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The review provides a detailed analysis of main trends in Russia's economy in 2014. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit spheres; financial sphere; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

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4.7. Russian Foreign Trade in 2014

From the point of view of foreign economic conditions and the world market situation, 2014 was a very hard year for the Russian Federation. The drop of prices for oil, the dramatic devaluation of national currency, the introduction of sanctions by Western economies and the retaliatory sanctions introduced by the RF government have hindered the development of Russian foreign trade. A standstill of basic economic indicators observed in the first half of the year gave way to their sharp drop at the year end. As a result, in 2014 Russia's foreign trade turnover decreased as compared with the previous year (the decrease reaching 6.9%) for the first time since 2009.

4.7.1. World Economic Situation

According to projections of IMF the growth rates of the world economy after the slowdown to 2.7% in the first half of 2014[1] should have increased up to 3.5% in the second half of the year and up to 3.8% in 2015. However, the world economy does not grow evenly and the challenges it faces are not fading away. In developed economies the demand remains weak and in the middle run this can result in the lowering of growth rates all over the world. In China the economic growth is slowing down. The domestic demand in a number of the top economies in Latin America remains sluggish. The geopolitical tensions caused by situation in the Ukraine and the Middle East are hampering economic development not only inside but also outside these regions.

On November 25, 2014 the *US* Bureau of Economic Analysis released its second estimate of GDP growth in the III quarter[2]. Although markets anticipated slower growth, the second estimate was higher than the preliminary one: according to it the annualized increase in the III quarter amounted to 3.9% whereas initially it was estimated at 3.5%. Growth relative to the respective quarter of the previous year reached 2.4% (preliminary estimate – 2.3%).

According to the final data, in the II quarter of 2014 the US economy grew by 4.6% in annual terms. So, in the past two quarters the American economy grew at the highest rate since 2003. The US economic indicators (from production to employment and retail sales) evidence that at the beginning of the IV quarter the economy preserved this impetus. The growth forecasts for the last three months of 2014 are slightly below 3.0%.

In December 2014 the Federal Reserve System revised upwards its forecast for the US GDP annual growth – up to 2.3-2.4% (as compared with earlier projected 2-2.2%) and up to 2.6-3% in 2015. According to estimates of the US Central Bank the level of inflation in 2014 will be 1.2-1.3% instead of 1.5-1.7% (the previous estimate) while in 2015 – 1-1.6%. At the same time unemployment rate in 2014 is expected to reach 5.8% instead of 5.9-6% according to September estimates, in 2015 – 5.2-5.3%.

Economic situation in the *EU* countries remains difficult – the latest business reviews show that a noticeable recovery is hardly possible in the coming months. According to the preliminary estimate of Eurostat[3], in the IV quarter of 2014 GDP in Eurozone (EU18[4]) grew by only 0.3%

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[1] http://www.imf.org/external/pubs/ft/weo/2014/02/pdf/c2.pdf
[2] http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm
[3] http://ec.europa.eu/eurostat
[4] Eurozone (EU-18) includes Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Luxemburg, Latvia, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

as compared with the previous quarter while that of the European Union at large (EU28) – by 0.4%. In total, GDP of 18 Eurozone countries in 2014 grew by 0.9%, that of 28 countries of the European Union – by 1.4%.

Report of the People's Bank of China[1] says that in 2015 the economic growth in *China* may slow down to 7.1%. According to data of the State Statistical Department of PRC, over 2014 the GDP increased by 7.4%. This annual total is the lowest for the Chinese economy since 1990 (for reference: in 2013 the growth of GDP amounted to 7.7%). Indicators of Chinese economic performance in the past year were close to expectations of the government (the official forecast being "around 7.5%") that in recent months took some steps for encouraging business activity in the country.

In 2015 a further slowdown of economic growth in PRC is projected. For instance, IMF has brought down its estimate of the Chinese economy's growth in 2015 by 0.3 p.p. – down to 6.8%, in 2016 – by 0.5 p.p. down to 6.3%.

In January 2015 a regular IMF Bulletin "World Economic Outlook" (WEO) was released that forecasts the world economic growth in 2015-2016 at the rate of 3.5% and 3.7%, respectively, which is 0.3% below estimates of the October 2014 WEO release. This revision is due to the worsening of outlook for the economies of China, Russia, Eurozone countries and Japan as well as to the fading business activity in some countries – major exporters of oil following the plunging of oil prices. Growth forecasts were improved only for the US economy (*Table 31*).

In October 2014 the World Trade Organization (WTO) published «World Trade Report 2014»[2] that contains basic indicators reflecting the current trends in the development of international trade in commodities and services. In 2013 the growth of the world commodity trade remained moderate – 2.2% (in 2012 – 2.3%). At the beginning of 2014 the slow rates persisted: in the I quarter of 2014 the volumes of international trade in commodities exceeded those of the respective 2013 period by 2.1%.

The sluggish growth of international trade in 2013 was conditioned by the combination of many factors including weaker demand for imported items in the developed countries (-0.3%) and a moderate increase of imports in the developing economies (4.7%). As to exports, their growth both in developed and developing countries was modest (by 1.5 and 3.6%, respectively). The 2013 trade and production indicators were affected by the lingering recession in the EU, the high rate of unemployment in Eurozone countries (except Germany) and the uncertainty about time frames of monetary stimulus' curtailment by the US FRS. The latter contributed to financial instability in the developing countries in the second half of 2013, especially in some countries with emerging markets.

Table 31

Dynamics of the world GDP and world trade (increase as % of the previous year)

	2010	2011	2012	2013	2014	Forecast		Difference between forecasts of October 2014 and January 2015	
						2015	2016	2015	2016
World GDP	**5.1**	**3.9**	**3.4**	**3.3**	**3.3**	**3.5**	3.7	**–0.3**	**–0.3**
Countries with developed economies	***3.0***	***1.7***	***1.2***	***1.3***	***1.8***	***2.4***	***2.4***	***0.1***	***0.0***
United States	2.4	1.8	2.3	2.2	2.4	3.6	3.3	0.5	0.3

[1] http://www.pbc.gov.cn/publish/english/963/index.html

[2] http://www.wto.org/english/res_e/publications_e/wtr14_e.htm

Eurozone	2.0	1.5	–0.7	-0.5	0.8	1.2	1.4	-0.2	-0.3
Germany	4.0	3.4	0.9	0.2	1.5	1.3	1.5	-0.2	-0.3
France	1.7	2.0	0.3	0.3	0.4	0.9	1.3	-0.1	-0.2
Italy	1.8	0.4	–2.4	-1.9	–0.4	0.4	0.8	-0.5	-0.5
Spain	–0.3	0.1	–1.6	-1.2	1.4	2.0	1.8	0.3	0.0
Japan	4.5	–0.6	1.5	1.6	0.1	0.6	0.8	–0.2	-0.1
Great Britain	1.8	1.1	0.3	1.7	2.6	2.7	2.4	0.0	-0.1
Canada	3.2	2.5	1.7	2.0	2.4	2.3	2.1	-0.1	-0.3
Other countries with developed economies	5.9	3.2	2.0	2.2	2.8	3.0	3.2	-0.2	–0.1
Countries with emerging markets and developing countries	***7.4***	***6.2***	***5.1***	***4.7***	***4.4***	***4.3***	***4.7***	***–0.6***	***–0.5***
Commonwealth of Independent States	4.8	4.8	3.4	2.2	0.9	-1.4	0.8	–2.9	-1.7
Russia	4.3	4.3	3.4	1.3	0.6	-3.0	-1.0	-3.5	–2.5
Less Russia	6.0	6.1	3.6	4.3	1.5	2.4	4.4	-1.6	-0.2
Developing Asian countries	9.5	7.8	6.7	6.6	6.5	6.4	6.2	-0.2	-0.3
China	10.4	9.3	7.7	7.8	7.4	6.8	6.3	-0.3	-0.5
India	10.1	6.3	4.7	5.0	5.8	6.3	6.5	-0.1	0.0
Latin America and Caribbean countries	6.2	4.6	2.9	2.8	1.2	1.3	2.3	–0.9	–0.5
Brazil	7.5	2.7	1.0	2.5	0.1	0.3	1.5	-1.1	–0.7
Mexico	5.6	4.0	4.0	1.4	2.1	3.2	3.5	-0.3	-0.3
World trade in commodities and services	***12.6***	***6.1***	***2.9***	***3.4***		***3.8***	***5.3***	***–1.1***	***–0.2***
Imports									
Countries with developed economies	11.4	4.7	1.2	2.0		3.7	4.8	-0.6	–0.2
Countries with emerging markets and developing countries	14.9	8.8	6.0	5.5		3.2	6.1	–2.9	–0.2

Source: http://www.imf.org/external/pubs/ft/weo/2015/update/01/

In 2013 *China* became the top world trader with foreign trade turnover amounting to \$4,159bn (44.6% of GDP) and exceeding the 2012 indicator by 7.5%. The PRC's balance of trade has been positive since 1994 and in 2013 reached \$259bn (2.7% of GDP).

The *United States of America* descended to the second place with 2013 foreign trade turnover of \$3,909bn (23.4% of GDP). The country preserved quite a sizable deficit of trade balance: in 2013 it amounted to \$749.5bn (4.5% of GDP). As compared with 2012, the deficit of US trade balance reduced by 5.4%.

