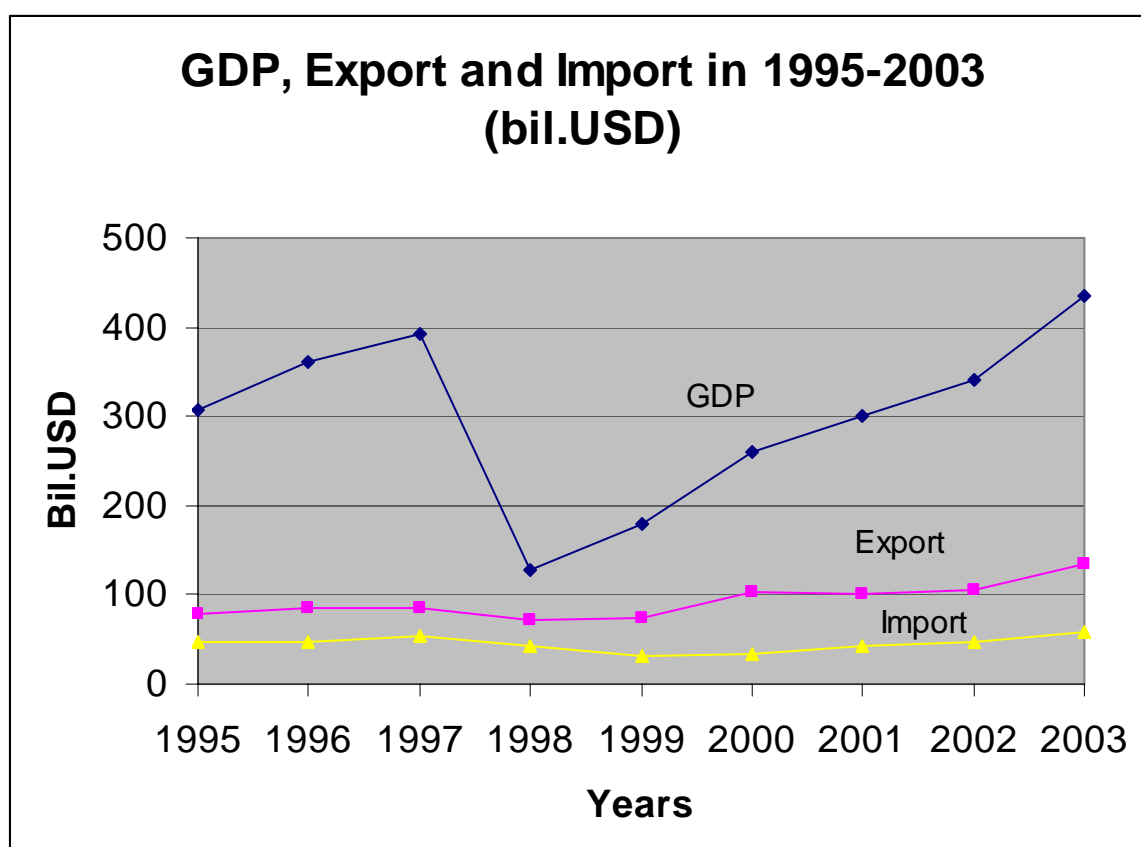
Part I-1.....	3
Main Directions of Russian Foreign Trade Development. North-West Russia region Significance	
1. General Aspects.....	3
2. Some particularities of the Russian export activity.....	7
3. Some particularities of the Russian import export activity.....	9
4. Geography of Russia's Foreign Trade.....	10
 Part I-2.....	 12
Main directions of Russian foreign trade development. North-West Russia region significance.	
 Part II.....	 20
Transit and transport infrastructure of North-West Russia	
 Resume/conclusions.....	 45
 Annex.....	 50
 Main Big Terminals.....	 62
 Warehouses of temporary storage.....	 62
 Custom Terminals.....	 63

PART I.

Main Directions of Russian Foreign Trade Development. North-West Russia Region Significance

1. General Aspects

Last years the Russian foreign trade has a very high dynamics. The present chart demonstrates the evolution of GDP, Export and Import of Russia.



Source: Российский статистический ежегодник 2003. Стат.сб. /Госкомстат Рос сии.-М.: 2004, с.281,634.

Export of goods and services during the last period of time (8 – 10 years) considers a very important factor of the Russian GDP formation and economic growth maintaining. In 2002 GDP growth was 4.3 %, industrial production -3.7 %, but export increased by 5.8 %. In 2003 GDP rose by 7,3 %, industrial production – by 7 % and export – by 25,3 %.

The share of export and balance of foreign trade in total GDP continue to be quite high. So in 2003 GDP was 434 billion USD and export achieved 133,7 bill. USD (30,8 % share in GDP), balance of foreign trade – 76,3 bill. USD (17,6 % in GDP). Russian government attaches great importance to the foreign trade and tries to create good conditions for the export activity. (Some of things will be commented later.) Last two years new Custom Code and Tax Code were passed. According to foreign experts above mentioned documents are at the “good level of the law”, are clear for the foreign companies and have no regulations “contra” WTO regulations.

Joining the WTO is the main goal of the government and many taken measures could be explained of these circumstances. Russia’s line to join WTO is a part of the government strategy to continue liberalization of the foreign economic relations. Practically there are no many positions of good’s groups which could be stopped for export including armament.

In December 2003 the new edition of the Federal Law of the Russian Federation № 164-FZ (8-th December 2003) “Bases of State Regulation of the Foreign Trade Activity” was adopted and came into force on 18-th May 2004. The Federal Law includes some modern positions which correspond to WTO principles. Especially such clauses of Law as quotas, export supervising, national regimes for goods and services etc. are important for the trade development.

WTO joining of Russia has different assessments in business and social circles. In general there are three-four positions which could be presented as followings.

First – the goals of Russia to join WTO are not well known. Discussions in society are not well organized. It’s not easy to provide some information about negotiations and positions between Russian and WTO experts, and countries. For example no information concerning the Russia

– WTO agreements in transport sector could be found. There is no clear – what Russia will gain and what will loose after the joining.

Second. Russian goods exported companies (metal, fertilizers etc.) express in favor of WTO joining because they consider it as a good chance to expand its business. These companies have created a power lobby structures and unanimously have supported the government activities. The most influence lobby group is Metallurgy. According to goods exporters WTO joining has to be done as far as faster.

Third. There are a big group of companies whose production is not very effective and competitive with foreign analogues are against WTO joining. They consider they lose of joining and express position to construct an effective domestic market, to recover national economy and to reduce the influence of “black and grey economy” which exists in Russia. A big “wave of indignation” of such circles grew after the appearance of the information that one of the EU conditions to allow Russia to join WTO was the necessity of increasing of gas price for the Russian inhabitants.

Fourth. Quite a large group of different public and private firms, representatives from research and science etc. are for the WTO joining but using “the China mechanism”- slow and “without non-calculated measures”.

We especially stress WTO problem because this is one of key moments of future development of Russia’s goods and services foreign trade. To illustrate the above mentioned point only one example could be made. An access to the Russian inland water system especially to Volga, Kama, Oka, Neva, Don rivers is of high EU interest and heavily discussions in frame of EU-Russian Agreement of Cooperation and Partnership signed in 1994 continues. Some changes which could be produced in Russian to-days position or not have a very big influence to the transport corridors development, intermodal transport and transport infrastructure. There are no many researches and deep analyses made in this field – transport

services access to Russia before and after WTO joining – which are very important for the future of NECL.

In mid 2004 Ministry of Economic Development and Trade of Russia reported a forecast of economic development of the country. The resume is especially interested for us. It says that as a result of the existing transport infrastructure limits and reducing of profitability (caused of increasing tariffs, prices for fuel etc.) the growth rate of exports (natural indicators as tons, m3) has to decrease from 9,5% in 2004 to 5 – 5,3% in 2005 – 2006. It could be higher in 2007 – about 6,3% but all estimations are not sure of course.

As the Ministry says in a pessimistic scenario elaborated till 2007, crude oil prices decreasing could influence significantly upon the total export of Russian goods and not only from the value point of view. The export in physical value (as tones, m3) has to be smaller. In Annex it's possible to take notice the evolution of Russia's export total and non-crude oil export.

For the deep analyses we need to have a “weight picture” of Russian trade.

Physical Volume of Russia's Export and Import Goods (mil.t) in 2002

Export	Import
Non CIS countries: 320 mil.t 134 bill.m3 gas 37,6 mln.m3 wood etc. 10,0 bill.kWh 1 mln.m2 textile	Non CIS countries: 14 mln.t 0,4 bill.m3 gas 0,2 mln.m3 wood etc. 2,7 bill.kWh 61,1 mln.m2
CIS countries: 50 mil.t 51,3 bill.m3 gas 0,7 mln.m3 wood etc. 7,98 bill.kWh 215,6 mln.m2 textile	CIS countries: 42 mln.t 6,8 bill.m3 gas 0,8 mln.m3 wood etc. 4,2 bill.kWh 68,1 mln.m2 textile
<u>TOTAL</u> 370 mln.t	<u>TOTAL</u> 56 mln.t

185,3 bill.m3 gas	7,2 bill.m3
17,98 bill.kWh	6,9 bill.kWh
216,6 mln.m2	129,2 mln.m2

Source: Российский статистический ежегодник 2003.
 Стат.сб. /Госкомстат России.-М.: 2004, с.641-646.

So the total volume of cargo exported and imported is about 426 mln.t. It's possible to estimate the total weight of the export-import cargo in 2004 – cca. 500 mln.t. (+ 60 mln.t of crude oil).

Mainly due to positive activity of the Russian foreign trade it was possible to form the stabilizing found of 120 bill.USD which is equivalent to country's foreign debt volume.

Some particularities of the Russian export activity

Last years the export growth rate was faster than the same world indicator. Ex. In 2002 the world export growth was 3%, in 2003 – 4,5%; Russian growth was 6,1 and 25,3%. But the huge increasing in Russia was due to oil prices and partly of metal prices. The crude price evolution is presented in Annex.

The export goods structure is very low diversified and this is a big problem because Russia has no many possibilities for maneuver on the world commodities markets. Russia depends very much on the competition factors. In 2003 three main export goods (crude oil, oil products and gas) had 52,5% (in 1997 – 61%) in total export but ten main goods – 74,6% (in 1997 – 61%).

Last period of time the structure of export practically doesn't changed and includes fuels – crude oil, oil products, gas, coal, unfinished goods – metals, aluminium, nickel, copper, wood and diamonds. In Annex the export structure is presented. Concerning the machinery goods we have to note that the main share belongs to military goods, cars and lorries.

In nearest future the Russian export will be concentrated on delivery of raw materials, fuels, fertilizers, wood, papers, metals and non-ferry metals, chemicals. Machinery goods will be exported to CIS countries

mainly. As it's possible to see on the Chart in Annex the share of fuel could be smaller.

Experts say the increasing of export till 2007 has to be ensured by the gas delivery growth to Ukraine, Germany, France, Italy, Netherlands and Turkey. Growth of metal delivery has to be insured by the quality improving and improving of the production capacities at the metallurgical plants. But Russian steel companies say they have no big perspectives in European and North American markets. Export will be at the same level as now. Coil rolls and plats are exported to Europe in limited quantities because of the quotas. Exports of metal will rise in Pacific countries and especially to China.

Export of non-ferry metals will remain at the same level. Russia delivers to foreign countries about 70% of total production. Chemical products, mainly fertilizers, will be delivered practically at the same level but the market will be very difficult because of new participants from Latin America, Middle East, China and India. Also Russian production companies have to fill big influence of the crude oil price fluctuation and their competitiveness could be under "the question". The deterrent factors for the chemical products export are increasing production cost because of the prices for goods and services of monopolist companies which continue to raise, worn production capacities, existing of some special taxes for some chemical products.

It's possible to anticipate export growth of wood products especially finished goods. Companies expect reduction of the export duties for such products (waiting for WTO ?). So they hope to increase volumes of delivery of some goods as plywood, cellulose, papers and finished wood products in general for 4 – 12% till 2007.

Ministry forecasts export increasing of agricultural and food products but not very large "list". They say about wheat (to 6 – 8 mln.t yearly), fish and beverage (beer, vodka).

Traditionally machinery will have main market in CIS countries but military goods have their own market (air-crafts, ships, munitions etc.).

Some particularities of the Russian import activity

There are three main goods which Russia buys abroad during the last 7 – 8 years and this tendency remains for the long period in the future: machinery, medicaments and meat. Possible to be sure for this statement - machinery construction industry is very worn and old. No investment in this field of activity supports above point of view. Ex. In 1991 Russia produced 195 civil air-crafts and in 2002 – only 10; or respectively excavators – 21 100 and 3200; or agriculture combines – 65 700 and 7500 respectively. So there is no base to create the base for domestic use and not to mention export.

Domestic capacities for the production of medicaments are not enough. The health of nation is not satisfactory (see length of human life) and it needs a lot of medicaments. Research medical centers don't functioning at the necessary level and there are no new elaborated medical preparations. Ex. Import of medicaments rose from 810 mln.USD in 1999 to 2039,6 mln.USD in 2003 or 2,5 times in three years.

Meat, meat products, chicken etc. will continue to be delivered to Russia from other countries. It's possible to be very sure in it. Total number of cattle continues to decrease. For example the number of cows reduced from 54.7 mln. in 1991 to 26,5 mln. in 2002 (at the level of year 1930); pigs – from 35,4 million to 17,3 million. The same problems will be with diary products.

By increasing acreage under crop and sugar beet production agricultural sector plans to reduce import of sugar white and sugar-raw. Import of coffee and tea will remain at the same level. It's important from the possibility of development of the corridor "North-South" Russia – Iran – India and transportation of 40" containers (used for tea, spices, coffee).

Returning to Machinery we have to mention that Russia buys a big “list” of different machines. As we said before Russia had quite big stabilizing fund (120 bill.USD). Officially this fund is to be used in urgent cases but it couldn't be non-used for a long time. Therefore some companies are waiting the fund to be used in operations of industrial recovery by buying of new technologies and modern equipments. The growth of machinery import is expected.

