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TRENDS AND OUTLOOKS

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R95 **RUSSIAN ECONOMY IN 2017. TRENDS AND OUTLOOKS** / [Alexander Abramov etc.; Doctor of sciences (economics) Sergey Sinelnikov-Murylev (editor-in-chief), Doctor of sciences (economics) Alexander Radygin]; Gaidar Institute for Economic Policy. – Moscow: Gaidar Institute Publishers, 2018. – 544 p. – ISBN 978-5-93255-530-9.

The review "Russian economy in 2017. Trends and outlooks" has been published by the Gaidar Institute since 1991. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: the socio-political issues and challenges; the monetary and budget spheres; financial markets and institutions; the real sector; social services; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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4.8. Russia's Foreign trade in 2017[1]

4.8.1. World trade outlook

In 2016, the growth rates of world economy hit the all-time low since the global financial crisis and constituted 3.2 percent. However, the global economy is experiencing a broad-based cyclical upturn started in mid-2016 is gaining momentum. In this context, international financial organizations have adjusted their short-and medium-term forecasts to the upside.

The World Bank report *Global Economic Prospects*[2], released in January 2018, estimated 2017 as more successful year than was previously forecast–estimates of global GDP growth in 2017 was upgrade from 2.7 percent to 3 percent. In the wake of benign global financing conditions, generally accommodative policies, rising confidence, and firming commodity prices global economy can edge up to 3.1 percent in 2018. Projections as of June 2017 said that in 2018 the world economy would grow by 2.9 percent, the forecast for 2019 was adjusted from 2.9 to 3 percent growth and forecast for 2020 gave 2.9 percent growth. At the same time, the World Bank experts warn that the lack of structural reforms aimed at the long-term potential for growth world economic growth will be temporary. In the context when the developed economies are close to full employment and their central banks raise interest rates in order to curtail inflation, economic growth in advanced economies is projects to slow in the coming years. According to the World Bank estimates, growth in advanced economies will slow from 2.3 percent in 2017 to 2.2 percent in the current year, and to 1.7 percent by 2020.

GDP growth estimates at 2017 year-end was upgraded by 0.7 percentage point up to 2.4 percent in Euro Area. The 2018 forecast is adjusted upwards by 0.6 percentage point to 2.1 percent. 2019 will see growth slowdown to 1.7 percent in Euro Area and in 2020 down to 1.5 percent.

The US GDP growth estimates at 2017 year-end were upgraded from 2.1 to 2.3 percent. Growth forecast for 2018 was reviewed upwards from 2.2 to 2.5 percent. According to the World bank estimates, economic growth in the US will slow down in 2019 to 2.2 percent and in 2020 down to 2.0 percent.

Economic growth in emerging market and developing economies (EMDEs) is expected to accelerate, hitting 4.5 percent in 2018 against a background of recovery of economic activity in oil exporting countries.

However, developing economies that grew last year by 4.3 percent can also face constraints for growth in the future. For example, GDP of India last year edged up by 6.7 percent instead of projected in June 7.2 percent. The 2018 forecast is revised downward by 0.2 percentage point to 7.3 percent, and for 2019 also down by 0.2 percentage point to 7.5 percent. In 2020, as expected, GDP growth will remain at 7.5 percent in India.

Growth in China is estimated to have reached 6.8 percent in 2017–an upward revision by 0.3 percentage point from June forecasts. Chinese growth is projected to edge up by 0.1 percentage point in 2018 to 6.4 percent.

The World Bank estimates growth in Russia at 1.7 percent, in 2017 and in 2018 the growth is forecast to edge up by 0.4 percentage point and by 0.3 percentage point, respectively.

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[1] This section is written by Nadezhda Volovik, the Gaidar Institute, IAES-RANEPA; Galina Balandina, IAES-RANEPA.

[2] http://www.vsemirnyjbank.org/ru/publication/global-economic-prospects

Amid downside risks regarding long-term world economy growth, the World Bank indicated risks in the near-term perspective. Among these downside risks were tightening of global financing conditions due to a somewhat faster projected pace of U.S. Federal Reserve policy rate hikes in the United States and other development countries or growing sentiments regarding capital markets.

Protectionism and generated by it slack growth of the world economy also remain among the risks. According to the World Bank, the volume of global trading of goods and services edged up by 4.3 percent last year and became an important factor of world economy growth.

UNCTAD 2017 report "Beyond Austerity: Towards a Global New Deal"[1] indicates that 2017 observed somewhat recovery although nor sufficient. The forecast for the world economy in 2017 is 2.6 percent, not much higher than in 2016 (2.2 percent). The projections show that the majority of regions will expect slack growth. Markedly better improvement in economic situation is forecast in the Latin American countries that should come out of recession even so that growth rates in those countries will not exceed 1.2 percent. Countries of euro zone registered the highest rates of growth since 2010–1.8 percent, but lower than those recorded in the United States – 2.1 percent. Measures of tight budgetary policy, which still remain the main tool of macroeconomic policy hamper prompt economic recovery in the developed economies.