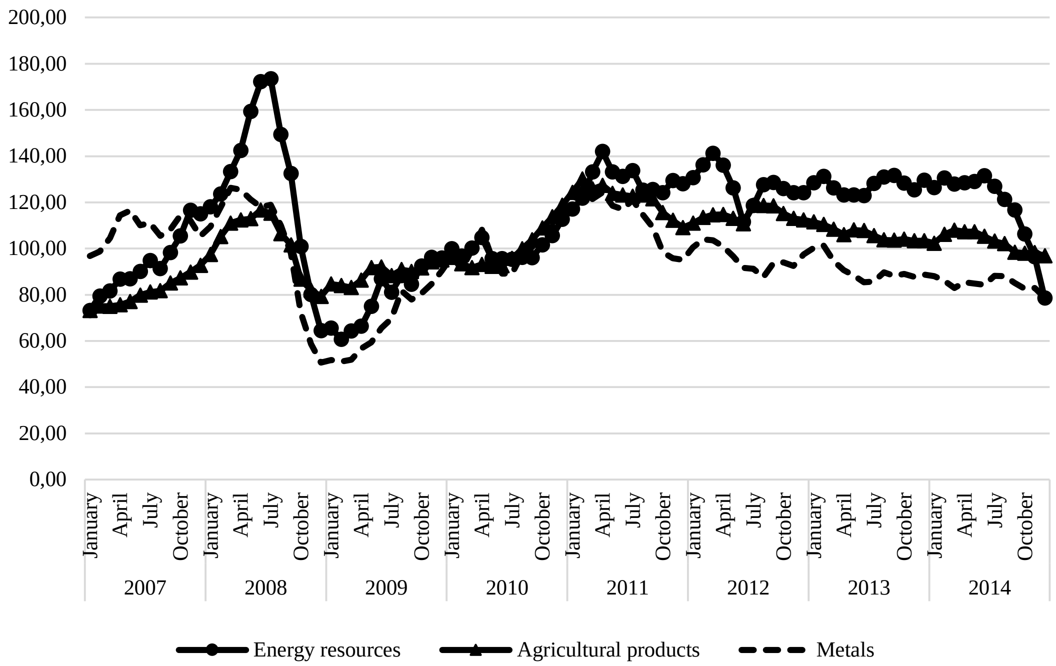
Germany has retained its third place with 2013 foreign trade turnover being \$2,642bn (73.5% of GDP). The positive trade balance amounted to \$264bn (7.3% of GDP).

In 2013 the *Russian Federation* descended to the 10th place from the 8th that it occupied in 2012 with exports reaching \$523bn (25% of GDP). The share of Russian exports in the total world commodity exports was 2.8%. By the amount of imports Russia remained in the 16th place – its commodity purchases in foreign countries amounted to \$343bn (16.4% of GDP). The share of Russian imports in the world total remained 1.8%. In the aggregate volume of world trade Russia ranked 13th with its share in the world trade turnover being 2.5%. The country's balance of foreign trade was positive and reached \$179bn (8.5% of GDP).

4.7.2. Conditions for Russian Foreign Trade: Price Trends for Basic Items of Russian export and import

From the middle of 2014 the expansion of supply on commodity markets coincided with the slowdown of the world economic growth, especially in developing countries that used to account for the major part of demand for raw inputs. As a result, beginning from summer 2014 prices for basic commodities – agricultural products, energy resources and metals – started to steadily decline.

In the III quarter of 2014 the World Bank's price index for energy resources decreased by 6.2% as compared with the previous quarter, that for agricultural products – by 5%; the price index for metals grew by 2.6% but in October-November resumed its falling *Fig. 48*).



Source: http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1304428586133/ Commodity MarketsOutlook_October2014.pdf

Fig. 48. Commodity price index of the World Bank (2010 = 100)

In the first half of 2014 the price situation on the world oil market remained favourable: the price for Brent oil was above $100 per barrel. But after reaching their annual maximum ($111.87 per barrel) in June, oil prices started falling: in the III quarter the price for Brent oil slid down by 5.7% as compared with the previous quarter, that for North American WTI – by 3.9%. Such a decrease superseded the period during which prices for oil fluctuated within quite a narrow band around $105 per barrel that was a "desired price range" for the OPEC countries. In fact, 2011-2013 was one of the least volatile 3-year periods in the recent history of oil market.

In the IV quarter of 2014 the drop of oil prices accelerated. In October 2014 the average monthly price fell down to $87.27 per barrel which was 20.3% below the respective indicator of 2013 and 10.3% below the level of the previous month.

At their meeting on November 27, 2014 the OPEC countries decided to leave unchanged the total amount of quotas for oil production at the level of 30 million barrels a day. As a result, on November 28, 2014 the price for Brent oil fell by 7.1% as compared with the previous day – down to $71.89 per barrel.

After the declaration of UAE that OPEC wouldn't cut quotas for oil production even if prices for oil dropped down to $40 per barrel, on the 16th of December 2014 the price for Brent oil fell below $60 per barrel for the first time since July 2009.

The average price for Brent oil in 2014 was $98.9 per barrel – 9.1% lower than in 2013. Over the year the price for North American WTI fell by 4.9% - down to $93.1 per barrel.

The price for Urals oil followed the world market trend and in the first half of 2014 remained relatively stable fluctuating between $106.4 and $108.9 per barrel. But in the second half of the year it started falling. The average price of Urals oil in 2014 was $97.6 per barrel or 9.5% below the 2013 level.

The drop of oil prices in the second half of 2014 was most remarkable since the 2008 crisis. The key factor of mid-term price trend was the changing of structure of the world oil market due to the shale revolution in the United States. The growth of oil extraction therein produces increasing pressure on the world prices. There were also other factors that influenced the market of oil. First, political tensions in Libya and Nigeria reduced and following that oil production increased by 1.5 million barrels a day. Second, due to the accident at the refinery in Venezuela the demand for crude oil temporarily fell by 0.65 million barrels a day. Third, dollar strengthened relative to other currencies following the curtailment of quantitative easing (QE) program in the US. Of no small importance was the decision of OPEC not to cut production and let the market "search for equilibrium" on its own in the conditions of persisting excessive supply of oil.

The dynamics of prices for gas retains its notable segmentation by regions: there is a great difference between prices for this item at the North American, European and Asian markets.

The lowest prices for gas continue to be observed in the United States, although in 2014 their growth was quite noticeable: according to data of the World Bank, in 2014 the spot price for gas at Henry Hub averaged $4.38 per 1 million British thermal units (BTU) which is 17.5% above the 2013 indicator.

The prices for gas remain the highest in East Asia despite lowering by 0.4% in 2014 as compared with 2013. According to data of the World Bank, in 2014 the price for liquefied natural gas imported by Japan averaged $15.95 per 1 million BTU.

At the European market the price for gas in 2014 fell by 14.7% as compared with 2013 down to $10.1 per 1 million BTU (average spot import price).

The situation on the world market of non-ferrous metals started worsening since the end of 2011 and has not recovered as yet.

In 2013 average prices for aluminium fell down to $1,846 per ton which is 8.6% below the level of 2012. In summer 2014 a slight upward trend was observed and in August the price for this item grew up to $2,030.5 per ton – the maximum level since February 2013. After that the drop of prices resumed and continued in September and October. In November the price for aluminium was up again exceeding $2,000 per ton. However, it failed to maintain this level for a long time and in December fell down to $1,909.5 per ton. According to data of the World Bureau of Metal Statistics (WBMS)[1], in 2014 the world market of alluminium displayed a deficit of 849 thousand tons. The global stocks of this metal at the end of 2014 totaled 6,397 thousand tons. In January-December the demand amounted to about 50,550 thousand tons.

In 2014 the basic factors of shorter demand for copper were sluggish industry dynamics in Eurozone and the decrease of purchases by China that accounts for 40% of the world consumption of this metal. To a certain extent prices for copper were supported by the recovery observed in the industrial sector and residential property market in the US. Still, in March 2014 the price for copper fell to its minimum since October 2009 – down to $6,650 per ton. In July it rose up to $7,113.38 per ton but afterwards resumed its sliding down.

In the first half of 2014 a stable demand for nickel from producers of stainless steel was observed. As a result in the time span from January to July the price for this item grew by 26.2%

[1] http://www.world-bureau.com/readnews.asp?id=19

- up to $19,117.65 per ton. But at the year end the negative dynamics resumed. However, the average annual price for 2014 exceeded that for 2013.

According to London Metal Exchange, in 2014 prices for aluminium were above the 2013 level by 1.1%, those for nickel – by 12.4%; meantime, the prices for copper fell by 6.4% (*Table 32*).

Table 32

Average annual world prices, 2004–2014

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Oil (Brent), $/barrel	37.4	54.38	65.15	72.32	97.64	61.86	79.64	110.9	111.97	108.9	98.9
Natural gas (USA), $/million BTU	5.89	8.92	6.72	6.98	8.86	3.95	4.39	4.00	2.75	3.73	4.38
Natural gas (European market), $/million BTU	4.28	6.33	8.47	8.56	13.41	8.71	8.29	10.52	11.47	11.79	10.05
Natural gas (Japan), $/million BTU	5.13	5.99	7.08	7.68	12.55	8.94	10.85	14.66	16.55	15.99	15.95
Copper, $/ton	2866	3679	6722	7118	6956	5149	7534	8828	7962	7342.8	6901.3
Aluminium, $/ton	1715	1898	2570	2638	2573	1665	2173	2401	2023.3	1846.7	1867.4
Nickel, $/ton	13823	14744	24254	37230	21111	14655	21809	22910	17557	15032	16893

Source: calculated using data of the World Bank.