Geography of Russia's Foreign Trade

Main trade partner of Russian Federation is European Union. The EU (25 member states) share in total Russian foreign trade turnover is close to 50 %. Number 1 for a long period is Germany. In 2003 Russian-German trade turnover was 18,5 bill.USD (9,7% of total). Belarus is Nr.2 – 12.4 bill.USD (6.4%), Ukraine – 12 bill. USD (6,3%), China – 11,7 bill. USD (6,1 %), Italy – 10,9 bill.USD (5,7%), Netherlands – 10 bill. USD (5,2 %), USA – 7,1 bill. USD (3,7%), UK, Switzerland, Poland – 6,3 bill.USD each (3,3% each), Finland and Kazakhstan – 6,2 bill. USD each (3,3%) etc.

The structure of export and import Russia – EU is practically the same as general structure and there not many claims in their trade relations.

Russia has expressed its main goal with EU – creation of the General European Economic Space and the positive EU reaction was expressed. This is good idea because very many things could be possible to solve but until now there are no formed a clear notion of it. May be first steps will be attempted in border regions and this approach is very important for transport cooperation development. Russian experts also say in a nearest future accounting between Russia-EU will be effectuated in euro.

Trade relations with the USA have to be at the same level and more attention will be given to cooperation in high tech field. Latin America is perspective partner but for the moment

Non-effective structure of Russian export provokes the phenomena “undertrading”. It means that geographical distribution of trade flows isn’t adequate to real economic potential of the trade partners. Specifically we can maintain the significance of CIS and Central Europe countries. Their share in Russian trade is significantly more than their position in global trade. It’s possible to explain by the “ex-situation in socialist trade” when a lot of trade relations were established, they began traditional, national economies were mutual complimented, they were “geographically close”, they had quite common infrastructure and very well developed legal-treaty base of relations.

Comparison significance of some countries and groups of countries in Russian export and in world import

	Share in Russian export in 2000-th (%)	Share in world import in 2000-th (%)
CIS	14,8 – 15	0,6
EU	35-36*)	36-36,5
CEE	15*)	2,7-2,8
NAFTA	3,9-4,0	24,5-25
MERCOSUR	0,3	1,3
Japan	1,7	5,4
China	6,4	3,8-4,0
South Korea	1,2	2,2

*) before 01.05.2004

So here it’s possible to see non-correspondence of share of world leaders in trade and Russian partner’s distribution. But we have to say that there are some points as – the significance of China for Russian export is higher than in import. In Annex it’s possible to see some indicators in favor of this idea.

Part I - 2

Main directions of Russian foreign trade development. North-West Russia region significance.

General Survey

The Northwest Region of Russia or North-West Federal District includes the Republics of Karelia and Komi, Nenets Autonomous Area, Arkhangelsk, Vologda, Kaliningrad, Leningrad, Murmansk, Novgorod and Pskov Regions and St. Petersburg. The population is about 17 million (11% of the population of Russia), more than three times higher than the population of neighbouring Finland. About 70% of this population is urban. The total area of the region is 1.8 million sq. km or 10.5% of the territory of Russia, an area larger than the five Scandinavian countries, Sweden, Finland, Norway, Iceland and Denmark - 1.6 million sq. km. Almost one-third of the population of Northwest Russia live in Saint Petersburg.

The basic natural riches are large deposits of coal, copper and nickel ores, apatite, bauxite, nepheline, manganese, oil, gas, oil shales and peat. North-West Russia contains 60% of the wood harvested in the European portion of the country.

The basic regional industries are: production of complex and precise machinery and instruments, metal processing, shipbuilding; metallurgy, pulp and paper industry, wood processing, chemistry, oil, gas and fuel extraction. In addition, consumer goods and electronics production is developed quite well. In the agricultural sector, cattle breeding, fur-farming, vegetable and flax growing prevail.

Today 20% of iron-ore, 18% of rolled black metal, 15% of steel, 17% of sulphuric acid, considerable amounts of oil and gas products is produced in the North-Western region, along with more than a quarter of the country's timber and 56% of newsprint. The region provides around 20% of fish and other seafood and 30% of industrial products are exported to more than 50 countries.

The economy of Northwest Russia is for the most part, based on its raw materials wealth: almost 72% of Russia's reserves of apatite and nearly 100% of their production, about 77% of titanium reserves, 45% of bauxite reserves, 19% of mineral waters reserves and about 18% of the

reserves of diamonds and nickel are concentrated in its territory. Oil and coal production also an increasingly important part of the Russian economy.

The oil and gas resources of the Nenets area and the Barents Sea shelf are the most attractive for investment. Only their largest projects are estimated about US \$25 bn in aggregate. According to expert forecasts, this district can become the country's second largest fuel producer. If the industrial production of the oil and gas reserves of the shelf begins, this will give a strong impetus to the development of coastal regions - local people will be employed and defence industry enterprises, of which there are a great many in the territory, will receive orders connected with conversion.

According to regional authorities, as of today the top priorities for investment are the following: creation of high-technology productions, military complex conversion, development of new natural resources deposits, development of transport network, environmental protection, development of tourism and recreation infrastructure.

Among foreign investors of Northwest Russia are major multinational companies, such as: General Electric, ABB, Siemens, Ford, JT-International, Philip Morris, Wrigley, Nestle, Coca-Cola and Pepsi-Cola, Conaco, Caterpillar, Procter and Gamble, ICN Pharmaceuticals, De Biers, etc. A traditional partner and a large investor of the Northwest is Finland. 80% of external investments from this country falls in Northwest Russia.

The business environment may be somewhat complex, but economic trends are positive for export sales from the West, with some 9,000 foreign joint ventures accounting for 40% of St. Petersburg's economic output. Naturally, investments in the extractive industry and the primary processing of its products will remain significant. Such successfully operating companies as Vologodskaya Severstal, Novgorodsky Acron, KomiTEK, Kolsky State Integrated Iron-and-Steel Works (Murmansk Oblast), Kotlasky

Integrated Pulp-and-Paper Mill (Arkhangelsk Oblast) may be of great interest to investors.

The task related to the development and modernization of transport systems is of particular priority for Northwest Russia. There is only one large transit hub in the region now - St. Petersburg, where there are highways, railroads, water ways and a sea port. Now, this "conveyer" is malfunctioning more and more often, especially when handling cargoes at the port. The solution of the problem may be the formation of a network of specialized sea terminals, widening of "bottlenecks" at the other elements of the transport system.

North-West Region Trade Development

According to preliminary custom dates Russian export in 2004 was 130,2 bill. USD and Russian import was 75,5 bill.USD. The total volume of foreign trade goods passed via the North-West Custom in 2004 was: export – 30,4 bill.USD and import – 14,9 bill.USD. So the export growth was 92% to 2003 and import growth 30%.

Foreign Trade Development in North-Western Russia (USD Bill.)

	2003 IV Q	2004 IQ	2004 IIQ	2004 IIIQ	2004 IVQ
Export	4,347	5,609	6,953	8,099	9,768
Import	3,491	2,837	3,518	3,955	4,624
Export-Import	0,856	2,772	3,435	4,144	5,144

The big interest is the participation of different regions in foreign trade.

Geographical distribution of North-West Region Foreign Trade

<i>Regions</i>	Export share, %	Import share, %
Saint Petersburg	13,1	46,3
Leningrad oblast	15,9	11,1
Vologda oblast	8,8	2,3
Murmansk oblast	3,2	0,8

Archangelsk oblast	2,8	0,8
Republic of Karelia	2,7	1,2
Republic of Komi	2,0	0,9
Novgorod Oblast	1,7	1,4
Pskov oblast	0,9	2,0
Other regions	46,8	13,5

Last year the main volume of export goods transported via North-West Russia “was born” in Leningrad Oblast (15,9%) and import flow was directed mainly to S.-Petersburg – 46,3%.

“Other regions” (see Table) have their own distribution in export – the share of 49,9% belongs to Moscow, 26,9% belongs to Tumen Oblast (West Siberia) and 6,9% - to Krasnoyarsk Krai (Mid-Siberia). We have to stress one important thing – cost indicators (bill.USD export/import) could provide some errors in general assessments because some Russian companies create their affiliates in regions near ports and borders to arrange easy penetration abroad (ex. paying taxes in local budget etc.). So the share “in money equivalent” could differ of share “in cargo weight equivalent”.

The main foreign trade partners of the Region in 2004 were (as in Table):

	<i>Country</i>	<i>Export+Import (bill.USD)</i>	<i>Share %</i>
1.	Netherlands	9,41	20,7
2.	Germany	4,42	9,7
3.	Finland	4,28	9,4
4.	United Kingdom	2,92	6,4
5.	USA	2,71	6,0
6.	Sweden	1,71	3,8
7.	China	1,51	3,3
8.	Switzerland	1,38	3,1
9.	France	1,28	2,8
10.	Spain	1,11	2,4

11.	CIS-10 countries	1,42	3,1
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Goods Export via NW Russia Customs

In 2004 export rose by 92% in comparison to 2003. Export to CIS-countries rose by 47 % and to other countries by 94 % and was directed to 163 countries. Main export partners of NW Russia in 2004 were (as in Table):

<i>Country</i>	<i>Export (bill.USD)</i>	<i>Share,%</i>	<i>Main goods</i>
Netherlands	8,98	29,5	Fuels, metals, non-ferrous metals, wood
Finland	3,02	9,9	Fuels, wood, nickel, metals
United Kingdom	2,43	8,0	Fuels, metals, non-ferrous metals, paper
Germany	2,13	7,0	Fuels, metals, non-ferrous metals, wood, paper, fertilizers
USA	1,59	5,2	Metals, non-ferrous metals, fuels, wood
Sweden	1,30	4,3	Fuels, nickel, wood
Switzerland	1,28	4,2	Fuels, fertilizers, aluminium
Spain	0,79	2,6	Fuels, metals
France	0,74	2,4	Fuels, metals, wood
China	0,72	2,4	Fertilizers, metals, non-ferrous metals, ships
Ukraine	0,54	1,8	Paper, tobacco, fuels, machinery, metals
Kazakhstan	0,21	0,7	Machinery, paper, electrical equipment

The export volume to Netherlands last year rose by 2,6 times, to Finland – by 61%, to UK – by 3 times, to Ukraine – by 50%. Main goods are mentioned in the Table.

For NECL project the most interest represents the rose export to UK and to the USA.

The share of different goods in export structure of NW Russia are in the following Table.

Export Structure of Goods (mill. USD)

Goods	2003	Share,%	2004	Share,%
Food and raw materials	320,1	2,0	389,6	1,3
Fuels and products	7 133,1	45,1	17 763,5	58,4
Petrochemical products	859,5	5,4	1 165,1	3,8
Leather raw materials, furs	55,1	0,3	68,1	0,2
Wood, products, print products	2 137,6	13,5	2 678,7	8,8
Clothes, foot-wear	72,5	0,5	60,3	0,2
Metals, non-ferrous metals	3 094,8	19,6	5 887,5	19,3
Machinery	1 535,4	9,7	1 771,6	5,8
Others	601,2	3,8	645,4	2,1
TOTAL Export	15 809,3	100	30 429,7	100

In NW Russia export structure fuels and petrochemical goods continue to be the “first place” commodities. It’s normal because it corresponds to the general export structure of Russia. We have to stress one detail – in physical value the export of fuels (crude oil via Primorsk, practically) rose in 2004 by 90 %, the export value in USD rose by 2,5 times but export prices for this group of commodity rose by 31%.

The second export commodity was/were metals (and non-ferrous). Export value in USD rose by 1.9 times, in physical value – by 37 % but prices – by 39 %. Wood and wood products were on third position arising by 10 % in physical value, by 25 % in USD value but export prices rose by 14 %. So it’s possible to see that export prices had a big influence on export volumes. It’s difficult to predict the dynamics of physical, value and price interdependence in case of Russian export structure via Baltic ports.

Goods Import via NW Russia Customs

In 2004 Import of goods from 168 countries via NW Russia rose by 30 % to 2003 and has achieved 14,935 Bill. USD. Main importing countries were as in Table below.

Main partners of Russia's Import in 2004

<i>Countries</i>	<i>Import (mill.USD)</i>	<i>Share,%</i>	<i>Main goods</i>
Germany	2293	15,4	Machinery, automotive products, plastics, paper, meat products
Finland	1260	8,4	Machinery, paper, dairy products
USA	1125	7,5	Meat, tobacco, machinery
China	781,9	5,2	Machinery, toys
Brazil	763,3	5,1	Meat, tobacco
Poland	657,9	4,4	Food, plastics, machinery, paper
Italy	602,6	4,0	Machinery, tobacco
France	544,8	3,6	Automotive products, machinery, meat
United Kingdom	492,4	3,3	Machinery
Netherlands	431,8	2,9	Food, transport machinery
Ukraine	379,4	2,5	Machinery, meat, dairy products

The next table reflects the commodities structure of NW Russia's import in 2004 (mill.USD).

<i>Commodities</i>	<i>2003</i>	<i>Share,%</i>	<i>2004</i>	<i>Share,%</i>
Food and raw materials	4 304,1	37,6	5 053,8	33,8
Fuels and products	88,7	0,8	118,3	0,8
Petrochemical products	1 285,4	11,2	1 712,6	11,5
Leather raw materials, furs	24,1	0,2	31,4	0,2
Wood, products, print products	513,6	4,5	652,6	4,4
Clothes, foot-wear	86,9	0,8	109,4	0,7
Metals, non-ferrous metals	507,8	4,4	719,3	4,8
Machinery	3 639,8	31,8	5 289,5	35,4
Others	1 007,2	8,8	1 248,6	8,4
TOTAL Import	457,6	100	14 935,4	100

Several observations could be useful. Machinery products are situated on the first place. Last year USD import value rose by 45% because the physical volume rose by 26% and world prices by 15%. Next commodity group is food and products. Import of food also rose by 17% in USD value, by 7% in physical value and was accompanied by the 10% rise of price. Petrochemical products import rose by 14% in physical value.

