

**INTERNATIONAL MARKET INSIGHT:
TRADE AND ECONOMIC RELATIONS BETWEEN
THE RUSSIAN FAR EAST & ZABAICALIYE AND THE USA IN 2003**

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SUMMARY: This report provides analysis of the trade relations between the United States of America and the regions of the Russian Federation located east of the Lake of Baikal. Most of the statistical data used in the report were submitted by the International Department of the Zabaikaliye Far East Association for Economic Cooperation. End Summary.

The United States of America is one of Russia's primary trading partners. Presently, USA States accounts for 3.7 percent of Russia's overall foreign trade turnover. The share of Russian Federation in the US trade turnover is roughly 0.5 percent. During the year of 2003, the dynamics of US – Russia trade turnover were as follows:

US – Russia Foreign Trade turnover in 1996-2003 (US\$ million)

Year	Export	Import	Turnover	Balance
1996	3,576.8	3,348.5	6,222.6	231
1997	4319	3,364.9	7,683.9	954.4
1998	5,747.2	3,552.6	9,299.8	2,194.6
1999	5,920.8	2,059.8	7,980.6	3861
2000	7,658.7	2,092.4	9,751.1	5,566.3
2001	6,264.4	2,716.1	8,980.5	3,548.3
2002	6,824.9	2,398.5	9,223.4	4,426.4
2003	4,198.9	2,915.7	7,114.6	1,283.2

In 2003, the volume of US – Russia foreign trade turnover decreased by \$ 2 billion and totaled \$ 7.1 billion. Export volume amounted to \$ 4.2 billion (fell by \$2.6 billion compared to 2002 performance) and import volume was \$3 billion (grew 0.7 billion compared to 2002). Raw materials and semi-finished products accounted for over 80 percent of Russian exports.

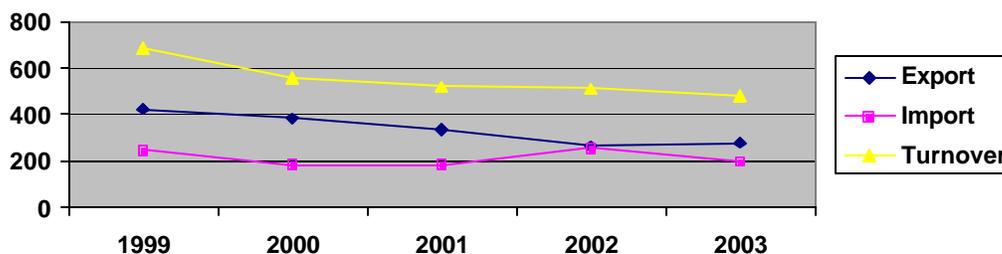
Trade cooperation between the Russian Far East and US West Coast plays an important role in US-Russia economic and trade relations.

Russian Far East and Zabaikaliye - US Trade Turnover in 1999-2003 (US\$ million)

Year	Export	Import	Turnover	Balance
1999	422.5	250.6	685.8	171.9
2000	380.3	181.4	562.8	198.9
2001	333.3	186.6	519.8	146.7
2002	260.9	253.8	511.8	7.1
2003	280.1	198.9	479	81.2

In the past several years, the foreign trade turnover between the Russian Far East and the United States has experienced gradual decline. In 2003, the foreign trade turnover fell 6 percent compared to 2002 or by \$32.8 million.

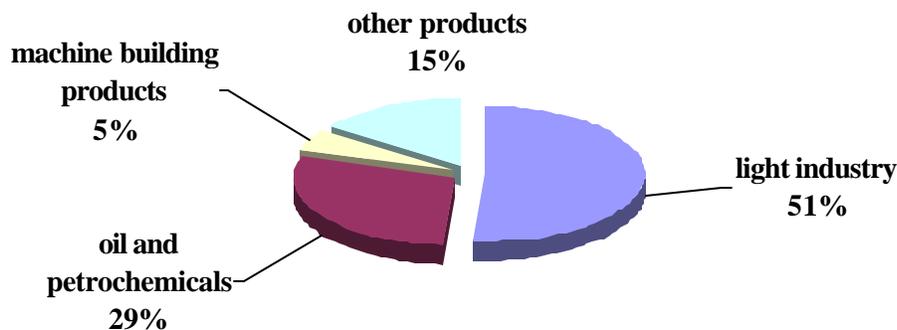
**RFE & Zabaikaliye - US Trade Turnover in 1999-2003
(US\$ million)**



In 2003, the volume of exports increased 7 percent and amounted to \$ 280.1 million (\$ 260.9 million in 2002). The imports volume fell by \$54.9 million or 22 percent and totaled \$198.9 million compared to \$ 253.8 million in 2002.