In 2014 the World Bank's index of prices for agricultural products fell by 3% as compared with the previous year due to the lowering of prices for grains (by 1.9%), cocoa, coffee and tea (by 3.9%). Meantime, prices for vegetable oils, meat (primarily beef) and sugar grew.

Average prices received by Russian exporters reduced in line with the global market trends. The reduction concerned average export prices for crude oil, natural gas, mineral fertilizers, ferrous metals and copper.

As to average import prices, their slight growth at the beginning of the year in August was superseded by sliding down. As a result, in 2014 prices for imported commodities fell by 4% as compared with 2013: those for items from the CIS countries were down by 5.1%, from the non-CIS countries – by 1.4% (*Table 33*).

Since in February and from August to December the lowering concerned not only average export prices but also average import prices, in 2014 the worsening of terms of trade for Russia slowed down. While in 2013 the index of terms of trade equaled 93.4 points, in 2014 it was 96 points.

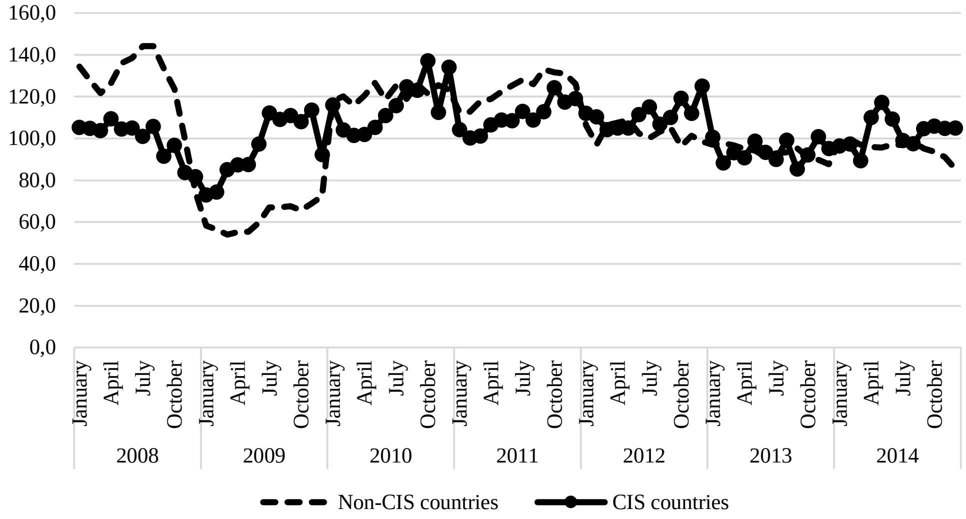
Table 33

Indices of export and import prices in 2014 (as % of the respective month 2013)

	Export			Import		
	Total	**to non-CIS countries**	**to CIS countries**	**Total**	**from non-CIS countries**	**from CIS countries**
January	98.5	98.6	97.8	100.4	100.2	101.6
February	97.6	98.8	91	98.6	99.2	93.6
March	97.3	98.6	89	101.5	101.7	99.7
April	99.2	98.2	106.3	101.7	102.3	96.6
May	99.4	97.3	113.9	101.4	101.8	97.3
June	98.9	97.6	108	100.4	100.6	98.9
July	98.3	98.4	97.5	101.2	101.5	98.5
August	95.6	95.8	94.1	97.3	97.4	96.6
September	92.3	92.4	92.1	94.5	94.7	92.4
October	90.1	90.2	89.7	95.2	96.3	84.8
November	85.3	85.1	86.55	92.2	93.4	82.6
December	80.2	79.6	85.0	92.4	93.4	81.0
2014	**94.3**	**94.1**	**95.7**	**98.2**	**98.6**	**94.9**

Source: RF Ministry for Economic Development.

Meantime terms of trade with the CIS countries slightly improved: the respective index grew from 94.8 to 100.8 points. Terms of trade with the non-CIS countries continued worsening but not as fast as in 2013: the index was up from 94.8 to 95.4 points (*Fig. 49*).



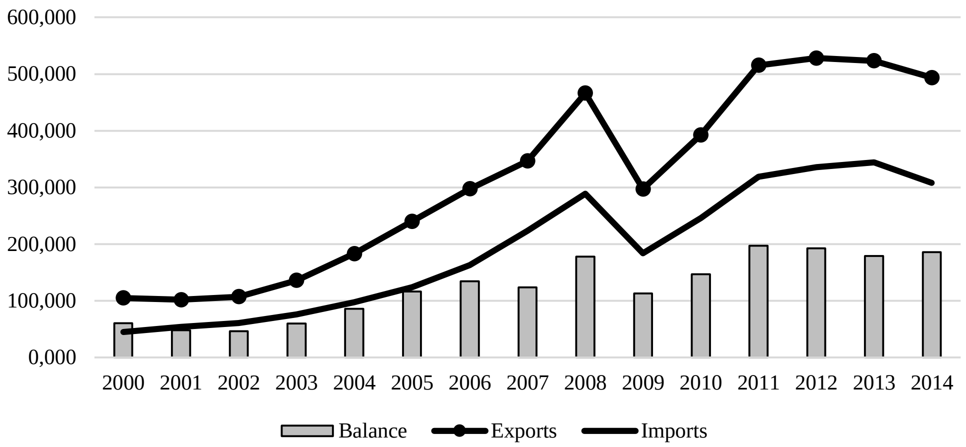
Source: RF Ministry for Economic Development.

Fig. 49. Russian Federation: Index of foreign trade in 2008-2014

4.7.3. Basic Indicators of Russian Foreign Trade in Commodities

In 2014 Russian foreign trade turnover calculated according to the balance of payments' methodology amounted to $804.7bn which was 6.9% below the respective 2013 indicator. Foreign trade turnover with the non-CIS countries fell by 5.4% - down to $700.4bn, that with the CIS countries – by 16.4% down to $104.3bn.

Russian exports in 2014 reduced by 5.1% as compared with 2013 – down to $496.7bn. Russian imports for the first time since 2009 fell by 9.8% - down to $308bn. The balance of foreign trade in 2014 was positive - $188.7bn or 3.7% above the 2013 indicator (*Fig. 50*).



Source: Central Bank of the Russian Federation.

Fig. 50. Basic indicators of Russian foreign trade in 2000–2014, billion dollars

Due to the slowdown of the global economic growth the situation on the world markets of major commodities of Russian export has notably deteriorated. As a result the general price index for items exported from Russia fell by 5.7%. The value of crude oil supplies to foreign consumers dropped by 11.4% as compared with 2013 whiles the average contract price reduced by 6.2%; the respective rates of decrease for natural gas were 18.6% and 7.4%. Prices for other commodities sold to foreign consumers fell by an average 3.5%.

The physical volume of export sales remained at the level of 2013 owing to the growth of supplies to non-CIS countries by 1.6%. The physical volume of exports to CIS countries dropped by 10.1%. The supplies of fuel and energy products in physical terms fell by 3.1%, the decrease for natural gas and oil being even greater – 12.1% and 5.6%, respectively. These were only petroleum products that were exported in bigger physical volumes (up 8.9%). The volumes of supplies of other commodities increased by 2.6%. So, the negative dynamics of Russian exports was primarily conditioned by the price factor given that the physical volumes of export supplies stabilized.

The reduction of import value was driven by both the lowering of average import prices and the decrease of physical volumes of commodities supplied to Russia. Thus, in 2014 import purchases of commodities in physical terms were 7.5% below the level of 2013 (those from the non-CIS countries were down 6.8%, from the CIS countries - down 12.2%). The prices for imported items fell by 1.8% as compared with 2013 (that from the non-CIS countries – by 1.4%, from the CIS countries – by 5.1%). Along with shorter demand (one of the reasons being the depreciation of ruble), the negative dynamics of this indicator is due to the impact of restrictions on import of selected groups of commodities from foreign countries introduced by the Russian Federation in August 2014 (*Table 34*)

Table 34

Indices of Russian foreign trade in 2010–2014 (as % of the previous year)

	2010		2011		2012		2013		2014	
	Physical volumes	Average prices	Physical volumes	Average prices	Physical volumes	Average prices	Physical volumes	Average prices	Physical volumes	Average prices
Export	110.2	116.9	97.3	131.1	99.7	101.7	104.3	95.8	100.0	94.3
Import	130.8	101.2	125.6	109.8	104.8	96.6	99.2	101.4	92.5	98.2

Source: RF Ministry for Economic Development.

The export-import coverage ratio grew from 152% in 2013 up to 160.3% in 2014.

The coefficient of foreign trade imbalances (the ratio of trade balance to trade turnover) was up from 20.6% in 2013 to 23.2% in 2014.

Structure and Dynamics of Commodity Exports

In 2014 Russian commodity exports shrank by 5.1% as compared with 2013 (down to $496.7bn) due to the curtailment of supplies to the CIS (by 12.9%, down to $68.0bn)) and to non-CIS countries (by 3.7%, down to $428.6bn). The share of non-CIS countries in the total exports grew from 84.1% up to 86.3% (*Table 35*).

The structure of Russian exports in 2014 remained basically unchanged as compared with 2013. Mineral items accounted for 70.5% thereof while in 2013 their share was somewhat higher – 71.6%. The share of fuel and energy products reduced from 70.6% in 2013 down to 69.5%.