Cross-Border trade.

The volume of trade-turnover of the NW Russia with the border countries was 7,4 Bill. USD or 16,3% of the whole foreign trade. Main partner is Finland where NW Russia exported fuels, wood, wood products, nickel, metals. Finland sold to NW Russia machinery, paper, pasteboard, diary products, chemicals.

Second partner is Baltic countries where NW Russia exported fuels, paper, wood, fertilizers, cement, lime. Import was small – electrical goods, food. NW Russia exported to the border regions of Norway aluminium, metals, Ca-phosphates, fuels, and imported fish, sea food, chemicals.

Some kinds of business as Ford cars production in Leningrad Oblast or others need special research from the transportation point of view (spare parts etc.).

Part II.

Transit and transport infrastructure of North-West Russia

General overview

In North-West Russia, as in Russia in general, the situation in transport area is developing positively. During 15 years of transition period there was no situation when Russia's transport could not carry out its duty. Of course we have to stress that during the Soviet era the volume of transported goods was twice or even twice and a half more than to-day.

Concerning the current situation with the development of Russia's economy and foreign trade it's necessary to emphasize that the "non-investing process" in machinery construction industry during about 10 years didn't permit to transport sector to equip itself with the modern locomotives, ships, carriages, cranes etc., to develop transport infrastructure, to construct new motorways for modern road transport, to create the good base for competition in 2000s.

Possible to make an example – in 1991 Russia produced 199 passenger aircrafts – in 2003 – only 4; in 1985 Russia produced 75 diesel locomotives – in 1995 – only 5; in 1985 there were produced 27100 cargo carriages and in 2000 only 4000. Such kind of situation was "non-observed" during the 1990-th because the process of privatization "covered" the real potential needs of national economy and a very low level of domestic industrial production was satisfied with the existed transport capacity. We have to pay attention that the depreciation of fixed assets in transport sector is very high – 60% rail transport, 49% road, 46% maritime Very old !

Actually the Russian transport sector has to satisfy two big aims or challenges: a) last years rose of national economy needs more transport capacities; b) Russia's plan to be a transit country needs more transport

capacities. But if for domestic transportation it's possible to use lorries which cannot achieve "Euro-1,2,3.." ecological level, the development of foreign relations needs modern lorries. Transit needs a very good and modern development of infrastructure for ex. equipment for reloading 40' containers. But in Russia there are only 43 points where such containers could be technologically manipulated.

Since the end of the 1990s main goals and operating principles have been recorded in a few documents. The most important is the Draft Transport Strategy of the Russian Federation. Although the Draft Transport Strategy for the years 2004–2010 was completed and initially approved in December 2003, it has not been finally confirmed yet. One reason for this is the administrative reform and change of government during the winter and spring of 2004. Among other things, the previously separate Russian Ministry of Railways and the Ministry of Transport were combined. The Draft Transport Strategy was yet to be finally confirmed in December 2004. But now there are rumors that some different approaches (rail and other transport officials) don't permit to adopt the Strategy soon. This is very important for North-West Russia because NWR is "a gate to Europe".

The Draft Transport Strategy is supplemented by more detailed programs for different modes of transport, such as the modernization program of Russian roads and the renewal program of railways, which are prepared based on the Strategy. Furthermore, regional programs have been prepared such as the Transport Strategy of Northwestern Russia. And once more we have to stress that S.-Petersburg authorities want to "renew" the NWR Transport Strategy. Probably they are right because old programs and strategies were not realistic or didn't contain "good forecast" and "good goals". Officially The Federal Program "Modernization of Transport System of Russia for 2002-2010" exists but it's quite difficult to estimate results achieved till now.

From the point of view of domestic reforms of Russia, the Draft Transport Strategy has many modern goals:

- A main transport network will be developed in Russia which will support the economic integration of the country; (ex. density of roads in Russia is 34,7 km/1000 km², in Sweden - 472).
- The transport infrastructure for foreign trade throughout the country will be made more versatile for securing international competitiveness; (more warehouses, benzene stations, motels are needed).
- Growing export of logistics services, improving the competitiveness of Russian operators and the use of the transit potential of the country are considered very important; (in this paper we present some ideas).
- The gap between increasing car ownership and the development of a transport network will be narrowed by quick improvements in the road network; (a lot of private cars are going abroad and back but border points are not enough).
- This will simultaneously promote the growth of road transport, mobility of people and the extension of good transport connections throughout the country.

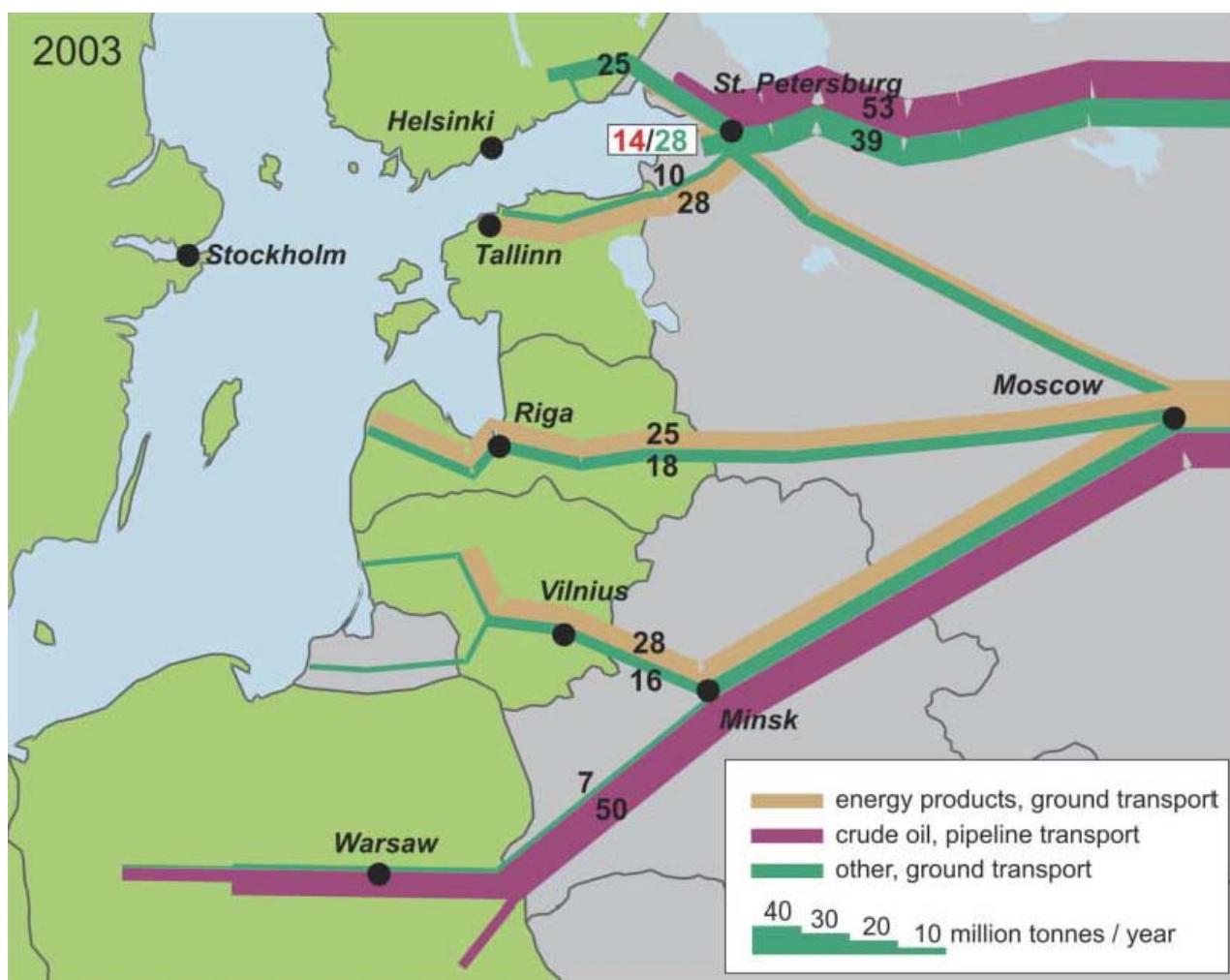
Transport: cargo flows North-West Russia

In Russia the total export cargo volume was 530 mill. t. and import cargo volume was 120 mill. t. in 2003. A share of 70 % of the Russian export is directed to Europe and mainly consists of liquid bulk (oil and oil products) and dry bulk. The most important areas of import for Russia include the CIS and Southeastern Asia. Import from Europe mainly consists of unitized cargo.

The most significant transport flows between Russia and West Europe countries are directed through the central ports of the Baltic Sea (Finland and Baltic countries). The ground transport route through Belarus, Poland and Germany has modest role from the volume of cargo transported. The

significance of this route will not be great in the future either due to barriers caused by the infrastructure and big competition with Belarusian companies. Russian railways cannot do competitive activity because of gauge difference and technology. The significance of the route through Finland is very big especially when the flows of valuable goods (ex. machinery and consumer goods) are examined. The most significant growth in freight transport other than energy transport will take place in the Russian ports of the Gulf of Finland and on the Germany–Poland-route in which transport volumes will more than triple during the study period. The route through the Baltic ports will remain about the same or a little bit more.

Russia’s main transport routes to the Western Europe (export, import and transit cargoes in mill.t /year) could be seen on the map.



(Figures on the map and in the text could have a little difference because map’s indicators are taken for 2003).

According to the Draft Transport Strategy, as high of a share as possible of the sea transport of foreign trade should be directed through domestic ports. Existing ports have been extended and new ports have been constructed. It was the political decision.

- Annual freight volumes at Russian ports in East Baltic Sea have grown to almost 120 million tones.
- Oil transport and container transport have experienced the most rapid growth.
- The largest development projects include: extension of the Primorsk port, construction of the Ust Luga dry cargo port and the Vysotsk oil port, ferry connection between St. Petersburg–Kaliningrad–Germany.
- The greatest problems include the entrance fairways of the ports in the Eastern part of the Gulf of Finland and environmental risks of oil transport in the Gulf of Finland but Russian officials doesn't support this "western" point of view.

According to the Draft Transport Strategy, a maximum share of the sea transport of foreign trade should be directed through domestic ports, which would reduce transit traffic through the Baltic countries and Finland. This goal is supported by, for example, the differentiation of railway tariffs. And this approaches are still in action.

The freight volumes of Russian foreign trade through the Baltic Sea routes have significantly grown. So far, the increase in the capacity of Russian domestic ports has been slower than the growth of trade. Therefore, a significant share of Russian foreign trade will be directed through the Baltic ports of neighbouring countries also in the future.

In January 2005 at the briefing organized in S.-Petersburg the maritime research institute stressed that capacity of Russian East Baltic Ports are limited and the construction of new ports on Russian Baltic is difficult because of the "limited existing of good construction areas".

Also the “existence of non-coordination” among different company’s owners of cargo makes very difficult implementation of ambition Russian plans for clear port domination in this sea area.

The current situation of cargo flows via East Baltic Sea ports could be seen in the following table.

PORT	2003 (mill.т)	2004 (mill.т)
S.-Petersburg	42,1	51,2 (+21,7%)
Primorsk	17,7	44,6 (+251%)
Vyborg	1,1	1,3
Vysotsk	2,4	5,2
Ust-Luga	0,43	1.1
Kaliningrad	12,7	15
TOTAL Russian ports East Baltics	76,43	118,4 (+54,9%)
Tallinn	37,6	37,4
TOTAL Estonia	47,7	46,3 (-2,7%)
Riga	21,7	23,9 (+10,4%)
Ventspils	27,4	27,8 (+1,8%)
Liepaja	4,9	4,5 (-7,9%)
TOTAL Latvia	54,5	57,4 (+4,8%)
Klaipeda	21,3	20,3
Butinge	11,1	7,2
TOTAL Lithuania	32,2	27,5 (-13,8%)
TOTAL EAST BALTIC PORTS	210,83	249,6 (+18,3%)