The content of import and export experienced certain changes during the period.

Structure of the RFE & Zabaikaliye Exports to the USA in 2003



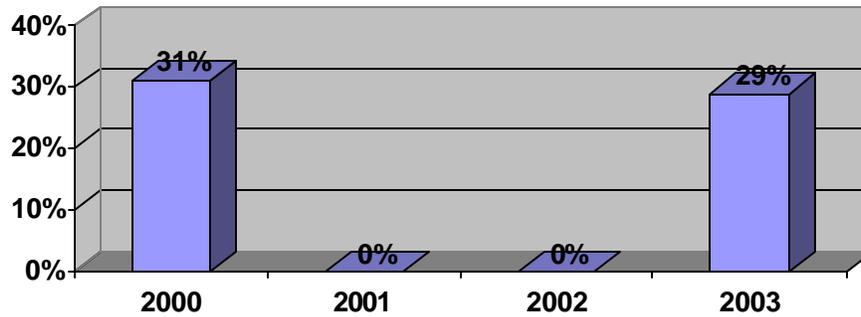
Textiles

Light industry products account for the primary share of the Russian Far East export to the United States. In 2003, the share of light industry in the export volume fell compared to 2002. The industry exported \$ 43.3 million worth of goods, which is \$ 4 million less than in 2002.

Oil and Petrochemicals

In 2003, RFE exported \$ 22.4 million worth of oil products to the United States

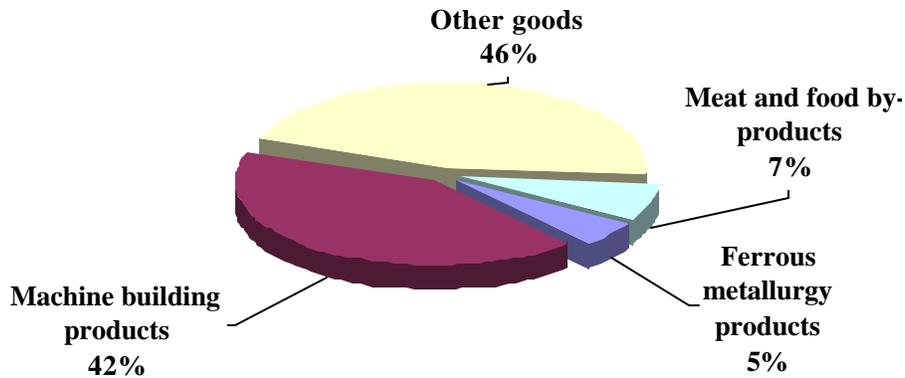
The Share of oil products in the RFE & Zabaikaliye Export Volume in 2000-2003



Fish and Fish Products

During 2003, the RFE export structure lacked such fish and fish products as frozen fish, filleted fish, mollusks, and canned fish. However the export of cell fish increased 2.27 percent during the year.

Structure of the RFE & Zabaikaliye Imports from the USA in 2003



Machine Building Products

Heavy machinery and equipment account for the primary share of the Russian Far East and Zabaikaliye imports from the United States. In 2002, the share was 42 percent, which was an equivalent of \$ 65.7 million (grew 30 percent compare to 2002).

Food Products

During the 2003, RFE and Zabaikaliye imported \$ 8.5 million worth of poultry, which is \$ 1.3 million less than in 2002. The share of pork imported from the United States has also fallen to 1 percent compared to 2 percent in 2002.

Ferrous Metallurgy Products

Imports of ferrous metallurgy products decreased by \$ 14 million during the past year. \$8.7 million worth of goods manufactured from ferrous metals were imported from the US in 2003 (\$ 22.8 million in 2002).