The value of mineral exports fell by 7.1% both due to the decrease of physical volume of oil exports by 5.6% and to the lowering of oil price by 6.2% as compared with 2013. The physical volume of gas exports shrank by 12.1% while the average export price for this item fell by 7.4%. In 2014 Russian gas exports totaled 172.6 billion m^3. Supplies to the non-CIS countries reduced by 9.7% - down to 124.6 billion m^3, while those to the CIS countries – by 17.8% down to 48 billion m^3.

Table 35

Dynamics of Russian exports in 2004–2014

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Exports, billion $	183.2	243.8	303.6	354.4	471.6	303.4	400.6	515.4	528.0	523.3	496.7
including:											
Non-CIS countries, billion $	153.0	210.2	260.2	300.6	400.5	255.3	338.0	436.7	445.2	444.9	428.6
Exports as % of GDP	31.0	31.4	30.1	26.7	28.1	24.3	25.8	27.1	26.2	25.0	26.6
Growth rates as % of the previous year											
Volume index	110.7	104.7	105.8	105.0	96.8	97.0	110.0	97.8	99.9	96.3	
Price index	122.7	126.9	119.7	110.9	137.4	76.4	119.8	132.9	101.6	94.7	

Source: the Bank of Russia, RF Ministry for Economic Development.

The drop of crude oil and gas exports was not compensated by higher value of petroleum products' sales the physical volume of which increased by 8.9%. Overall, export supplies of petroleum products in 2014 mounted to the record level of 164.8 million tons. Their exports to non-CIS countries grew by 10% - up to 155.2 million tons while those to the CIS countries dropped by 6% - down to 9.6 million tons. In 2014 average contract prices were 2.7% lower than in 2013.

According to data of the Federal Customs Service, liquid fuel not including biodiesel continued to dominate in the structure of petroleum products' exports but its share therein fell down to 52.9% versus 56% in 2013 basically due to the lowering of average export price (by 5.4%).

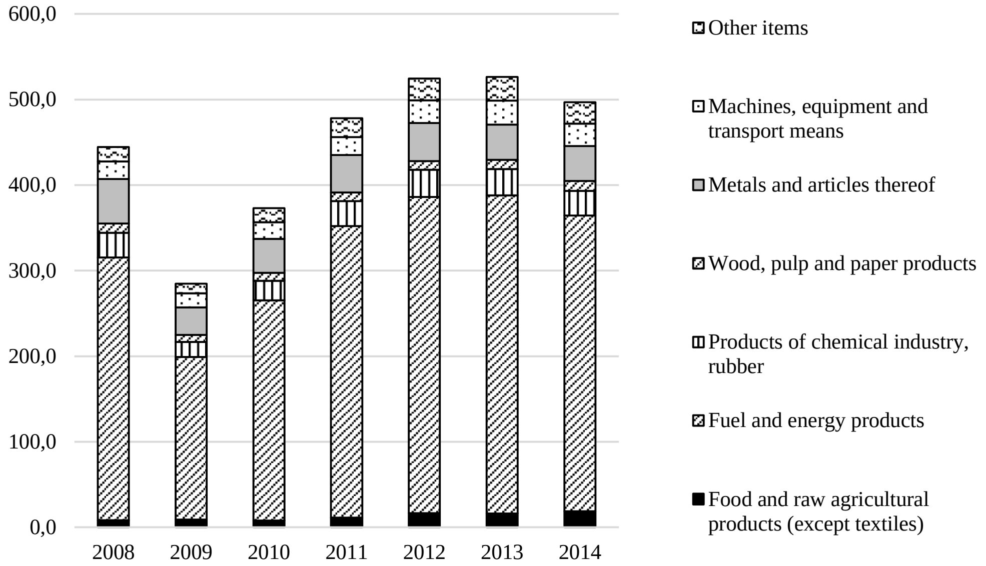
The share of metals and metal products grew from 7.8% in 2013 to 8.2% in 2014. This growth was conditioned by the increase of physical volumes of exports of ferrous metals – up by 5.2% (while average contract prices for them fell by 2.7%) and of refined copper – up by 30.5% (contract prices for it being 8.8% below the 2013 average). Physical volume of nickel exports remained at the level of 2013 but owing to the growth of average contract prices for this item by 7.3%, the value of respective exports also increased by 7.3%. The physical volume of aluminium exports notably dropped – by 13.3% as compared with 2013. The growth of average contract prices by only 1.4% failed to compensate for such a drop and as a result the value of aluminium exports was down by 12.1%.

Exports of chemical industry's produce continue falling for the second year in turn: in 2014 they amounted to $29.1bn which was 5.2% below the 2013 level. Chemical products accounted for 5.9% of the total exports of most important items. The leading positions in this commodity group belong to fertilizers, inorganic chemical products and organic chemical compounds.

In 2014 the share of machines, equipment and transport vehicles in the structure of exports fell down to 5.3% versus 5.4% in 2013 (in 2012 – 5.1%). Supplies of items belonging to this commodity group to foreign countries reduced by 7.1%. The most seriously affected was the export of trucks – it dropped by 18.5% as compared with 2013.

A notable reduction of exports value was observed in the following groups of the extended commodity classification: "Raw hides and skins, fur skins and articles thereof" (down by 31.9%), "Precious stones, precious metals and articles thereof" (down by 17.6%).

Growth of export supplies was registered in the following commodity groups: “Textiles, textile articles and footwear” (up by 18%), “Wood, pulp and paper products” (up by 6.1%). It’s noteworthy that exports of food products increased by 16.7%; the share of this commodity group was up by 0.7 p.p. owing to the growth of wheat exports’ value 1.6 fold conditioned by bigger physical volumes of shipments (primarily to the non-CIS countries).



Source: Federal Customs Service.

Fig. 51. Shifts in commodity structure of Russian exports in 2008–2014, billion $

Structure and Dynamics of Imports

The aggravation of geopolitical situation that triggered the introduction of sanctions against the Russian Federation by Western economies, the retaliatory measures of the Russian government limiting supply to the RF territory of selected types of agricultural and food products from the same countries, a sharp devaluation of the national currency at the end of the year and the drop of both consumer and business solvent demand have led to the curtailment of import purchases.

In 2014 Russian imports fell by 9.8% as compared with 2013 – down to $308bn due to the reduction of supplies from both non-CIS countries (imports from which totaled $271.7bn or 7.9% below the respective indicator of 2013) and countries-members of CIS (their supplies amounted to $36.3bn – 21.7% less than in 2013). The share of non-CIS countries in the total imports grew from 85.9% to 88.2%.

Table 36

Russian Imports in 2004–2014

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Imports, billion $	97.4	125.4	164.3	223.5	291.9	191.8	248.6	318.6	335.8	344.3	308.0
including											
Non-CIS countries, billion $	76.4	103.5	138.6	191.2	253.1	167.7	213.3	275.5	288.5	240.2	271.7
Imports as % of GDP	16.5	16.2	16.5	17.2	17.4	15.0	16.1	16.7	16.6	16.4	16.6
Growth rates as % of the previous year											
Volume index	124.2	122.4	130.1	127.1	113.5	63.3	135.4	122.2	105.1	86.6	88.6
Price index	106.1	106.5	105.5	107.6	117.8	99.1	101.6	109.1	97.3	104.0	101.8

Source: the Bank of Russia, RF Ministry for Economic Development.

The peak of imports' drop was registered in the IV quarter when the volume of commodity supplies from foreign countries fell by 19.4% as compared with the respective period of 2013; in December the drop was already as deep as 24% (as compared with December 2013).

The decrease of imports was observed in actually all commodity groups of the extended commodity classification except for "Mineral products" (up by 5.5%) and "Precious stones, precious metals and articles thereof" (up by 25.8%). A notable reduction of import supplies was registered in the following commodity groups: "Textiles, textile articles and footwear" (down by 12.8%), "Metals and articles thereof" (down by 12.7%), "Machines, equipment and transport means" (down by 11.7%), "Wood, pulp and paper products" (down by 11.3%), "Products of chemical industry" (down by 7.4%). Imports of "Foodstuffs and raw agricultural products" fell by 7.8% due not only to the introduction of food embargo but also to the devaluation of ruble that raised the competitiveness of domestic food products and at the same time limited import potential.

It should be noted that imports of capital goods was falling faster than imports of consumer commodities. For instance, in January-September 2014 import purchases of capital goods decreased by 5.5% as compared with the respective period of 2013 while those of consumer commodities were down by only 2.9%.

Serious problems emerged in the Russian oil and gas sector due the introduction of ban on import supplies of technological equipment for oil and gas companies. According to data of the Center for International Trade[1], in 2013 Russia imported equipment for its oil and gas industries to the amount of $2bn; in 2014 over half of these purchases were subjected to embargo imposed by the EU and US in August 2014. In 2013 the basic suppliers of equipment for oil and gas production were Japan, Canada, the US, Norway, South Korea, China, Belarus and the countries of European Union (Germany and Italy). The share of imports from countries that introduced sanctions against Russia amounted to 56.8% ($1.172bn). These countries primarily supplied tools for drilling hard rocks or rocky soils, pumping equipment, drilling machinery and floating drilling rigs. The most harmful for Russian economy is the ban on supplies of rotary equipment and the equipment for telemetry that is used for field modeling

According to the opinion of the RF Ministry of Industry and Trade, in the nearest future it is impossible to substitute many types of equipment with the one produced in Russia. The Ministry expects that China may become their supplier to Russia but admits that the efficiency and quality of Chinese analogues is far below the Western standard.