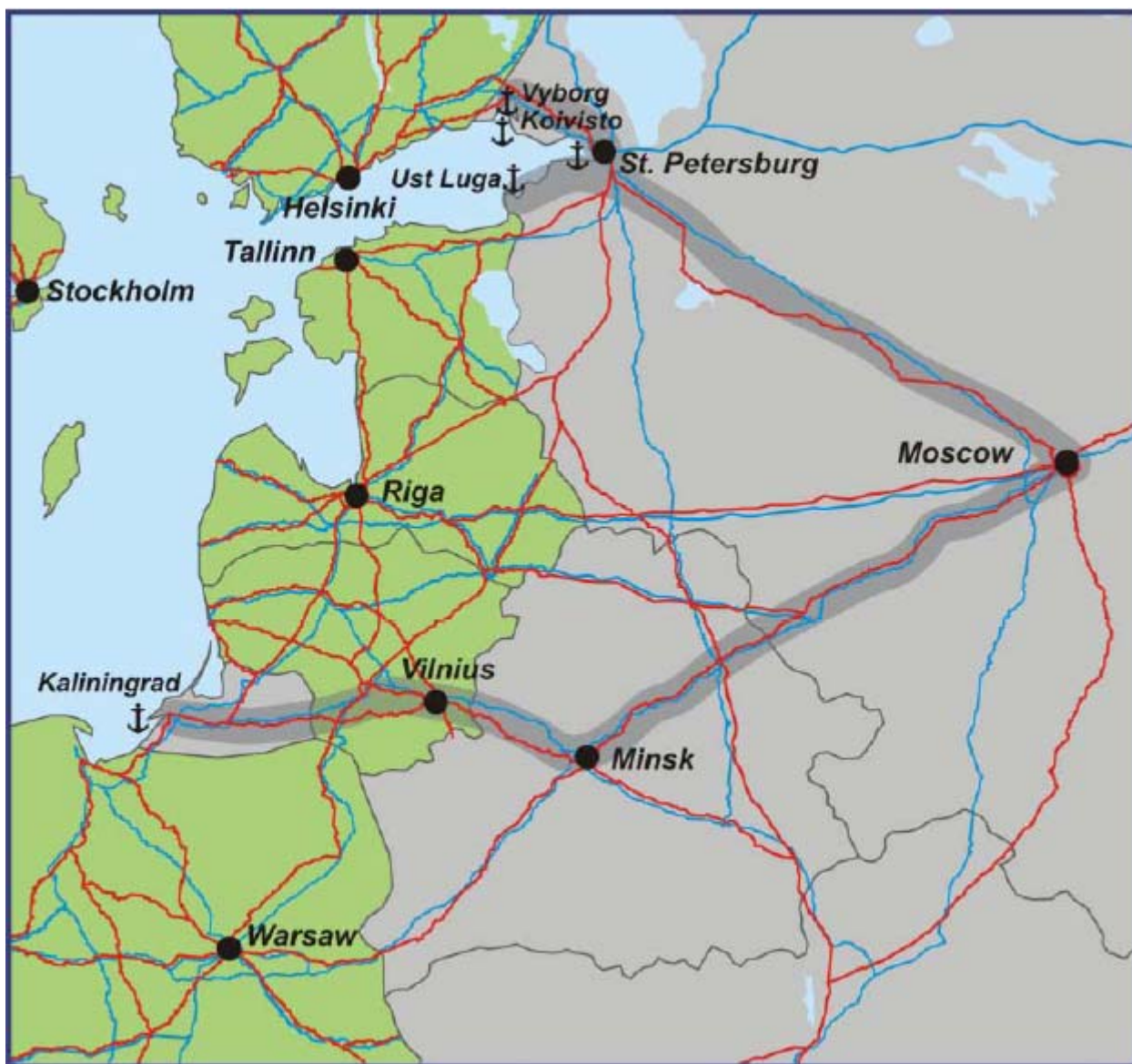
Freight flows through the Baltic ports of Russia have constantly increased. The total volume of the ports has grown from 40 mill. t. to 118,4 mill. t. during 2000–2004. At the same time, there was an increase in the share of Russian domestic ports in Russian foreign trade through the Baltic Sea. Currently this share is 32 %.

Finland’s ports in 2004 had handled the following volumes of cargo: Helsinki – 12,4 mill.t, Kotka – 8,6 mill.t, Naantali – 7,3 mill.t, Hamina - 5,7 mill.t. Total Finland’s East Baltic Ports – 34,0 mill.t.

The share of all Baltic ports (Russia, the Baltic countries, Finland) is about 40 % of the freight transport of Russian foreign trade.

Rapid growth of freight volumes has occurred in the Great Port of St. Petersburg. A total of 60 mill. tones of freight was handled in the Great Port of St. Petersburg and oil terminal of Primorsk in 2003 and about 96 mill.

tones in 2004. Also, freight volumes in the ports of Kaliningrad and Vysotsk have increased.



Ground transport flows to Finland across the eastern border last years is about 25 mill. t including transit traffic. Over 10 mill.t. of energy products are transported from Russia directly by sea. Russia had a “self-sufficiency” of about 50 % in export transport in 2003 if the direct crude oil pipeline to Central Europe is included. Even though Russia will significantly increase its port capacity, the market share of ports will only significantly increase for energy products. Part of the growth of total volumes of import and export will be directed to existing countries with transit traffic.

Road cargo volumes through the most important border points of Russia/Finland Torfeanovka/Brusnichnoe/Sveatogorsk – Vaalimaa/Nuijamaa had rapid growth. The average daily traffic on the road segment between Helsinki and Vaalimaa was 14 100 vehicles in 2003 and 14 200 in 2004. The share of heavy traffic of this volume was 14 %. Lorry traffic volumes have increased annually by 10–20 % in the past years. The route through Finland is the main transport route for valuable goods from the EU-countries to Russia. Export cargos to Finland by road in 2004 was 2,65 mill.t and import – 0.65 mill.t. Valuable goods are mainly transported in containers or lorry loads. It's necessary to stress that a big number of Lorries from Finland transported wood from Karelia and partly from Leningrad Oblast. So the total number of “dosvols” (permissions to execute transportation by lorry on bilateral routes) Russia – Finland is about 140000 a year.

Also we have to emphasize one special element which characterizes the Russia – Finland road cooperation. Russian railways transports containers from Russian Far East to Russia via Finland. Than containers are transported from Kotka and Hamina region by road to Moscow and other regions via S.-Petersburg. And the number of runs is quite big.

The volume of cargo transported by rail to and from Finland in 2004 was 22,1 mill.t. Russian export was about 17 and import was about 5 mill.t. We have to add 3,2 mill.t of transit via Finland territory. Most of this freight flow (68 %) consists of foreign trade between Finland and the CIS-countries and one-third of it consists of transit traffic through Finnish ports. Finland imports energy products, products for the chemical industry, raw materials, raw wood and timber as well as raw materials for the steel industry from Russia. Various liquid chemicals constitute the largest product group in transit traffic. In practice, Finnish ports and routes do not compete with the Baltic ports on the Russian transit traffic.

The strong growth in the number of containers transported through the TransSiberian railway has been a new phenomenon in railway transport

between Finland and Russia. About 150 000 TEUs were transported by rail to Finland in 2004. The average transport time from the ports in the Far East to Finland is 11 days. Containers are transported from South Korea, Japan and China. The share of South Korea is about 75 %. Transport flows from China are estimated to grow significantly. Russia is preparing for upgrading projects which will enable the increase of speed of special freight trains to 100–120 km/h.

Bringing the North Korean railway into service will also speed up the TransSiberian connection for transit traffic which originates from South Korea. But this project has some difficulties because of North Korea's position. After the beginning of the functioning of the TransSiberian and TransKorean connection this route can provide a real alternative to the ocean routes between Europe and Asia via Suez.

Transit flows, infrastructure: overview, possibilities, plans

The volume of cargo handled in St.-Petersburg port is “on the second place” after Novorossisk port on the Black Sea. But the main port capacities are placed in the city area, the port could be “frozen” during the cold winter and the sea area “needs” icebreakers, the sea channel is not so deep. The railways in St.-Petersburg is a big bottleneck and a lot of carriages are staying near the port. Railway authorities from time to time introduce veto for cargo owners to direct their goods to St.-Petersburg port.

At the same time it's uncertain that other North-Western ports of Russia – Kaliningrad, Vysotsk, Vyborg, Murmansk, Ust Luga – can redirect St.-Peterburg's cargo flows to their own direction. These ports will have their own specialization and no alternatives to St.-Petersburg port could be seen. The main task of business is to find a correct direction of port development in city and in North-West Russia.

St.-Petersburg, Leningrad Oblast authorities and business are now in some kind of contradictory and the comprehensive plan of transport

infrastructure development is still in a phase of elaboration. We can only to present the main ideas of it and some comments of the basic study which is the real base of future plan of action.

We present the map of Leningrad Oblast to show main ideas.



There are five main areas which have different transport and infrastructure situations: 1. North part of Oblast from the border with Finland to the northern part of St.-Petersburg. 2. North part of St.-Petersburg. 3. Central part of city – Neva river and Gulf of Finland. 4. South part of St.-

Petersburg. 5. South part of Oblast from the southern part of St.-Petersburg to the border with Estonia and two Russian Oblasts – Pskov and Novgorod.

All of them need the development of transport infrastructure and deep linkage with neighbors. The main intensive zone is № 3. This area is multi-transport and has to develop maritime, inland water and road capacities. And all activities take place in an atmosphere of “ecological challenge.” It’s interesting that the activity in a zone depends very much of neighbor zone and Northern part cannot function well without good working of other four.

Transport infrastructure of S.-Petersburg and Leningrad Oblast
(end of 2004)

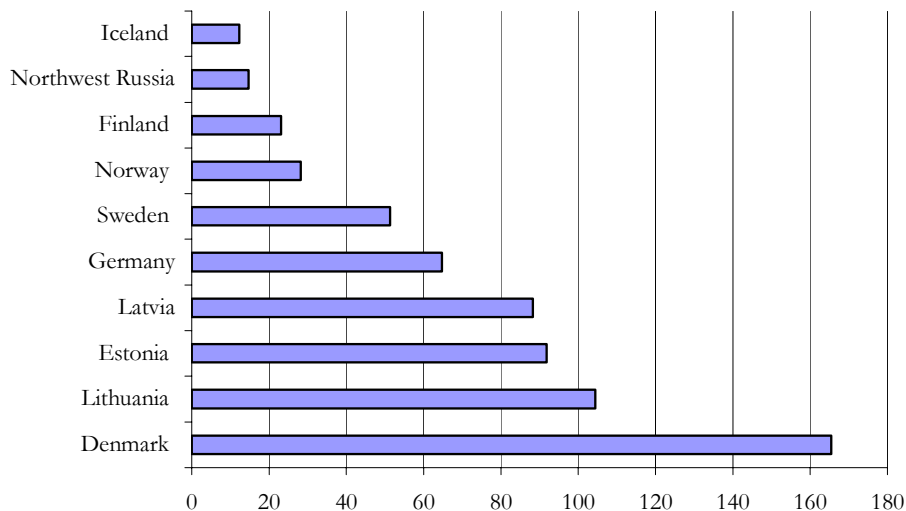
Maritime ports	1. S.-Petersburg – 51,2 mill.t, Vyborg – 1,3 mill.t, Vysotsk – 5,2 mill.t, Primorsk – 44,6 mill.t, Ust Luga – 1,1 mill.t.
Inland Waterways	Volgo-Balt Canal, length – in S.-Petersburg – 39 km, in Leningrad Oblast – 436 km. Cargo turnover in Shlisselburg lock – 10,6 mill.t, transit via S.-Petersburg – 4 mill.t.
Roads and motorways used for transit and foreign trade communications	<i>Federal motorways:</i> “Scandinavia”, “Russia”, “Kola”, “Narva”, “S.-Petersburg-Pskov”, “Vologda-Novaya Ladoga”, “Magistralinaya” (southern semiring of S.-Petersburg). The total length of federal roads in Leningrad Oblast is 1200 km. There is a bridge across Neva river on “Kola” motorway. <i>Regional roads</i> – “S.-Petersburg – 1-th May”, “Pargolovo - Ogoniki”, “S.-Petersburg – Priozersk”, roads to ports Vysotsk, Primorsk, Ust Luga and to border points. Total length is 600 km. <i>Streets and road network in S.-Petersburg</i> , linked the port, terminals, industrial areas, accesses to city – 160 km. There are also two Neva bridges – A.Nevsky and Volodarsky.
Railway	Length of main lines in Leningrad Oblast and S.-Petersburg – 2800 km. There are two main bridges – across Neva river in S.-Petersburg and “Gory – Zanevsky station” rail section. Main sorting stations: “Sortirovochnaya-Glavnaya” and “Shushary” in S.-Petersburg. The port S.-Petersburg is served by two stations – “Avtovo” and “Novy port”. There are railways to Vyborg and Vysotsk ports. In S.-Petersburg there are 4 cargo railway terminals. The volume of cargo transported by Oktober Railway Company (OAO “RZD” branch) was -
Air Transport	Airport “Pulkovo” (S.-Petersburg) – the cargos of about 6000 t are transported in passenger flights.
Pipelines	The total length of pipelines on the Leningrad Oblast territory is about 2000 km. Oil pipeline “Baltic Pipeline System-BTS” links oil producers with the port Primorsk (capacity – 50 mill.t a year). Oil pipeline “Yaroslavl – Kirishi” (refinery) is 17 mill.t a year capacity. Gas pipelines capacity is about 19 bill. m3 a year, including 5 bill. m3 for export. There is a petroleum products pipeline from Kirishi to S.-Petersburg with two sections - to Oil

Border and Custom points	<p>product Stock "Ruchi" and to the maritime port.</p> <p><i>Roads:</i> "Torfeanovka", "Brusnichnoe", "Brusnichnoe-2", "Svetogorsk", "Ivangorod".</p> <p><i>Railway:</i> "Buslovskaya", "Ivangorod".</p> <p><i>In all maritime ports and in airport Pulkovo.</i></p>
Terminals	<p>All S.-Petersburg transport capacities handled about 100 mill.t of transit cargo. Main kinds of handles are final operations with cargos which enter to the port or go off, port operations, railway final and sorting operations.</p> <p>The main terminal and industrial zones are:</p> <ul style="list-style-type: none"> - port areas near berths; - zones near railways terminals in southern city areas (Baltic and Warsaw stations), Ligovsky prospect near Moscow railway station, terminals near Finland railway station; - zones adjoining road entrances to the city (along Moscow, Vitebsk and Pulkovo roads), areas near port, areas along roads linked southern ways to city with the motorway "Scandinavia" (Slava Avenue-October Quay-Piskarevsky Avenue-Vyborg Road); - Pulkovo Airport zone. <p><i>Leningrad Oblast</i> capacities handled about 100 mill.t of cargo transit and foreign trade.</p> <p>Main terminal points in Leningrad Oblast are:</p> <p>Volhov, Pikalevo Boxitogorsk – metallurgy raw materials and cargos (about 0,5 mill.t a year).</p> <p>Vyborg – cargo handling for ports of Vyborg and Vysotsk (2,6 mill.t a year), road transported cargos handling, use of capacities in different industrial zones for export to Finland.</p> <p>Vysotsk – transshipment of cargos maritime and railway transport (2 mill.t).</p> <p>Gatchina and Gatchina district. Kingisepp – chemical products handling (fertilizers – about 0,2 mill.t and sulphur acid – 0,5 mill.t).</p> <p>Kirishi – petrochemical products (17 mill.t).</p> <p>Kommunar, Luga, Luga district, Lomonosov district, Volhov motorway – tobacco industry goods, goods for port S.-Petersburg.</p> <p>Tosno – chemical products cargo and machinery.</p> <p>Svetogorsk – pulp and paper cargos handling.</p> <p>Slantsy – schist's industry cargo (2,5 mill.t a year).</p>

We estimate 100 mill.t transit both for S.-Petersburg and Leningrad Oblast. There are no official dates and we use opinions of experts from S.-Petersburg. Five-six years before the ratio was 90 mill.t to 40 mill.t.