Overall, in 2003, the RFE and Zabaikaliye imports from the United States experienced a significant decline. The volume of imported products fell 35 percent. The region's leading territories for the volume of trade turnover with the US are Sakhalinskaya Oblast with \$ 137.4 million (11.3 percent), Republic Sakha (Yakutiya) – \$112.6 million, Primorskiy Krai – \$ 97.2 million (20 percent), Kamchatskaya Oblast – \$ 51.9 million (11 percent).

The major export products from Sakhalinskaya Oblast to the United States are crude oil, equipment, mechanicals and electric machinery, fish and fish products as well as communication, transportation and commercial services. 2,066 thousand tons of oil were exported during the 2003. The primary US imports are food products, electronic devices and transportation vehicles.

The United States is a traditional trading partner for the Primorskiy Krai. However, during the past years trade turnover has experienced decline. Starting in 2002, the trade turnover fell over 300 percent from \$295 million in 2000 to 97.2 million in 2003. Fish and fish products accounted for the large share of the region's exports – 38.3 percent, apparel – 57 percent. The primary export items included food products – 48.5 percent, bunker fuel – 35.7 percent, oil and oil products – 9.9 percent.

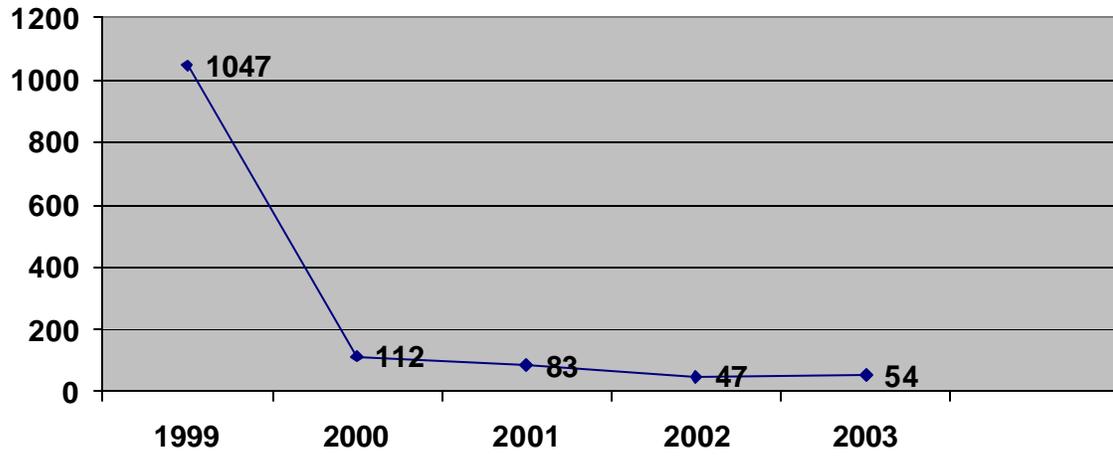
Investment cooperation is an important aspect of the trade and economic relations between the Russian Far East, Zabaikaliye and the United States.

Distribution of the US investment in to the regions of the Russian Far East and Zabaikaliye (US\$ million)

	1999	2000	2001	2002	2003
Republic Sakha (Yakutiya)	4.7	n/a	37.3	20	31.9
Kamchatskaya Oblast	3.4	3.6	4	13.5	10.7
Primorskiy Krai	4.4	12	38.9	8	3.1
Khabarovsk Krai	2.3	5.4	0.7	2.6	0.8
Republic Buryatiya	n/a	1.2	0.01	0.01	n/a
Magadanskaya Oblast	13	1.5	1.2	0.5	0.7
Sakhalinskaya Oblast	1,018.5	88.4	07	2.6	6.4
Total	1,046.7	112.1	82.81	47.21	53.6

During 2003, the volume of US investments in to the REE and Zabaikaliye increased 20 percent and totaled \$53.6 million. Sakha Republic (Yakutiya) enjoyed the primary share of foreign investments.

US Investment in the RFE and Zabaikaliye (US\$ million)



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