At the beginning of August Russia banned import of food products from the countries that imposed sanctions against it: the US, countries-members of the European Union, Canada, Australia and Norway. The ban concerns beef, pork, poultry meat, sausages, fish, vegetables, fruit, dairy products and some other items.

As a result in the III quarter of 2014 food imports fell by 5% as compared with the respective period of 2013.

In January-September 2014 the share of imported *meat of bovine animals* (beef) on the Russian market was as high as 72.9%. The CIS countries remained major suppliers of fresh and chilled bovine meat: in the III quarter of 2013 they accounted for 68.4% of the respective imports while in the III quarter of 2014 – for already 78.9%. Bovine meat was primarily supplied from Belarus the share of which grew from 51.7% up to 69.9%. The share of Ukraine in import purchases of fresh and chilled beef fell from 13.7% down to 6.7%, that of the EU countries –

[1] http://wto.wtcmoscow.ru/novosti/2629

from 11.2% down to 7.2%. Imports of bovine meat from Australia in the III quarter of 2014 discontinued and supplies from the US dropped by 37% as compared with the respective quarter of the previous year.

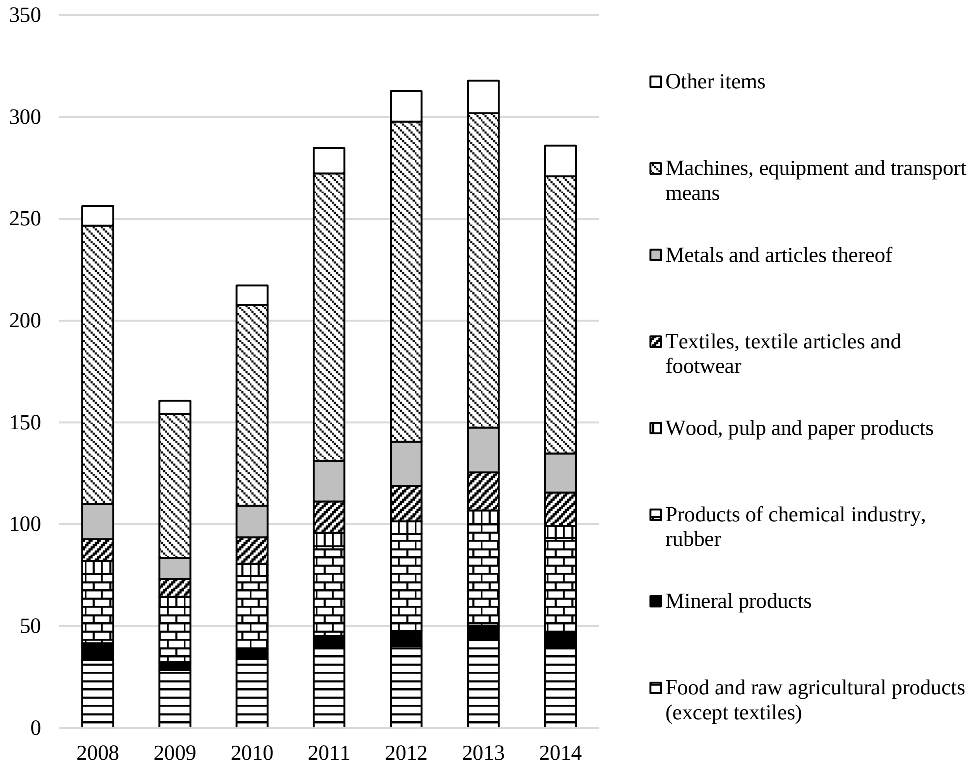


Fig. 52. Shifts in commodity structure of Russian imports in 2008–2014, billion $

At the same time the value of aggregate imports of fresh and chilled bovine meat in the III quarter of 2014 grew by 13.2% as compared with the III quarter of 2013. The growth was conditioned by larger supplies from Argentine (up 83.9% in physical terms and 4.5 fold – in value terms) and Kazakhstan (up 39.1 and 8.5 fold, respectively). New Zealand and Uruguay have entered the Russian market.

Brazil remained the major supplier of frozen bovine meat to Russia – the country's share grew from 54% in the III quarter of 2013 up to 60% in the III quarter of 2014. A large supplier was Paraguay despite the shrinkage of its share from 28.9% to 22%. In the III quarter of 2014 imports of frozen bovine meat grew by 24.2% as compared with the III quarter of 2013.

In January-September 2014 the share of imported fresh, chilled and frozen *meat of swine* (pork) on the Russian market was 18.7%. As compared with the respective period of 2013, imports of pork in the III quarter of 2014 dropped by 43.5% in physical terms and by 27.1% in value terms. In the III quarter of 2013 pork was primarily supplied from the EU countries the share of which in the total Russian imports of this item amounted to 63.8%. In the III quarter of 2014 supplies from the EU countries actually came to a full stop. At the same time supplies from Serbia notably grew: while in the III quarter of 2013 it sold to the Russian market 40 tons of pork to the amount of $0.181m, in the III quarter of 2014 its supplies increased up to 4,480 tons to the amount of $17.1m. Supplies also grew from such countries as Brazil (by 63.2%), Chile (2 fold), Belarus (3.2 fold) and Kazakhstan (3.4 fold).

Imported *poultry meat and edible offal*, fresh, chilled or frozen, in January-September accounted for 10% of the Russian market. In the III quarter of 2013 47.1% of these items were imported to Russia from the US. The Russian Federation was the second largest market (after Mexico) for the US poultry meat. In the III quarter of 2014 the respective supplies from the US dropped by 64% as compared with the III quarter of 2013 and as a result the country's share fell down to 19.7%. Poultry meat imports from countries of the European Union reduced by 36% while those from Argentine grew by 75.5%, from Brazil – by 58.8%, from Chile – by 30.7%, from Belarus – by 69.4% and from Kazakhstan – 2.7 fold.

In 2014 imports of *fish products* to the Russian Federation amounted to 649.2 thousand tons which is 16.2% less than in the respective period of the previous year. In 2013 the leading suppliers of fish to Russia were Norway (39.9%), Chile (10.4%) and China (9.2%). The major supplier of fresh or chilled fish was Norway that in the III quarter of 2013 accounted for 88.7% of the respective Russian imports. In the III quarter of 2014 the Norwegian fish imports dropped by 63.4% and the share of the country fell down to 57.2%. Meantime, supplies of fresh fish from Morocco grew 2 fold, from Tunisia – by 68.2%, from Turkey – by 97.7% and from Faroe Islands – 6.3 fold.

The bulk of *milk and cream*, concentrated or sweetened, in the III quarter of 2013 was supplied from Belarus (72.4%). The EU countries accounted then for 13.3% of the respective imports. In the III quarter of 2014 their share fell down to 4.1% while the share of Belarus increased up to 91.4%.

The share of imported *cheese and curd* on the Russian market in the III quarter of 2014 amounted to 38.6%. As compared with the III quarter of 2013 imports of these products fell by 41.6%, those from the EU countries – by 42.1%. At the same time imports of cheese and curd from Uruguay grew 11.8 fold, from Argentine – by 17.4%, from Serbia – by 19.8%, from Switzerland – 2.4 fold, from Belarus – by 32.4% and from Kazakhstan – 2 fold.

Import is an important source of *fresh vegetables and fruit* for Russian consumers. The respective supplies largely consist of long-storage items: potatoes, carrots, onions, garlic, cabbages, pumpkins, marrows and apples. Russia imports over one half of consumed apples, pears and salads, from 12% to 15% of onions and carrots and about 25% of fresh tomatoes.

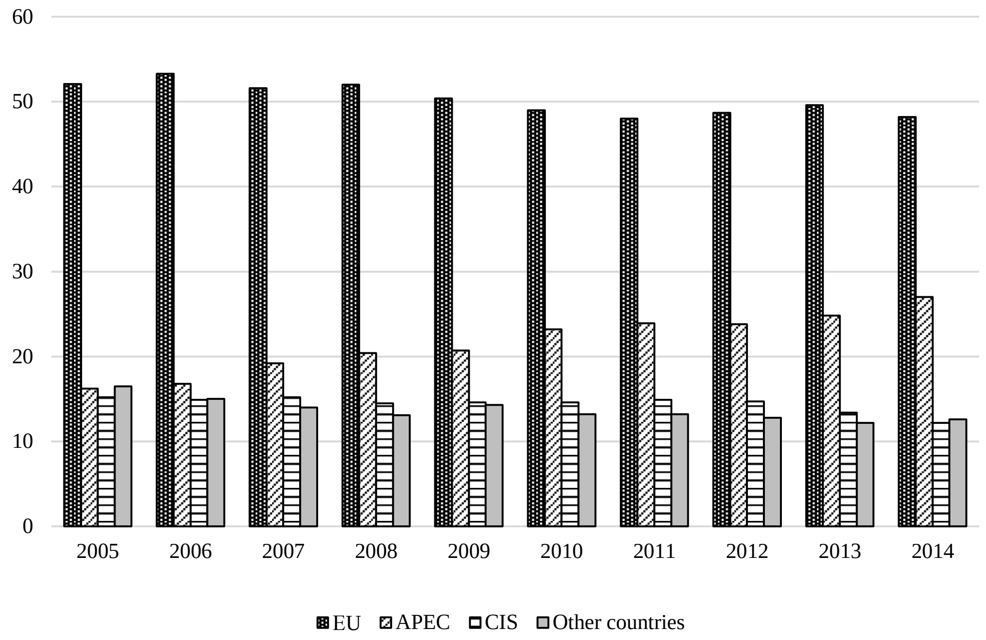
The major suppliers of fresh vegetables to the Russian Federation are Turkey, China and Israel that account for one half of the total vegetable imports in physical terms.