Several ideas have to be presented concerning the development of roads in Leningrad Oblast. First - statistical comparisons.

Density of Roads in the Northern Dimension Countries, km/100km²

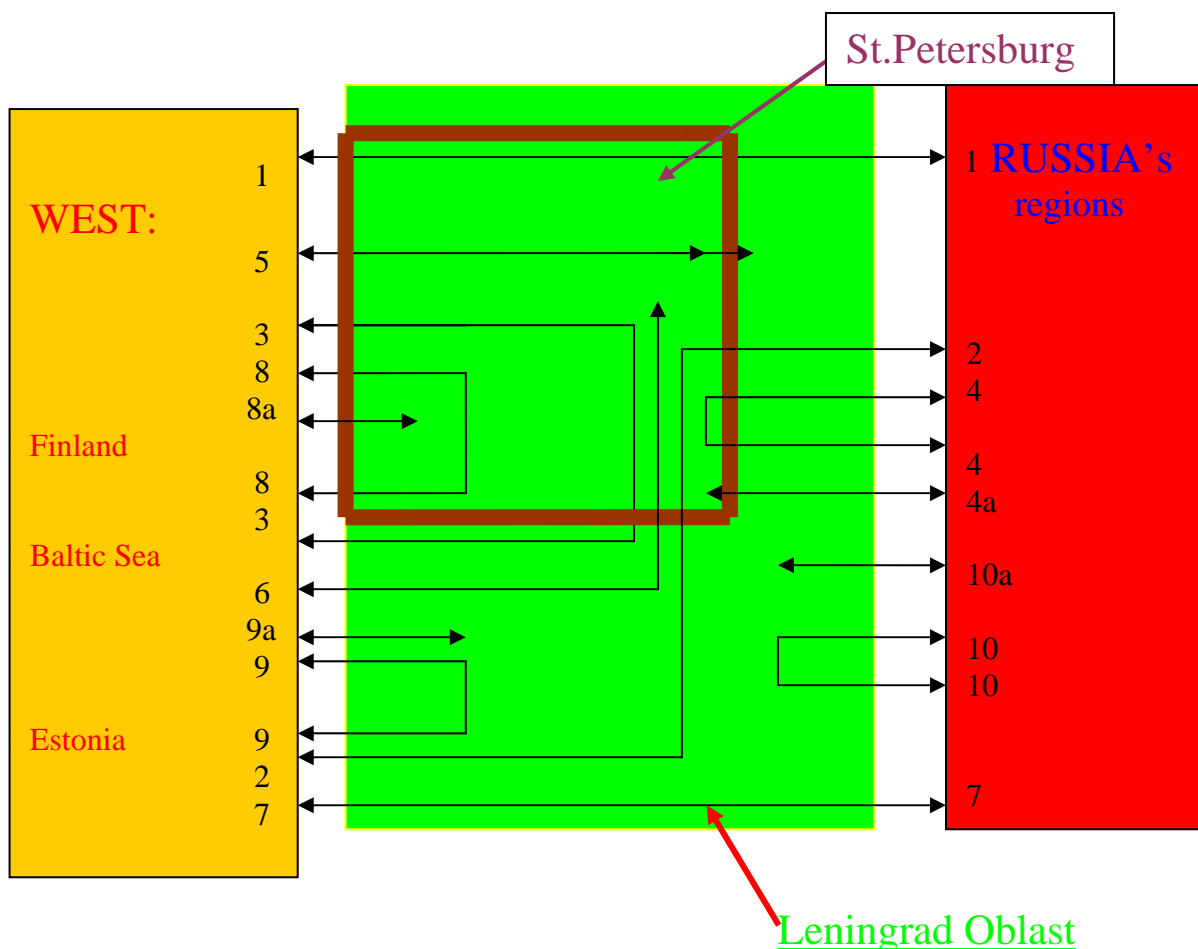


The above chart presents the density of roads in the Northern Dimension countries. So the density of roads in NW Russia is not high and it means that the transport company has no many possibilities to select the best way. Just why the cargo owner knows only two-three combinations.

There are other problems too. Federal roads in NW Russia were constructed according to old norms of technology. Existing motorways are laid via cities and villages, have a lot of crossings with other roads and railways on the same level, are not “very flat” and has no good cohesion, are needed serious reconstruction (plan parameters, longitudinal profiles etc.). About 23 % of federal motorways are functioning as “over intensity”.

Among the main road construction projects it's necessary to pick out the rockade motorway around S.-Petersburg which has to in function from 2005. The same project is under the execution in Vyborg on the motorway “Scandinavia”. The new road with bridge crossing Saima Canal to Finland. The reconstruction of a serious part of federal motorway “Russia” S.-Petersburg – Moscow near Tosno-town.

The chart of transit directions via S.-Petersburg and Leningrad Oblast.



- 1 – West – S.-Petersburg (SP) – Leningrad Oblast (LO) – Russia's regions (RR)
- 2 – West – LO – SP – LO – Russia R.
- 3 – West – SP – LO – West
- 4 – Russia R. – LO – SP – LO – Russia R.
- 4a – SP – LO – Russia R.
- 5 - West – SP – LO
- 6 – West – LO – SP
- 7 – West – LO – Russia R.
- 8 – West – SP – West
- 8a – SP – West
- 9 – West – LO – West
- 9a – LO – West
- 10 – Russia R. – LO – Russia R.
- 10a – LO – Russia R.

The total cargo volume to West via S.-Petersburg and Leningrad Oblast could be estimated taking into account three kinds of transport spheres – port/maritime, rail and road. Transportation of goods using river/inland

waterways is not very significant because of cargo transshipment to maritime ships.

In 2004 the “Big S.-Petersburg port” handled 51,2 mill.t of different cargos. 27% of all cargos represent petroleum products, +19% are metals and 18% are containers. More than 13% represent bulk cargos (fertilizers etc.).

Leningrad Oblast’s ports handled 52,2 mill.t of cargo. For the first time Oblast handled more than City which was very important for the domestic competition and later we should have to remark this issue.

Total – 103,4 mill.t.

Railway sector has transported to Estonia 35,2 mill.t (Russian transit), 4 mill.t export and 0,8 mill.t import goods. The volume of 21 mill. t of export cargo was transported to S.-Petersburg port and 7 mill.t to Leningrad Oblast ports.

The volume of cargo transported by rail to and from Finland in 2004 was 22,1 mill.t. Russian export was about 17 and import was about 5 mill.t. We have to add 3,2 mill.t of transit via Finland territory.

Total – 90 mill.t.

Export cargos to Finland by road in 2004 was 2,65 mill.t and import – 0.65 mill.t. And Russia – Estonia road transport achieved about 2 mill.t.

Total – 3,5 – 3,6 mill.t.

So the cargo volume moved on flows № 1,2,3,6,7,8,9 (S.-Petersburg and Leningrad Oblast to West) was about 200 mill.t.

And now we have estimate the cargo volume from/to Russian regions to/from S.-Petersburg and Leningrad Oblast.

The transportation of goods on Volgo-Balt Canal in 2004 was 10,46 mill.t.

Railway transport was about 135 mill.t.

Pipelines – to Primorsk – 44,6 mill.t and to Kirishi Refinery – 20,4 mill.t.

Road transport – about 22 mill.t.

So the total cargo moved on flows № 1,2,4,7,10 was about 235 mill.t.

Transport Infrastructure of Northwest Russia



This map is demonstrating the main transport routes for export and import of goods. It's possible to a few possibilities for export-import routes.

Main terminals and operators in S.-Petersburg and Leningrad Oblast.

According to regional experts they assign seven zones of warehouses and terminals:

1. Maritime port zones on Dvin and Turuhan Islands.
2. Railway Station zones.
3. Pulkovo Airport zone.
4. South Part of S.-Petersburg serving “into” and “out” cargo flows for South and South-West directions.
5. North-West direction zone.
6. Kronstadt zone.
7. City local zone.

Also it's necessary to mention the existing of big container terminals in ports and railway stations. South and North-West zones deserve road and rail flows. It needs to stress that in these zones there are custom points and warehouses.

The area for storage of all terminals and warehouses of S.-Petersburg and Leningrad Oblast is estimated at the level of 1,4-1,5 mill m². There are about 150 owners of warehouses and they can offer practical all needed services. But the good level of service, “at the international level”, only warehouses located near ports can offer. They have equipments, machinery etc. Warehouses which serve rail stations and road flows are not at the “class A or B”. The common area of such warehouses (class C, former industrial factory shops) is 400 – 500 000 m². Here only “industrial scare” warehouses are mentioned.

According to other sources the whole area for storage only in S.-Petersburg in 2004 was 4,7 mill.m² and the total number of warehouses was 3600. In general about 83% of them represent industrial shops, old buildings, building basements etc. Only 4% of the total are (190 000 m²) are in placed on the territory of modern areas and 150000 m² are “class A”. According to Colliers International the area of “class A” in S.-Petersburg is smaller – only 85 000 m². But Jones Lang LaSalle Company says 100-

150 000 m² are “class A”. Both companies say 200 000 m² are “class B and B-“.

Only special warehouses as JFC, Fruit terminal of S.-Petersburg “Frucon” or warehouses belonging to foreign companies as “Phillip Morris Izhora” can offer the modern service. “International class” could be conferred to road transport terminal Vyborg (2000 t cargo a day), terminal “MATEP” in S.-Petersburg (5000 t a day), terminal “Sovtransavto” S.-Petersburg (1000 t a day).

In 2005 the capacity of 75 000 m² of warehouses “class A will be open. Among them there are the terminal in Gorelov, constructed by “Astros-Logistics”, the terminal “Parnas” constructed by “Avalone-Logistics”.

To-day the shortage of warehouses in S.-Petersburg and Leningrad Oblast is 15-20%. The cost of construction of warehouse is 100-300 USD/m² (without engineer networks). Profitability of warehouse in region is estimated as 30-40% and the full period of expenses cover is 5-6 years. In 2004 the price for rent in “class A” terminal was 180 USD/m²/year.

Among big terminals constructed (and in course of construction) in S.-Petersburg and Leningrad Oblast could be mentioned the followings.

The Big S.-Petersburg port has to increase their fertilizer terminal to load 6 mill.t a year and the warehouse for 100 000 t of K-fertilizers is constructed. On “Petrolsport” area the capacity of container load/unload will increase to 11 mill.t or about 500 000 TEU’s. In the area of “Kronstadt port” and Kotlin Island (parts of Big S.-P.port) the development of existing 75 000 TEU’s terminal is under the action to 500 000 TEU’s to 2010.

Primorsk port – capacities for 46 mill.t a year of crude oil are ready and for 44 mill.t a year of petroleum products are under the construction. (Baltic Pipeline System – BTS, will achieve 62 mill.t /year capacity).

In *Ust Luga* the coal terminal for 4 mill.t a year has to be ready in 2005. Also terminals for liquid, balk, wood and general cargos are under the construction to reach 35 mill.t a year capacity (including fertilizers terminal

for 5 mill.t/year). Container terminal for 300 000 TEU's has to be constructed. The passenger ferry terminal for the route Ust Luga – Baltiisk/Kaliningrad – Germany is ready in 2005.

Vysotsk port has to change its specialization – from the “general” with the capacity of 3,2 mill.t a year to crude oil port with the main partner “LUKoil Crude Oil Company”. The planned capacity for liquid cargo will be 12 mill.t in 2010.

Eurosib Company constructs the terminal near rail station “Predportovaya” on the territory of 9 hectare “class A” (end 2005).

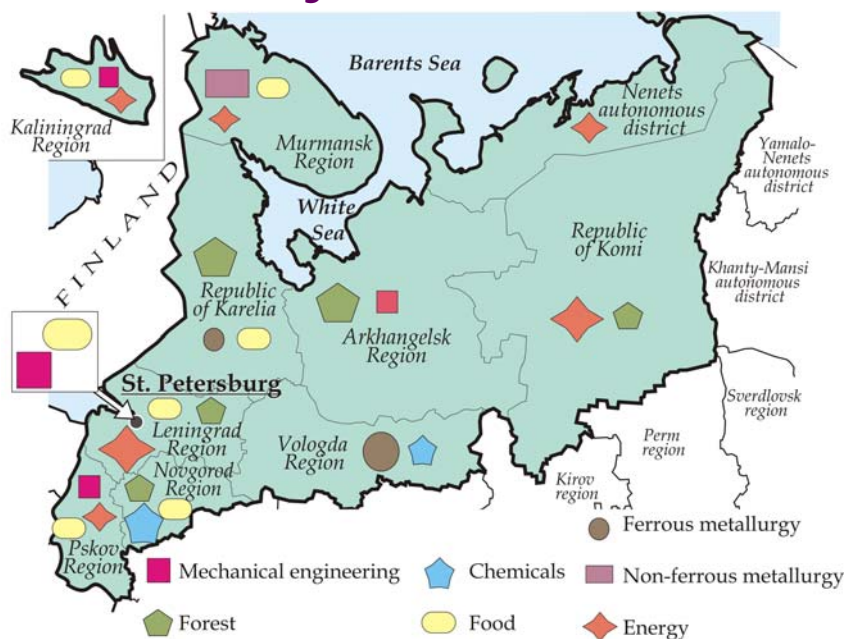
Inkotech Company constructs warehouse of 50 000 m² and refrigeration warehouse of 9000 m² “class A” (end 2006).

In annex there is a list of main big terminals placed in S.-Petersburg and Leningrad Oblast for road and rail transport.