In the III quarter of 2014 the first place among suppliers of potatoes belonged to China (54.9%), the second – to Israel (22.7%), the third – to Egypt (12.9%).

According to data of the RF Ministry for Economic Development, the share of imported products in the structure of retail commodity resources is gradually decreasing. While in the I quarter of 2014 it amounted to 43%, in the II and III quarters it fell down to 41% (in the I, II and III quarters of 2013 – 44%). The share of imports in the volume of food resources in the I quarter of 2014 equaled 38% (in the I quarter of 2013 – 36%), in the II quarter – 37% (35%), in the III quarter – 33% (35%).

4.7.4. Geographic Structure of Russian Foreign Trade

In 2014 the share of EU countries in the geographical structure of Russian foreign trade fell down to 48.2% (from 49.6% in 2013), that of the CIS countries – down to 12.2% (from 13.4% in 2013). At the same time the share of countries-members of Asia-Pacific Economic Cooperation (APEC) increased from 24.8% to 27%.



Source: RF Federal Customs Service.

Fig. 53. Geographical structure of Russian foreign trade in 2005–2014, %

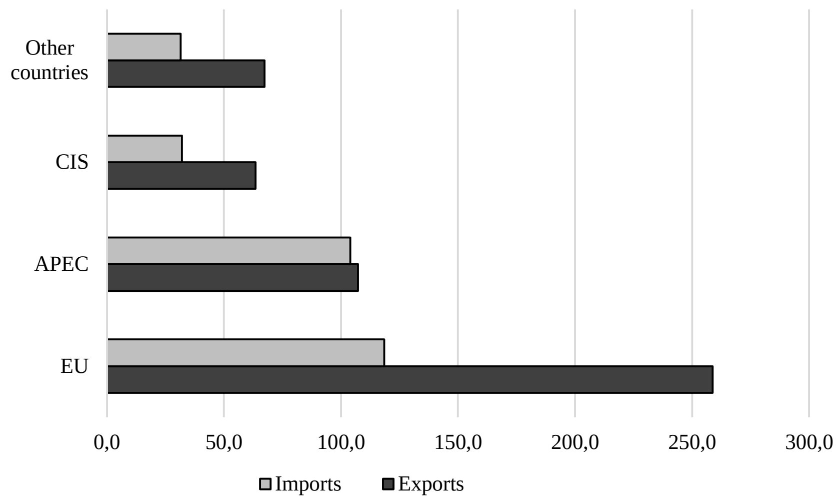
The share of countries-members of the European Union in the Russian foreign trade reduced due to the ban on import of selected food products from the EU, the US, Canada, Australia and Norway introduced by Russia in August 2014. Supplies from the following countries were most affected (2014 annual data): Denmark – down by 26.3%, Greece – down by 18.6%, Slovakia – by 19%, Latvia – by 18.9%, France – by 17.4%, Portugal – by 15.1%, Poland – by 15%.

Despite declarations of the Russian government about the necessity to increase imports of food products from the CIS countries, the supply of commodities from the Commonwealth has fallen as well. In 2014 imports from Kirghizia dropped by 33%, those from Ukraine – by 31.9%, from Uzbekistan – by 30.4%, from Turkmenistan – by 34.8%, from Belarus – by 15.6%, from Armenia – by 11%.

In 2014 a negative balance was registered in trade with 22 countries the share of which in the total Russian foreign trade turnover amounted to 22.3%. It was the biggest in trade with China (–$13.4bn), the US (–$7.8bn), France (–$3.2bn), Austria (–$2.7bn), Brazil (–$1.6bn) and Hong Kong (–$1bn).

Since 2010 the largest trade partner of the Russian Federation is *China*. In 2014 its share in the Russian foreign trade turnover amounted to 11.3% which is 0.8 p.p. more than in 2010. At the same time in 2014 the foreign trade turnover between the two countries fell by 0.5% (down to $88.4bn) after reaching its maximum ($88.8bn) in 2013. The balance of trade is negative for Russia: the supply of goods from PRC is well above the reciprocal commodity flow. For instance, in 2014 Chinese imports to Russia amounted to $50.9bn (4.3% below the 2013 indicator) while Russian exports to China equaled $37.5bn (5.3% above the 2013 indicator). As a result the balance of foreign trade was negative for Russia – -$13.4bn.

The *Netherlands* preserved their second place – in 2014 their share grew up to 9.4% from 9% in 2013 despite the reduction of foreign trade turnover by 3.6% basically due to the drop of supplies to Russia by 10.1%. In 2014 Russian exports to the Netherlands amounted to $68bn while Russian imports from this country – to only $5.3bn. As a result the balance of foreign trade was positive for Russia – $62.7bn.



Source: RF Federal Customs Service.

Fig. 54. Basic indicators of Russian foreign trade by regions in 2014, billion $

Despite the reduction of foreign trade turnover by 6.5% (as compared with 2013) due to the mutually introduced sanctions, *Germany* continued to rank third among the major trade partners of the Russian Federation. In 2014 its share in Russia's foreign trade turnover amounted to 9% (in 2013 – 8.9%). The volume of export supplies from Russia to Germany increased by 0.3% - up to $37.1bn. The volume of imported German commodities fell by 13.1% - down to $33bn. The balance of foreign trade was positive for the Russian Federation - $4.1bn.

4.7.5. Regulation of Russian Foreign Trade[1]

Tariff regulation

Export duties

In compliance with RF Government Resolution No.276[2] of March 29, 2013 in 2014 the RF Ministry for Economic Development on a monthly basis adjusted the rates of export customs duties on crude oil and selected categories of commodities produced thereof.

RF Government Resolution No.2 of January 3, 2014 "On introducing amendments to RF Government Resolution No.276 of March 29, 2013" provides for the reduction of export customs duties on crude oil and diesel fuel. The methodology of calculating export customs duties on crude oil was revised. Amendments are applied in case the average price for Urals crude oil on the world markets of crude oil (Mediterranean and Rotterdam) over the period of monitoring exceeds the level of $182.5 per ton. Before the introduction of amendments the formula for calculating the rate was unified and envisaged the application of coefficient 0.6. In 2014 the coefficient 0.59 was applied; in 2015 it will equal 0.57 and beginning from 2016 – 0.55. The

[1] When preparing this section data of the information law portal ГАРАНТ.РУ were used.
[2] RF Government Resolution No.276 of March 29, 2013 "On calculation of export customs duties on crude oil and selected categories of commodities produced thereof and on invalidation of some decisions of the Government of the Russian Federation".

rate of export duty on diesel fuel is cut from 66% down to 65% in 2014, down to 63% in 2015 and down to 61% in 2016.

Table 37

Rates of export duties on crude oil and petroleum products in 2013-2014, $/ton

	Crude oil	Petroleum products	
2013			
January 1	395.6	261.1	
February 1	403.3	266.2	
March 1	420.6	277.6	
April 1	401.5	265.0	
May 1	378.4	249.7	
June 1	359.3	237.1	
July 1	369.2	243.6	
August 1	379.8	250.6	
September 1	400.7	264.4	
October 1	416.4	274.8	
November 1	395.9	261.2	
December 1	385.7	254.5	
2014			
January 1	401.0	264.6	
		Diesel fuel	**Other types of petroleum products except gasoline and diesel fuel**
February 1	386.3	251.0	254.9
March 1	384.4	249.8	253.7
April 1	387.0	251.5	255.4
May 1	376.1	244.4	248.2
June 1	385.0	250.2	254.1
July 1	385.2	250.3	254.2
August 1	388.4	252.4	256.3
September 1	367.6	238.9	242.6

Source: Resolutions of RF Government, information of the RF Ministry for Economic Development.

RF Government Resolution No.705 of July 25, 2014 “On introducing amendments to rates of export customs duties on commodities exported from the Russian Federation outside the territories of counties-members of the agreement on Customs Union” specifies that due to the Russia’s accession to WTO export duties on 210 items of the Foreign Economic Activity Commodity Nomenclature (FEACN) are lowered beginning from September 1, 2014. It applies to sea products, seeds, mineral products, raw hides and skins, wood and articles thereof, precious and semi-precious stones and metals, waste and scrap of ferrous metals, refined copper, copper base alloys, nickel and articles thereof, aluminium and articles thereof, waste and articles of non-precious metals.

Import duties

Under the Protocol of accession to the World Trade Organization (WTO) Russia has undertaken a commitment to gradually lower import customs duties. The first stage of cutting tariffs was carried out right after the accession to WTO, the second – in August 2014. Within 2014 Russia also revised its tariffs (primarily downwards) in order to comply with decisions of the Eurasian Economic Commission.

In compliance with Decision of the Board of Eurasian Economic Commission (EEC) No.9 of January 29, 2014 “On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of paper and paperboard” the rates of import customs duties on these items have been lowered.

The rates of customs duties on selected types of bleached paper and paperboard were cut from 15% to 5%. The duty rate on light-weight coated paper in rolls of width > 15 cm was lowered from 12.5% down to 10%. Let's note that earlier (from 20.04.2013 to 19.01.2014) a reduced temporary rate of 5% was applied for this item. Duty rates on paper and paperboard for writing, printing or other graphic purposes were lowered from 15% to 10% (for the time period from 01.03.2014 to 31.08.2014 inclusive a temporary rate for these items was set at 5%).

Decision of the EEC Board No.3 of January 31, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of AC motors" specifies that until December 31, 2015 inclusive the rate of import customs duty on multi-phase AC motors of an output from 7.5 kW to 37 kW will be raised from 0 to 5% of the customs value.

In compliance with the RF Government Decree No.163-p of February 10, 2014 commodities imported to Russia for the purposes of organizing and holding 2014 Olympic Games in Sochi were subject to a special customs procedure allowing relevant organizations to import the named commodities free of customs duties, VAT and customs fees.

Decision of the EEC Board No.46 of March 25, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of fowl meat and machines for drilling to the depth of 200 m or more and on approval of the draft Decision of the Board of Eurasian Economic Commission" alters the rates of import duties on selected types of fowl meat and drilling machinery.

The alteration also concerned rates of import duties on machines for drilling to the depth of 200 m and more for which combination rates were temporarily applied. The amendments reduced the size of their specific component.

In compliance with Decision of the EEC Board No.13 of March 4, 2014 "On introducing amendments to the Foreign Economic Activity Commodity Nomenclature (FEACN) of the Customs Union and the Common Customs Tariff of the Customs Union in respect of selected types of motor vehicles for the transport of 10 persons or more including driver" import duties on long-distance buses were raised.

The rate of import customs duty on new buses of emission class 4 and higher with diesel or semi-diesel engine, overall length 11.5 m or more, having 41 or more seats (including driver), luggage space not less than 5 m and designed to transport only seating passengers and their luggage was established at the level of 18% of the customs value (formerly – 0%). A zero rate of customs duty is preserved for buses of emission class 5 with engine power over 308 kW, overall length over 13 m, having over 55 seats (including driver) and luggage space over 12 m.

Decision of the EEC Board No.16 of March 28, 2014 "On introducing amendments to the Foreign Economic Activity Commodity Nomenclature (FEACN) of the Customs Union and the Common Customs Tariff of the Customs Union in respect of selected types of mill rolls" raises the rate of import duty on forged steel rolls for rolling mills up to 8.3% of the customs value (formerly – 0%). A zero rate of customs duty is preserved for hot mill work rolls and backup rolls for hot and cold rolling of net weight over 180,000 kg and containing 4.7% wt or more of chrome as well as for cold mill work rolls containing 4.7% wt or more of chrome.

In compliance with Decision of the EEC Board No.15 of March 28, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of rare-earth metals, scandium and yttrium, whether or not intermixed or interalloyed" a zero import duty is applied for these items from May 1, 2014 to April 30, 2015. Otherwise the rate of import duty equals 5% of the customs value.

Decision of the EEC Board No.51 of April 8, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of component parts and movements used in production of clocks and watches" lowers rates of import duties on these items. For the time period from 10.05.2014 to 09.05.2017 inclusive a zero (instead of 9%) import duty is set for cases for wrist-watches and pocket watches of non-precious metals and parts thereof. For the same period import duties on straps, bands and bracelets out of non-precious metals for the named watches are reduced from 15% to 5% of the customs value. On a regular basis duty rates on electrically operated watch movements are lowered from 15% to 5% and those on movements with automatic or other winding – from 15% to 10% (for all watches).

Decision of the EEC Board No.30 of April 16, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of fowl and turkey meat" introduces an ad-valorem import duty on these items at the rate of 80% of the customs value. Earlier a combination rate was in force – 80% but not less than 0.7 euro per 1 kg.

Decision of the EEC Board No.64 of May 13, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of timber out of some kinds of tropical wood" sets a zero rate of import duty for these items. It is to be applied from the date of its enactment till May 31, 2016 inclusive.

Decision of the EEC Board No.63 of March 13, 2014 "On introducing amendments to the Foreign Economic Activity Commodity Nomenclature (FEACN) of the Customs Union and the Common Customs Tariff of the Customs Union in respect of selected types of components for switch gear with SF6 insulation and to Decision of the Board of Eurasian Economic Commission No.91 of April 24, 2013" introduces temporary zero rates of import customs duties on these items (SF6 circuit breakers, disconnecting and grounding switches, grounding switches, through insulators, alluminium alloy cases for the named devices). A zero import duty will be applied for these items from July 1, 2014 to December 31, 2015. Earlier the duty rate for these components was 13.3% of the customs value, that for the respective cases – 5%.

In order to comply with Russia's tariff commitments to WTO the EEC Board has taken Decision No.77 of May 26, 2014 "On introducing amendments to the Foreign Economic Activity Commodity Nomenclature (FEACN) of the Customs Union and the Common Customs Tariff of the Customs Union in respect of selected commodities in compliance with commitments of the Russian Federation to WTO and on approval of the draft Decision of the Board of Eurasian Economic Commission". According to this Decision beginning from September 1, 2014 a number of sub-items were added to FEACN of the Customs Union, e.g. 4016 10 000 1 – articles of cellular rubber for technical purposes; 4017 00 000 1 – tubes, pipes and hoses with fittings suitable for transportation of gases or liquids; 8411 12 300 3 – turbo-jets of a thrust over 44 kN but below 60 kN. The commodities are intended for civil aircraft. One more item is 8411 12 800 1 – engines of a thrust over 132 kN but below 145 kN that are used for the production thereof.

One more group of commodities in respect of which rates of import duties were lowered is meat. For instance, 15% of customs value but not less than 0.15 euro per 1 kg is to be paid when importing short cut forequarters of fresh or chilled goat meat. The same rate is applied for boneless meat of this animal. The established import duty on whale meat is 16.7% but not less than 0.167 euro per 1 kg. The lowering of import duties also concerned fish including smoked fish (except edible fish sub-products).

In compliance with Decision of the EEC Board No.47 of June 23, 2014 "On introducing amendments to the Foreign Economic Activity Commodity Nomenclature (FEACN) of the Customs Union and the Common Customs Tariff of the Customs Union in respect of selected commodities in compliance with commitments of the Russian Federation to WTO" beginning from September 1, 2014 import duties are reduced down to 6.7% of the customs value for the following commodities: other tubes, pipes and hoses with fittings intended for civil aircraft, fittings and engines for the latter. For other commodities the rate is cut down to 6.5% (except aircraft engines subject to 8% duty).

Import duties on some food products, machinery, equipment, aquatic bioresources, plants, articles of wood and medical products were revised. Beginning from December 31, 2014 the rates are lowered for such items as cherry purees and pastes, some kinds of carpets, absorption heat pumps, coin- or disc-operated record players with laser reading system.

In compliance with Decision of the EEC Board No.103 of July 7, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of retreaded tyres and selected types of footwear in compliance with commitments of the Russian Federation to WTO and on approval of the draft Decision of the Board of Eurasian Economic Commission" the rates of import duties on these items are lowered beginning from September 1, 2014. In particular, this concerns retreaded tyres for motor vehicles (including station wagons and racing cars). The rate of import duty imposed on them is 15% but not less than 2.02 euro per unit (instead of 17.5% but not less than 4.13 euro per unit).

One more category of commodities concerned is selected types of footwear with outer soles and uppers of rubber or plastics. For instance, import duty on ski boots and cross-country ski footwear is established at the rate of 7.4% plus 0.46 euro per 1 pair (earlier – 10% but not less than 1 euro per 1 pair).

In compliance with Decision of the EEC Board No.103 of July 7, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on terephthalic acid and its salts" a zero import duty is applied for this item from September 2, 2014 to December 31, 2015. Liquid dielectric transformers having a power handling capacity of 148,000 kVA are also eligible for a zero rate during the same period (initially the rate was 5% of the customs value).

Decision of the EEC Board No.110 of July 15, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected parts of gas turbines" provides for a temporary (from September 2, 2014 to September 1, 2016 inclusive) reduction of the rate of import duty on these items from 8 to 0% of the customs value.

In compliance with Decision of the EEC Board No.52 of July 16, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of commodities in compliance with commitments of the Russian Federation to WTO" rates of import duties on some commodities are lowered beginning from September 1, 2014. In particular, it applies to blue whiting, household refrigerators-freezers and freezers, plasma and LCD TV sets, motor vehicles for the transport of goods manufactured more than 5 but less than 7 years ago. The specific component of the combination rate for baby napkins and pumpers and selected types of furniture was reduced. Lower import duty will be temporarily (from September 1, 2014 to August 31, 2015 inclusive) applied for palm oil in containers with net weight 20,000 kg or less.

RF Government Resolution No.736 of July 31, 2014 "On the introduction of import customs duties in respect of commodities the country of origin of which is the Republic of Moldova" on a permanent basis fixes import duties on respective commodities at the rate of the Common Customs Tariff of the Customs Union in accordance with regime of the most favoured nation. Among the commodities concerned are bovine meat (fresh or chilled), vegetables and some edible roots and tubers, wheat and meslin, barley, oats, maize, malt beer, some alcoholic drinks and wines. Let's remind that the Republic of Moldova is a member of the CIS area of free trade. The introduction of duties is due to the need to restrain excessive commodity imports.

Decision of the EEC Board No.160 of September 16, 2014 “On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of component parts for manufacturing electrical products” sets zero rates of import duties on the respective items. In particular, this concerns electronic circuits that earlier were subject to 3.33% and 3.3% import duty.