Possible realization of cargo transportation from NW Russia region:

North West Russia has some good possibilities for export and import

Key Industries



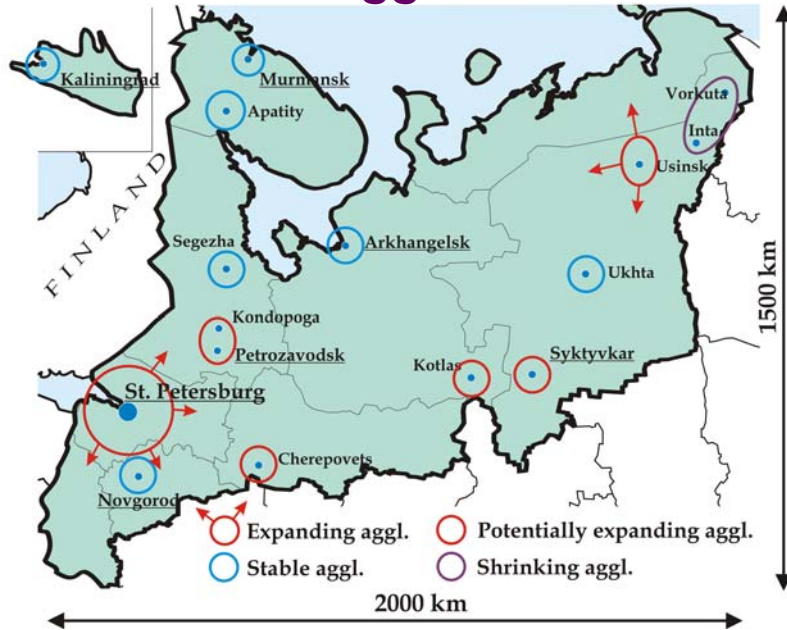
of commodities.

In first part of the paper some ideas concerning the development of the foreign trade were presented but we have to show that the share of S.-Petersburg and Leningrad Oblast in Russia's foreign trade is different – about 3,7 – 4,0% in export and 12,7 – 13,0% in import. So the transport capacities are working mostly for other regions and this is a normal situation.

In North West Russia industrial districts they produce 60% of turbines (of total Russian production), 60% of paper, 20% of iron ore, 18% of rolled metals, 17% of steel, 21% of fertilizers, 38% of wood and wood products. About 50% of shipbuilding capacities are concentrated here and about 305 of products are delivered for export.

On the map of industrial agglomerations possible to see that not all industrial capacities are placed near Leningrad Oblast. A big part of capacities are using other ports and ways that S.-Petersburg vector.

Industrial Agglomerations



Have to show that Karelia tries to use its own way to Finland – via Kostomuksha and Ledmozero (railways) and several ground transport corridors (via well working border points).

Competitive Clusters in NW Russia

<i>Clusters</i>	<i>Share in the total industrial production in 2003</i>	<i>Main export products</i>
Energy	23%	Crude oil, oil products, electric power, power machines and equipment
Food	20%	Fish
Metal	15%	Steel, rolled steel, iron ore, nickel, aluminium, scrap metal
Forest	14%	Round wood, sawn timber, plywood, pulp, paperboard, newsprint
ICT	Near 5%	Software products, equipment components

Euro-Asian Transport Corridors and North West Russia

The issues of Euro-Asian Transport Corridors the author of present paper has analyzed with GIPROTRANSTEI – research rail institute from Moscow and it's possible to present the followings.

The problem of transport corridors and their development in the perspective is one of the key-points of Russia's international transport policy and of the transport strategy Russia-EU. This position was stressed by L.de Palacio, EU Vice-President during the III International Euro-Asian Conference on Transport (S.-Petersburg, Sept.2003).

The EU and Russia share common transport goals in some essential respects, as they agree especially on the most important transport corridors and their development needs. The jointly approved corridors primarily include Corridor 2 (Berlin–Warsaw-Moscow), Corridor 9 (Helsinki–St. Petersburg–Moscow) and their extension along the Trans-Siberian railway to the Pacific Ocean. The western part of the Northern Sea Route is also jointly approved as an important part of the transport network. This consensus and large investments in infrastructure improvements in these transport corridors will most probably support the growth of transport along them in the near future.

This is where the consensus ends, as several measures are listed in the Draft Transport Strategy through which the domestic transport markets of Russia will be protected from international competition by the government.

This protection includes both Russian internal and external transport. State subsidy policy is, in part, very aggressive. It is carried on, for example, through tax concessions and administrative procedures and regulations, which are tailored to the Russians. This is based on the clear objective to continuously shift an increasing share of the transport of Russian foreign trade to domestic ports and for the use of their own transport equipment (vessels and lorries).

In practice, the protection of domestic markets and transport companies, which has already now been carried on in Russia, will be continued. The already adopted methods include double pricing of railway freight transport, which means multiple tariffs for shipments that are transported across the borders of Russia.

The goal of making bilateral transport agreements (especially air transport) can also be included in protectionism, which will reduce the possibilities of other countries.

Impact of Asian countries on the transport between the EU and Russia could be seen as following. The TransSiberian railway provides an opportunity for some Asian countries, such as China, Japan and South Korea, to transport consumer goods quickly and efficiently to European markets. The Trans-Siberian railway together with the Moscow–St. Petersburg and Moscow–Brest-railways constitute the backbone of the Russian transport system.

The railway connects the western border and major centres of Russia to the Urals, Western and Eastern Siberia and the Far East. There are frequent sea transport connections from the Far East ports of Russia (Vanino, Vostochny, Nahodka, Vladivostok) to Japan, South Korea, South China, Taiwan and the countries of Southeastern Asia. The railway constitutes a part of the planned multimodal N.E.W-corridor (Northern East West Freight Corridor), which connects North America, Europe and Asia.

At the moment, mainly South Korea has used the Siberian connection, and today a major share of the incoming container transport from Asia to Finland has its origin in South Korea. Furthermore, South Korea has together with Russia started the upgrading of a connecting railway through North Korea, which will support the Siberian connection, but was taken out of service a long time ago.

Japan would have the same benefits from the TransSiberian railway as South Korea, but it has not been as active. Also, freight transport from China to Europe through the Trans-Siberian railway is not very well developed at the moment. International transport volumes almost doubled between the years 2002 and 2004 to almost 150 000 TEUs per year.

The problems of the TransSiberian railway include:

- Need for new investments, if load on the railway grows significantly from the current situation;
- Rail yards of ports, sorting yards and terminals of nodal points are in need of extension;
- Another bridge across the Amur River is needed (only 1 pair of tracks on the existing bridge);
- Insufficient number of container freight wagons, especially for 40-foot containers;
- Lack of confidence in railway services, especially in Japan, due to constantly changing legislation and interpretation of customs regulations in Russia. Also, the organizational reform of the RZD is still incomplete.
- Ready-made logistics systems of large companies based on ocean transport and unwillingness to change them.

In the early part of 2000s, the so-called Asian Highway Project was started with the support from the ESCAP (Economic and Social Commission for Asia and Pacific). One of the main goals of the project is to define the international and regional road network of Asia and the routes included in it or the so-called ALTID (Asia Land Transport Infrastructure Development). The Asian road network will, however, only have local and regional significance for a long time.

Russia and Asian countries have the following special characteristics of logistics:

- Economic and logistics development has concentrated in the Moscow and St. Petersburg areas in Russia as well as in Japan, Hong Kong, Singapore and Taiwan in Eastern Asia. Strong growth creates congestion in these areas, while efficiency in logistics demands the relocation of activities and the development of new logistics centres. The poor condition of infrastructure is a problem outside of the centre areas.
- The growth of container transport volumes and the growing size of container ships require the development of new container ports, since the

geographical confines of existing container ports (in the middle of dense populations or along rivers) make it impossible to extend these ports.

- The logistics service sector demands further development and there are few services that efficiently combine different modes of transport. This will reduce the choice of transport modes.

- Recognized, large international companies and local companies, which are familiar with the national culture and have personal relations with different actors (especially with authorities), are successful in the markets of logistics services.

- The development of logistics in Russia and especially in Eastern Asia cannot completely meet the needs of strong growth in trade and transport.

- The preparedness and level of service in logistics vary significantly in different countries and areas. The problem in logistically developed areas is congestion, which will contribute to the relocation of logistics operations outside of central areas and ports.

- The development of transport connections outside the nodes of logistics is the key question for the competitiveness of Asia.

- The development of logistics services in Russia and Asia requires the promotion of entrepreneurship. Cultural differences and the importance of relations in business activities reduce the possibilities of foreign logistics companies to operate alone in these markets.

- Border crossings, customs clearance and other public authority activities still constitute a significant barrier to international transport.

- Poor levels of cooperation and communication between different authorities slow down transport flows and lead to additional costs.

- The use of data and communications technology is common only in large and often international companies. This will reduce e.g. the systematics and monitoring of the operation of logistics chains. Lack of data promotes e.g. the need for reserve stock, which will increase the total costs of logistics.

- Removing the barriers of logistics enables significant growth potential of international trade.

Resume/Conclusions

1. Globalization of economy will increase production of goods and freight flows between main producer powers – Europe and Asia - due to international subcontracting chains. The globalization will increase the share of the Russian ports as an important part of transport route between Europe and Asia, EU and Russia. The share of the Transsiberian Railway (TSR) will grow, as the globalization of production especially concerns consumer and investment products, the cost level of which allows for the use of more expensive transport modes (air ?) than maritime transport. So the level of development of final points of TSR and other transport corridors as gateways to Europe and Asia is very important.
2. Possibilities and trends of development of TSR (Asia - Europe inland linkage) is of big interest and especially last 5 – 6 months different companies and public structures expressed it. This transit route began to be studied very deep by companies from Germany, Netherlands, Sweden, Baltic countries. Finland has a kind of advantage because of big experience of cooperation between VR-Cargo (Finland) and JVC “RZD” (Russia).

The different studies of TSR executed by above mentioned companies include the monitoring of transport situation in North-Western Russia (NWR) because NWR is a “natural gate” to Europe and to Asia. Research works contain issues as Russian ports capacities for extra cargo originated from China and Korea, situation on Russian railways in nearest areas to ports S.-Petersburg, Vyborg-Vysotsk. Also the road transport and terminal capacities for cargo storage or loading/reloading are studied. Particular point is that practical all studies both Russian and foreign could not offer more or less

precise forecast for transport cargo turnover. In general forecasted figures are proved maxim for two years. And it's correct because to forecast that cargo flows via S.-Petersburg port arises so fast and high - nobody could.

3. As it was mentioned in the first part of the study the foreign trade of Russia has the tendency for increasing. The raw materials export is one of the long term factor in Russia's economic development. It's very difficult to imagine the fast changes in export structure with about 70% share of above mentioned goods. So the transportation of cargo for export will have an appreciable pressure and domination of raw material's part of cargo. Russia's railways has more carriages for it. New constructed capacities in Russian part of Baltic Sea are for raw materials (see Part II - crude oil, fertilizers, coal) although there were constructed some capacities for containers too.
4. Proper export resources of North-West Russia are limited. Possible to expect the growth of crude export from Kaliningrad Oblast (proper resource). But we have to emphasize that during the period of 7 – 10 years the production of finished goods in this part of country (and in some other regions) can arise both for export and domestic markets. Several new joint Russia-West industrial capacities will be constructed. And these joint companies for sure will work very close with ports, terminals. Then the competitive advantages will decrease because of the increasing production cost. The price for energy and energy products will rise too.
5. As JVC "RZD" says last year Russian port's turnover was 159 million tons export cargo or 33 million tons (26%) more than in 2003 (cargos transported by JVC "RZD"). To-day port capacities, their internal level of infrastructure (incl. Mechanisms) can serve in time only 85% of cargo transported to ports. As result in 2004

there were rejected by RZD orders to load in Russian ports 14 million tons of cargo – 8 million tons of crude oil, 2 million tons of fertilizers, 2,5 million tons of coal, 1,5 million tons of metals etc. Near different Russian ports including S.-Petersburg at the end of 2004 about 150 trains with different cargo a day were stopped. But we have to stress other thing: 1. Majority cargo represents raw materials or unfinished goods and needs a lot of carriages/trains. These carriages/trains often block entrance railways to the port. 2. In spite of this fact the transportation of the valuable goods especially in containers will develop in good conditions because of the high cost of transshipment containerized cargos.

6. Some calculations and estimations of routes from Russia to Finland (important for NECL) shows that there are some limits for S.-Petersburg, Vyborg, Vysotsk, Kaliningrad ports and for road routes too. Practically for the first time at the conference (see text of study) it was mentioned to exam possibilities to cooperate more strong with Baltic countries ports. Other possibility is the developing of routes via Karelia to Finland.
7. JVC “RZD” plans to exam the possibility to remove some railway freight flows from Moscow–St.-Petersburg-railway (to Finland) to other routes. Ex. Moscow–Velikie Luki–Novosokolniki-Vyritza-Mga–St.-Petersburg and Moscow–Jaroslavl–Vologda–St.-Petersburg. Both routes are longer and transporting time has to be longer. Such projects could be “capable of living” in case of extra transport volumes on the normal route and creation of “high speed railway Moscow-St.-Petersburg” about what is discussing for several years. But Velikie Luki–St.-Petersburg-railway demands upgrade investments. It is planning to construct double track between Vainikkala and Buslovskaja and to upgrade

Buslovskaja–St.-Petersburg rail section or construction of a parallel track. There is no “hard decision” about the project yet. The parallel rail line could be planed St.-Petersburg-Petajajarvi–Kamennogorsk–Vyborg. But this connection requires the construction of a 64-kilometre railway between Losevo–Kamennogorsk.