In compliance with Decision of the EEC Board No.67 of September 18, 2014 “On introducing amendments to the Foreign Economic Activity Commodity Nomenclature (FEACN) of the Customs Union and the Common Customs Tariff of the Customs Union in respect of selected types of diesel engines” a zero rate of import duty will be temporarily (up to September 30, 2017 inclusive) applied for diesel engines used for the production of goods-carrying motor vehicles with cubic capacity of a cylinder 18,500 cm^3 or more and engine power not less that 500 kW. Earlier the rate of import duty on the named engines amounted to 5% of the customs value. To be eligible for the zero import duty, the intended use of this commodity should be certified by an authorized body.

In compliance with Decision of the EEC Board No.65 of September 18, 2014 “On introducing amendments to the Foreign Economic Activity Commodity Nomenclature (FEACN) of the Customs Union and the Common Customs Tariff of the Customs Union in respect of selected types of amino-aldehyde resins” beginning from November 1, 2014 import duty on polymethylene diphenyl isocyanate will be cut from 7.7% of customs value down to zero. The main application of this substance is the production of rigid polyurethane foams used in construction for heat insulation, in manufacturing of refrigerating equipment, for pipe insulation, etc. It is also used for the production of building sealants and adhesives.

In compliance with Decision of the EEC Board No.64 of September 18, 2014 “On introducing amendments to the Foreign Economic Activity Commodity Nomenclature (FEACN) of the Customs Union and the Common Customs Tariff of the Customs Union in respect of selected types of pressing equipment for aircraft industry” some presses for aircraft industry will be eligible for a zero rate of import duty from the moment of the Decision’s enforcement till June 30, 2015 inclusive.

RF Government Resolution No.959 of September 19, 2014 “On the introduction of import customs duties in respect of commodities the country of origin of which is Ukraine” specifies that in case Ukraine proceeds to the implementation of its agreement with the EU, its commodities supplied to Russia will be subject to import duties. In particular, this concerns meat, dairy and confectionary products, fruit, vegetables, cereals, alcoholic drinks, cigarettes, sanitary equipment, furniture, clothes, footwear and passenger cars. The duties will come in force 10 days after the revelation of Ukraine’s actions to apply or implement the Association Agreement with the EU. In this case import of Ukrainian commodities will be subject to import duties at the rate of the Common Customs Tariff of the Customs Union in accordance with regime of the most favoured nation.

Decision of the EEC Board No.171 of September 23, 2014 “On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on selected types of watches” provides for a temporary (from November 1, 2014 to August 31, 2015) application of combination import duty on some types of wrist-watches. It amounts to 10% of the customs value but not less than 4 euro per 1 unit. The duty applies to electrically operated wrist-watches with mechanical display only as well as to other wrist-watches without automatic winding. Earlier these items were subject to a zero import duty.

In compliance with Decision of the EEC Board No.97 of October 9, 2014 “On introducing amendments to the Foreign Economic Activity Commodity Nomenclature (FEACN) of the

Customs Union and the Common Customs Tariff of the Customs Union in respect of selected types of polyethylene" a temporary zero duty is imposed on import of polyethylene for three-layer anticorrosive coating of large diameter pipes. It will be applied from December 1, 2014 to August 31, 2015 inclusive. Earlier the rate of import duty on this item was 6.5% of the customs value.

Decision of the EEC Board No.221 of December 2, 2014 "On establishing rates of import customs duties under the Common Customs Tariff of the Customs Union on natural calcium phosphates, natural aluminium calcium phosphates and phosphatic chalk, ground" provides for a temporary (from January 5, 2015 to January 4, 2016) application of a zero import duty on these items (earlier – 5% of the customs value).

Non-Tariff Regulation

Bans and restrictions

In compliance with Decree of the RF President No.560 of August 6, 2014 "On application of special economic measures aimed at ensuring the security of the Russian Federation" import to our country of selected types of raw and processed agricultural products and foodstuffs is banned or restricted till August 6, 2015. This refers to commodities from the countries that have introduced economic sanctions against Russian legal and physical bodies or have acceded to this decision. If needed, this term can be altered at the suggestion of the RF Government. The latter should also elaborate a precise list of commodities subject to import bans or restrictions.

Besides, the Cabinet of Ministers is charged with ensuring the balance of commodity flows and with preventing an accelerated growth of prices for agricultural and food products.

One should provide for an operational monitoring of commodity markets and control over situation thereon in coordination with higher regional authorities. A set of measures aimed at expanding the supply of domestic products should be elaborated and implemented.

RF Government Resolution No.778 of August 7, 2014 "On measures for the implementation of Decree of the RF President No.560 of August 6, 2014 "On application of special economic measures aimed at ensuring the security of the Russian Federation"" introduces a one-year ban on import to Russia of selected types of raw and processed agricultural products and foodstuffs. This refers to commodities originating from the US, countries of the European Union, Canada, Australia and Norway. In particular, the ban concerns bovine meat, pork, fish, milk and dairy products, vegetables, fruit, nuts, cheese and curd. Excepted from the list are baby food products.

RF Government Resolution No.830 of August 20, 2014 "On introducing amendments to RF Government Resolution No.778 of August 7, 2014" excludes items having no domestic analogues from the list of agricultural and food products from the EU and the US that are subject to import ban. For instance, the ban is lifted for Atlantic salmon and trout juveniles in order to sustain production capacities of commodity fish farming. The sanctions also do not apply to lactose-free milk and dairy products, seed stock (potatoes, peas, sweet hybrid corn, seed onion), biologically active dietary supplements, vitamin mineral complexes, flavour additives, protein concentrates and their mixes, dietary fibers and additives.

Protective measures

Decision of the EEC Board No.68 of May 13, 2014 "On extending application of the anti-dumping measure established by Decision of the Customs Union Commission No.904 of December 9, 2011" extends the application of anti-dumping duty in respect of forged steel rolls for metal-rolling mills originating from Ukraine up to February 27, 2015 inclusive. Formerly this duty was to be applied till June 26, 2014. It amounts to 26% of the customs value and is levied in addition to import duty.

At present 10 measures for protecting domestic market are in effect in the Customs Union (*Table 38*).

Table 38

Measures for protecting domestic market in the Customs Union

Commodity	**Item code in FEACN of the Customs Union**	**Country-exporter**	**Type of measure**	**Short description of the measure**
1	2	3	4	5
Some types of steel pipes	7304, 7305, 7306	Ukraine	Anti-dumping duty	Producers OJSC “INTERPIPE NTZ”, LLC “INTERPIPE Niko Tube”, OJSC “INTERPIPE NMTZ” – 19.4%; others – 37.8%
Roller bearings	8482	PRC	Anti-dumping duty	Producer – Wuxi Roller bearing, Ltd. – 31.3%; others – 41.5%
Forged steel rolls for metal-rolling mills	8455	Ukraine	Anti-dumping duty	26% of the customs value

Cont’d

<table>
<tr><td>1</td><td>2</td><td>3</td><td>4</td><td colspan="3">5</td></tr>
<tr><td>Flat-rolled products of iron, polymer-coated</td><td>7210, 7212, 7225</td><td>PRC, Taiwan, Hong-Kong, Macao</td><td>Anti-dumping duty</td><td colspan="3">Producers – Angang Steel Co, Ltd, PRC – 12.9%
Dalian POSCO Co., Ltd, PRC – 11.4%,
Shandong Guanzhou Co., Ltd – 8.1%.
Others – 22.6%</td></tr>
<tr><td>Electrodes of graphite</td><td>8545</td><td>India</td><td>Anti-dumping duty</td><td colspan="3">Producers – Graphite India Limited,
plant «Durgapur», plant «Nashik», plant «Bangalore» – 32.83%,
HEG Limited – 16.04%.
Others – 32.83%.</td></tr>
<tr><td>Cold-reduced seamless tubes and pipes of stainless steel</td><td>7304</td><td>PRC</td><td>Anti-dumping duty</td><td colspan="3">19.15%</td></tr>
<tr><td>Enameled baths of cast iron</td><td>7324</td><td>PRC</td><td>Anti-dumping duty</td><td colspan="3">51.87%</td></tr>
<tr><td>Light commercial motor vehicles</td><td>8704</td><td>Germany, Italy, Turkey</td><td>Anti-dumping duty</td><td colspan="3">FRG – 29.6%
Italy – 23%
Turkey – 11.1%</td></tr>
<tr><td>Tableware and kitchenware of porcelain</td><td>6911</td><td>All countries</td><td>Special protective</td><td colspan="3">From September 29, 2013 to September 28, 2014 – $1,479 per ton.
From September 29, 2014 to September 28, 2015 – $1,035.3 per ton.
From September 29, 2015 to September 28, 2016 – $591.6 per ton</td></tr>
<tr><td rowspan="5">Grain harvesters and their parts</td><td rowspan="5">8433</td><td rowspan="5">All countries</td><td rowspan="2">Special protective (quotas)</td><td colspan="3">Import quota</td></tr>
<tr><td>2014</td><td>2015</td><td>2016</td></tr>
<tr><td>Republic of Belarus</td><td>50</td><td>52</td><td>34</td></tr>
<tr><td>Republic of Kazakhstan</td><td>300</td><td>309</td><td>204</td></tr>
<tr><td>Russian Federation</td><td>424</td><td>437</td><td>288</td></tr>
</table>

Source: http://eurasiancommission.org/ru/act/trade/podm/mery/Pages/default.aspx