8. To improve the “road situation” St.-Petersburg and Leningrad Oblast authorities want to complete the Vyborg by-pass road through the construction of the third phase in 2005, to “go faster” for construction of the St.-Petersburg ring roads. The first part of the eastern ring has to be completed in 2005. The construction of the western ring road is estimated to be started in 2005. They also plan to upgrade the road between Finnish border and St.-Petersburg, may be four-lane motorway. We have to stress that at the beginning of current year the Committee for Transport of St.-Petersburg Government said to revise projects but “new news” are not till now.
9. Russia’s WTO joining will produce the situation of more national economy openness and Central Government and well known structures closed to the Authority’s won’t have good opportunities to intervene to the price policy including transport tariffs. So the competitiveness of transport companies from Russia could be influenced considerably in negative part for them. Foreign transportation companies will have “more liberty” for function in Russia than now.
10. The development of logistics in Russia by the creation of central warehouses, development of infrastructure at the level of companies, improvement of speed and security etc. will increase the competitiveness of Russia’s routes to Europe, will promote the role of the TSR in freight transport between the Europe and

Asia, as soon as speed and reliability as well as logistics services of the railway improve and become commonly known. This is important for NECL project.

An increasing share of containers in freight transport between Asia and Europe will especially increase the share of the TSR as the competitiveness based on the speed of the railway can be utilized better than before. The TSR will even compete with air cargo transport for some expensive products.

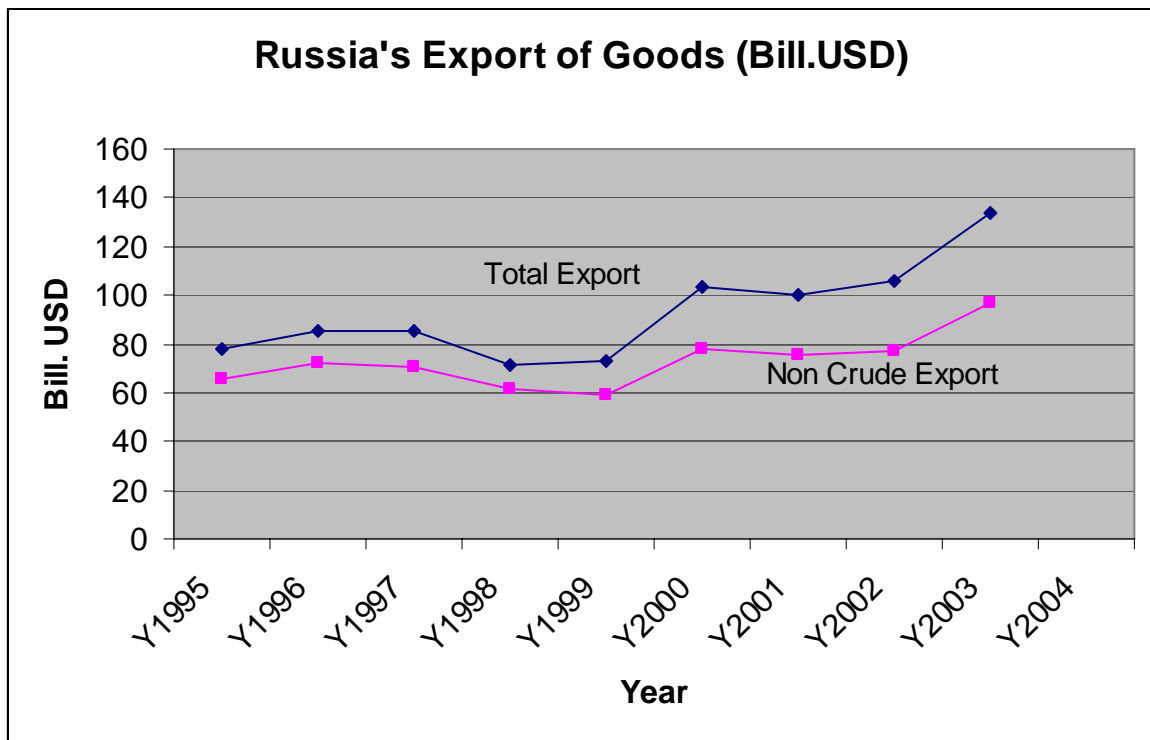
11. More optimistic for NECL we see in possible development of the route via new constructed port of Sallamae in Estonia. The presentation of this project during the Conference "TransRussia 2005" shows very interesting possibilities. It was quite new for the Conference participants the press-release about this port and there were no comments.

Russia's GDP, Export and Import in 1995-2003 (Bill.USD)

Year	GDP	Export	Import
1995	307,97	78,2	46,7
1996	361,33	85,2	46,5
1997	393,12	85,1	53,1
1998	127,36	71,3	43,6
1999	178,63	72,9	30,3
2000	259,44	103,1	33,9
2001	299,9	99,9	41,9
2002	341,82	106,2	46,2
2003	434,4	133,7	57,4

Russia's Export of goods (Bill. USD)

Year	Total export	Non-Crude Oil Export
1995	78,2	65,8
1996	85,2	72,4
1997	85,1	70,3
1998	71,3	61,3
1999	72,9	58,8
2000	103,1	77,8
2001	99,9	75,3
2002	106,2	77,3
2003	133,7	96,8



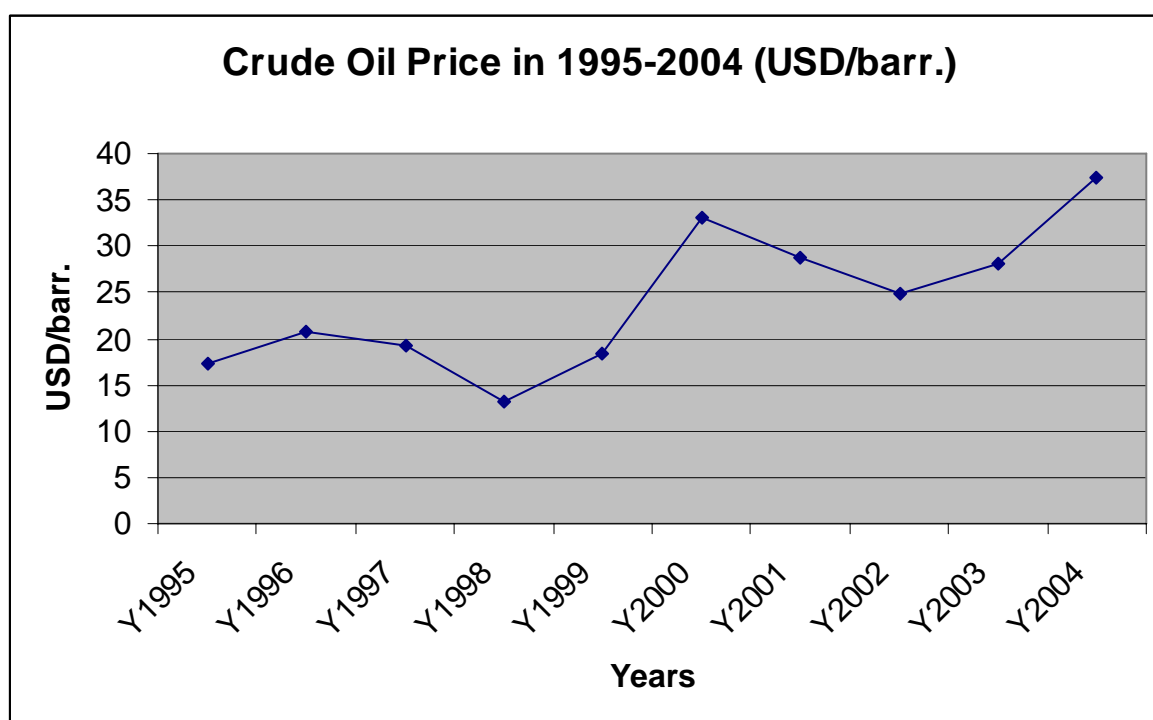
Russia's Crude Oil Export Total and Non-Pipeline (mil. USD)

Year	Total Export	Non-Pipeline
	Crude	Export
1995	122,3	62,3
1996	124,5	63,5
1997	126,8	64,8
1998	137,1	75,1
1999	134,8	72,8
2000	145	83
2001	161,8	100
2002	188,7	122,7
2003	208,6	145,6
2004	243,9	177 *)

*)-estimate

Physical Volume of Russia's Export and Import Goods (mil.t) in 2002

Export	Import
Non CIS countries: 319,4 mil.t 134 bill.m3 gas 37,6 mln.m3 wood etc. 10,0 bill.kWh 1 mln.m2 textile	Non CIS countries: 13,7 mln.t 0,4 bill.m3 gas 0,2 mln.m3 wood etc. 2,7 bill.kWh 61,1 mln.m2
CIS countries: 49,2 mil.t 51,3 bill.m3 gas 0,7 mln.m3 wood etc. 7,98 bill.kWh 215,6 mln.m2 textile	CIS countries: 41,3 mln.t 6,8 bill.m3 gas 0,8 mln.m3 wood etc. 4,2 bill.kWh 68,1 mln.m2 textile
TOTAL 368,6 mln.t 185,3 bill.m3 gas 17,98 bill.kWh 216,6 mln.m2	TOTAL 55 mln.t 7,2 bill.m3 6,9 bill.kWh 129,2 mln.m2



Source: www.bp.com

Exports by principal commodity
(at current prices)

	1995		1997		1998		1999		2000		2001		2002		
	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value	
Total Value	78217	100	85096	100	71314	100	72885	100	10309	3	100	99970	100	106154	100
including:															
Foodstuff and agricultural products (excluding textile)	1378,2	3,3	1600,2	1,9	1461,7	2,1	976,0	1,3	1623,2	1,6	1886,7	1,9	2732,6	2,6	
Mineral fuels, lubricants and related materials	33278,0	42,0	41100,9	48,4	30508,3	42,8	32689,0	44,9	55487,7	53,8	54653,3	54,7	58626,3	55,2	
Chemicals and related products	7842,5	9,9	7100,8	8,3	6149,9	8,7	6177,0	8,5	7392,3	7,2	7480,5	7,5	7381,0	7,0	
Leather, leather manufactures, furs and related articles	313,2	0,4	399,8	0,5	389,3	0,6	207,0	0,3	269,7	0,3	228,7	0,2	268,5	0,3	
Cork and wood manufactures, articles of paper pulp	4362,7	5,6	3600,5	4,2	3532,7	4,9	3716,0	5,1	4460,1	4,3	4426,8	4,4	4908,3	4,6	
Textile yarn, fabrics, made-up articles, n.e.s., related products and footwear	1153,5	1,5	931,5	1,1	842,8	1,1	811,0	1,1	816,5	0,8	798,2	0,8	883,3	0,8	
Metals, gemstones and related articles	20900,8	26,1	20400,9	24,0	19650,1	27,6	19017,0	26,1	22369,7	21,7	18797,9	18,8	19742,9	18,6	
Machinery and transport equipment	7962,3	9,9	9160,4	10,7	8151,4	11,4	7958,3	10,9	9070,9	8,8	10471,0	10,5	10063,1	9,5	
other goods	1025,8	1,3	800,7	0,9	627,6	0,8	1334,0	1,8	1602,8	1,5	1226,5	1,2	1548,3	1,4	

Russia's Export of Main Goods in 2003

Goods exported	Million tone	Million USD
Wheat	7,6	781,7
Vodka, dl 100% alcohol	364612,3	51,5
Calcium Phosphate	3,13	120,5
Ore	17,04	275,2
Coal	61,88	1764,4
Cook	3,5	238,7
Crude oil	208,6	36,86
Oil products	77,4	14026,5
Gas (bill.m3)	171,2	19303,3
Electric energy (bill.kWh)	17,6	415,8
Ammonium	3,1	374,6
Methanol	1,5	204,9
Fertilizers N	8,7	671,1
Fertilizers K	6,8	518,1
Fertilizers NPK	7,5	805,5
Caoutchouc	0,5	515,9
Non-finished wood products (mln.m3)	37,6	1809,3
Finished wood products	6,4	1179,8
Plywood (mln.m3)	1,2	301,1

Cellulose	1,9	613,3
Paper	1,2	404,5
Textile (mln.m2)	425,7	138,8
Metals	...	8419,2
Incl.		
-cast iron	4,7	607,7
-ferroalloys	0,5	343,7
-unfinished steel goods	11,2	2140,9
-rolled steel	10,3	2932,2
Copper	0,4	656,9
Nickel	0,24	2152,6
Aluminium	3,1	3317,1
Machinery	...	10763,3
-cars (th.pies.)	113,9	394,9
-lorries(th.pies.)	34,7	267,5
TOTAL	...	133716,8

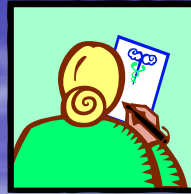
Imports by principal commodity
(at current prices)

	1995		1997		1998		1999		2000		2001		2002	
	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value	Millions USD	% to the total value
Total Value	46709	100	53123	100	43580	100	30278	100	33879	100	41881	100	46153	100
including:														
Foodstuff and agricultural products (excluding textile)	13152,2	28,2	13278,4	25,1	10820,1	24,8	8073,0	26,7	7384,1	21,8	9204,9	22,0	10363,1	22,5
Mineral fuels, lubricants and related materials	3001,2	6,4	3106,2	5,8	2324,3	5,4	1207,0	4,0	2136,7	6,3	1699,7	4,1	1713,8	3,7
Chemicals and related products	5088,3	10,9	7625,6	14,4	6578,5	15,1	4869,0	16,0	6080,4	18,0	7631,7	18,2	7711,6	16,7
Leather, leather manufactures, furs and related articles	166,5	0,4	180,6	0,3	125,1	0,3	87,0	0,3	126,3	0,4	220,5	0,5	206,0	0,5
Cork and wood manufactures, articles of paper pulp	1103,6	2,4	1863,3	3,6	1675,3	3,8	1077,0	3,6	1293,3	3,8	1687,2	4,0	1999,6	4,3
Textile yarn, fabrics, made-up articles, n.e.s., related products and footwear	2643,8	5,5	2435,1	4,5	1789,7	4,1	1583,0	5,2	1990,7	5,9	2296,5	5,5	2438,6	5,3
Metals, gemstones and related articles	3956,3	8,4	3830,9	7,1	3165,2	7,2	2223,0	7,3	2824,4	8,3	3113,9	7,4	2961,1	6,4
Machinery and transport equipment	15704,1	33,7	18709,2	35,3	15500,2	35,6	10071,4	33,3	10648,2	31,4	14230,5	34,0	16720,9	36,2
other goods	1893,0	4,1	2094,1	3,9	1601,1	3,7	1086,4	3,6	1394,3	4,1	1796,4	4,3	2038,3	4,4

Russia's Import of Main Goods in 2003

Goods imported	Million tone	Million USD
Meat (incl. poultry)	2,2	1965,3
Fish	0,6	347,7
Batter	0,13	182,9
Citrons	0,8	265,9
Coffee	0,03	41,0
Tea	0,17	240,6
Grain (all kinds)	1,1	207,3
Sunflower oil	0,2	144,8
Sugar (raw and white	4,3	903,6
Cacao and products	0,2	318,9
Beverage (alc. and soft)	..	882,7
Tobaccos	...	68,1
Ore aluminium	0,3	11,9
Coal	25,2	219,5
Crude oil	10,1	894,2
Oil products	0,1	155,2
Antibiotics	...	34,6
Medicaments	...	2039,6
Agricultural chemicals	0,02	143,2
Caoutchouc	0,08	59,3
Cotton	0,3	226,1
Textile (mln.m2)	113,7	56,1
Clothes	...	481,7
Shoes (mln.pairs)	11,5	116,9
Metals	...	1169,0
Pipes	0,97	626,0
Machinery	...	19447,5
-cars (th.pies.)	212,1	2431,7
-lorries(th.pies.)	40,0	313,7
Furniture	...	409,8
TOTAL		57415,2

Russia's Export Goods Structure



Total		100
Food&Agriculture		2,6
Mineral Fuels		55,2
Chemicals		7
Leathers,Furs		0,3
Wood&Products		4,6
Textile&RelProducts		0,8
Metals		18,6
Machinery		9,5
Other goods		1,4

Russia's Import Goods Structure



Total		100
Food&Agriculture		22,5
Mineral Fuels		3,7
Chemicals		16,7
Leathers,Furs		0,5
Wood&Products		4,3
Textile&RelProducts		5,3
Metals		6,4
Machinery		36,2
Other goods		4,4

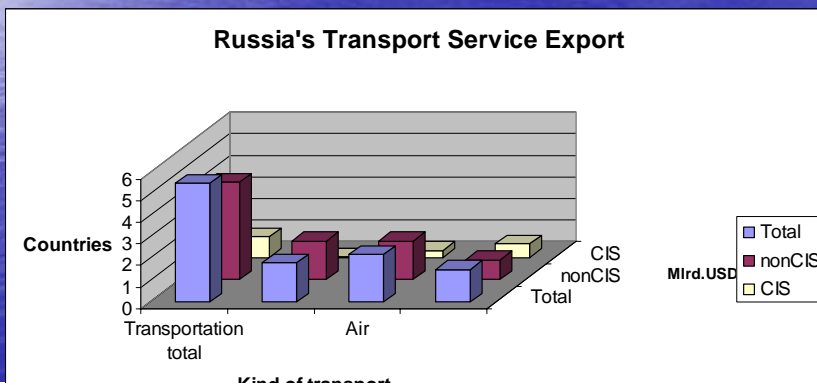
Russia's Service Export Import by type

			Exp.,%	Imp.,%
Total			100	100
Transport			42,1	12,9
Tourism			32,1	54,3
Construction			0,4	1,3
Insurance			0,7	2,1
Communications			3,7	2,4
Financial			1,1	1,1
Information			1,1	2,7
Royalties			1,1	1,5
Other bussiness			16	18
Others			1,7	3,7



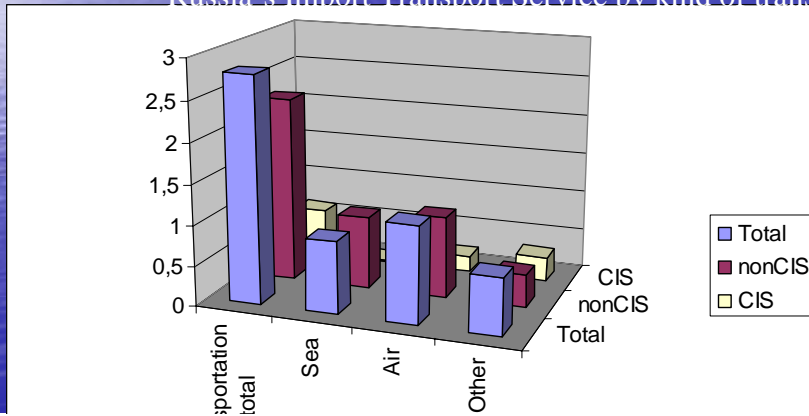
			Total	nonCIS	CIS
Transportation total			5,5	4,5	0,96
Sea			1,8	1,8	0,022
Air			2,2	1,8	0,327
Other			1,5	0,9	0,613

Russia's Transport Service Export (mlrd.USD)



	Total	nonCIS	CIS
Transportation total	2,8	2,3	0,6
Sea	0,9	0,9	0,016
Air	1,2	1	0,2
Other	0,7	0,4	0,3

Russia's Import Transport Service by kind of transport



Export prices in Trade Russia – nonCIS – CIS (USD/T)

Export prices	nonCIS	CIS
Crude	163	111
Petroleum products	148	164
Coal	26,2	31,7
Ores	18	10,4
Calcium Phosphates	35	76,3
Ammonia	72,4	91,6
N2 Fertilizers	58,5	65,7
K Fertilizers	75	77,8
Wood and prod., m3	44,9	36,3

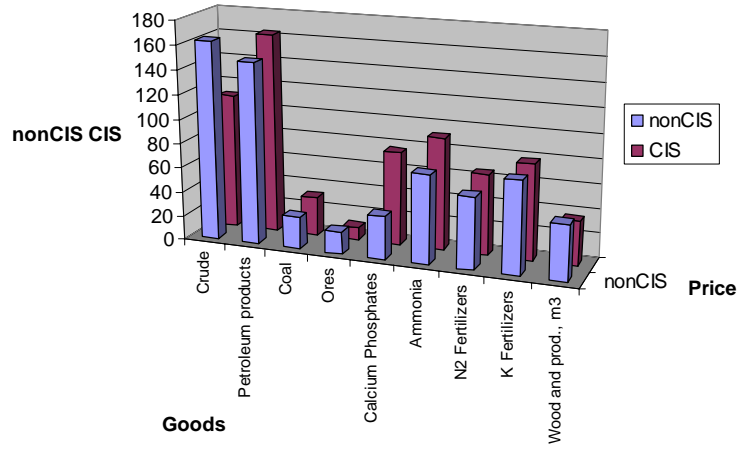


Export Prices in Trade Russia – nonCIS and CIS

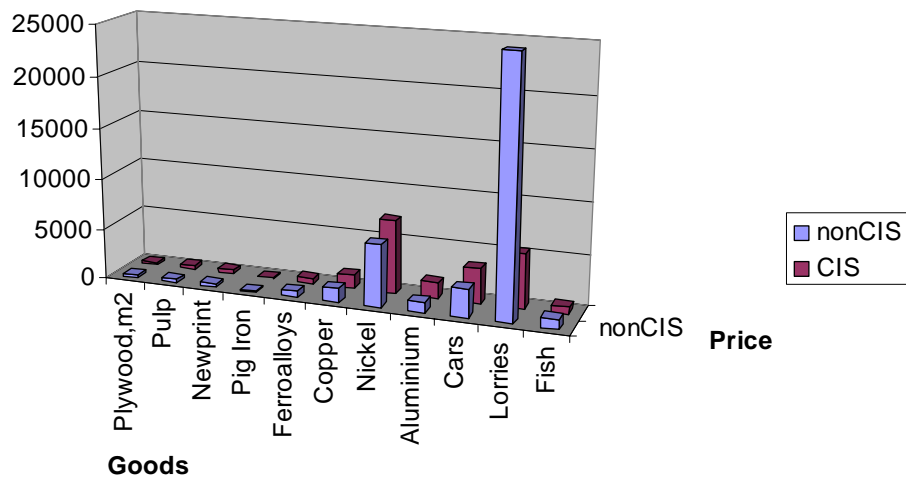
	nonCIS	CIS
Plywood,m2	244	252
Pulp	294	395
Newprint	322	407
Pig Iron	91,1	108
Ferroalloys	626	524
Copper	1371	1350
Nickel	6115	7195
Aluminium	1037	1591
Cars	2837	3486
Lorries	24956	5317
Fish	969	717

Import Prices		nonCIS	CIS		nonCIS	CIS
Coal	85,6	7,2	Fowl fresh frozen	593	1111	
Ores Aluminium	39,8	65,6	Milk&condensed	763	825	
Rubber synth	935	469	Butter	1201	1311	
Pipes	1176	422	Sunflower oil	552	749	
Fiber cotton	1006	759	Wheat	234	82,1	
Leather footwear	10	14,6	Corn	105	104	
Fresh Frozen meat	1104	1463	Raw sugar	192	417	
Fowl fresh frozen	593	1111	White sugar	247	368	
Milk&condensed	763	825	Citron	333	252	
Butter	1201	1311	Coffee	1340	1733	
Sunflower oil	552	749	Cars	9681	5194	
Wheat	234	82,1	Lorries	7759	26562	
Corn	105	104	Buses	10309	45658	
Raw sugar	192	417				
White sugar	247	368				
Citron	333	252				
Coffee	1340	1733				

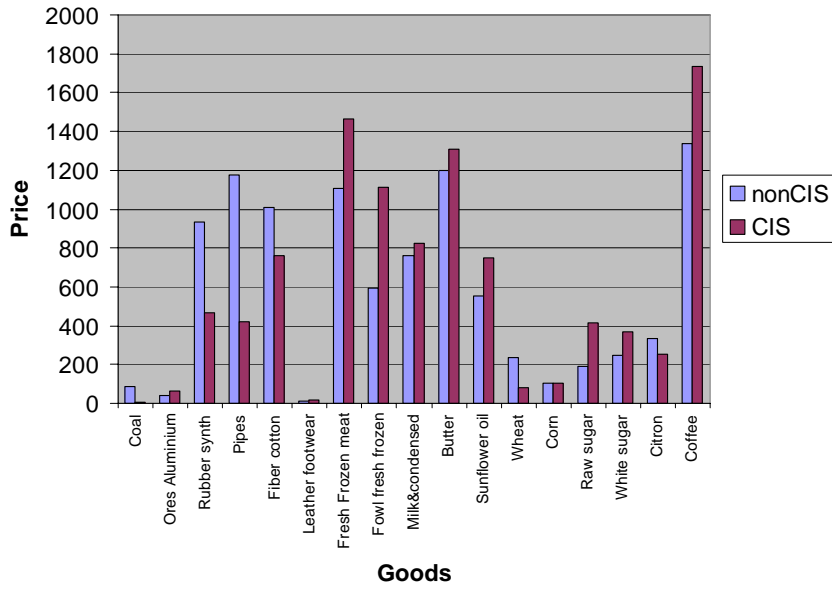
Export Prices in Trade Russia - nonCIS and CIS (USD/t)



Export Prices in Trade Russia - nonCIS and CIS (USD/t)



Import Prices in Trade Russia - nonCIS - CIS (USD/T)



MAIN BIG TERMINALS

1. Refrigeration terminal "Moroz-PLP". Port S.-Petersburg, capacity – 12 000 t. (2500 m²).
2. Shushary – III. S.-Peterburg, area - 100 hectare.
3. "Interterminal-Parnas". North of S.-Petersburg, near Highway "Scandinavia", industrial zone "Parnas", warehouse – 42000 m², refrigeration warehouse – 3000 m², container terminal – 700 TEU's.
4. "Interterminal-predportovy", South of S.-Peterburg, industrial zone "Predportovaya", near Pulkovo airport, Moscow and Kiev motorways, warehouse – 70000 m², refrigeration warehouse – 9200 m², container terminal – 5000 TEU's.
5. Refrigeration terminal "Frucon", Arsenalnaya str., 13 000 m², in 2005 the capacity will rise to 17 500 m² or 7500 t of freeze products (meat, fruit, fish).
6. "Agrotorg Terminal" (food and shop market company "Peaterochka") – 30 000 m².
7. "Neva Cosmetics" – 6500 m².
8. "Petersburg Vneshtans" – 45 000 m².
9. "Caplist" – 37 000 m².
10. JFC-fruit – 12 000 m².
11. "SOFI" – S.-Petersburg – 12 000 m².
12. "Elite Trans" - 12 000 m².
13. "Holding – 78" – 10 000 m².
14. "Niesanz-Logistics" – 6 000 m².
15. The group of companies "Moscow an gros/retail association" – 15 000 m².
16. "Megalogistic inc." – 47 500 m².
17. "Ohta terminal" – 6000 m².

Warehouses of temporary storage

1. International business center

2. Cargo Express TO
3. Avia Terminal Service
4. Astech
5. ATT Neva
6. Baltimore
7. Navice
8. Oktransvneshterminal
9. Modul
10. Rostak Norh-West
11. S.-Petersburg Center of special communications
12. Sautech
13. Setos-Service
14. Seamax
15. Scansped
16. Nordtrans terminal
17. Tabacnasy-ros
18. TDV-Auto
19. Tetramet
20. Transco
21. Philippe Morris Izhora
22. Fly
23. Expomarket

Custom terminals

1. MaerskSealand
2. Voshod
3. Interterminal
4. Intertract
5. KresNeva
6. L.A.Ross Terminal
7. Nevsky Terminal

8. Svarog
9. Norh-West Custom Terminal
10. Soyzinterkniga
11. Holod-2
12. K-service