The IMF report "World Economic Outlook Update" released in January 2018 saw projections for global growth revised upward compared to fall. Global output is estimated to have grown by 3.7 percent in 2017, which is 0.1 percentage point faster than projected in October report, and by 3.9 percent in 2018, which is 0.1 percentage point faster, which reflects economic movement in euro zone, Japan, China and many other emerging market economies. The U.S. growth forecast remained unchanged compared to July estimates: 2.2 percent in 2017 and 2.3 percent in 2018. That was due to no expected reduction of taxes planned by Donald Trump administration. The euro zone forecast growth forecast was revised upward by 0.2 percentage point to 2.1 percent in 2017 and to 1.9 percent in 2018 compared to July estimates. The revision reflects higher exports, stronger domestic demand and reduced political risks. It should be noted that the forecast was computed before the events in Catalonia against a background of referendum for independence from Spain. The forecast for Chinese economy was revised upward by 0.1 percent point to 6.8 percent in 2017 and to 6.5 percent in 2018 (*Table 42*).

Table 42

Dynamics of global GDP and world trade (growth rates in percent to previous year)

	2010	2011	2012	2013	2014	2015	2016	Estimate	Projections	
								2017	2018	2019
Global GDP	*5.1*	*3.9*	*3.4*	*3.3*	*3.4*	*3.2*	*3.2*	*3.7*	*3.9*	*3.9*
Advanced economies	3.0	1.7	1.2	1.4	1.8	2.1	1.7	2.3	2.3	2.2
United States	2.4	1.8	2.3	2.2	2.4	2.6	1.5	2.3	2.7	2.5
Euro zone	2.0	1.5	–0.7	–0.4	0.9	2.0	1.8	2.4	2.2	2.0
Germany	4.0	3.4	0.9	0.5	1.6	1.5	1.9	2.5	2.3	2.0
France	1.7	2.0	0.3	0.3	0.2	1.3	1.2	1.8	1.9	1.9
Great Britain	1.8	1.1	0.3	1.7	3.0	2.2	1.9	1.7	1.5	1.5
Emerging market and developing economies	7.4	6.2	5.1	4.7	4.6	4.0	4.4	4.7	4.9	5.0
Commonwealth of Independent States	4.8	4.8	3.4	2.2	1.0	–2.8	0.4	2.2	2.2	2.1
Russia	4.3	4.3	3.4	1.3	0.6	–3.7	–0.2	1.8	1.7	1.5
Except Russia	6.0	6.1	3.6	4.2	1.9	–0.5	1.9	3.1	3.4	3.5

[1] UNCTAD web site. Trade and development report 2017. BEYOND AUSTERITY: TOWARDS A GLOBAL NEW DEAL// http://unctad.org/en/PublicationsLibrary/tdr2017_en.pdf

Developing countries, Asia	9.5	7.8	6.7	6.6	6.8	6.6	6.4	6.5	6.5	6.6
China	10.4	9.3	7.7	7.7	7.3	6.6	6.7	6.8	6.6	6.4
India	10.1	6.3	4.7	5.0	7.3	7.6	7.1	6.7	7.4	7.8
Latin America and Caribbean	6.2	4.6	2.9	2.7	1.3	0.0	–0.7	1.3	1.9	2.6
Brazil	7.5	2.7	1.0	2.5	0.1	–3.8	–3.5	1.1	1.9	2.1
Mexico	5.6	4.0	4.0	1.1	2.1	2.5	2.9	2.0	2.3	3.0
Global trade in goods and services	*12.6*	*6.1*	*2.9*	*3.0*	*3.3*	*2.6*	*2.5*	*4.7*	*4.6*	*4.4*
Imports										
Advanced economies	11.4	4.7	1.2	1.4	3.4	4.2	2.7	4.0	3.8	
Emerging market and developing economies	14.9	8.8	6.0	5.3	3.6	–0.6	2.0	4.4	4.9	
Exports										
Advanced economies	12.0	5.7	2.0	2.4	3.4	3.6	2.2	3.8	3.6	
Emerging market and developing economies	13.7	6.8	4.6	4.4	2.9	1.3	2.5	4.8	4.5	

Source: data released by IMF (http://www.imf.org/ru/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018)

Against the backdrop of released positive statistics regarding certain advanced and emerging market economies (including European countries as well as China), the Bank of Russia revised upward compared to September Monetary Policy Report its estimate of aggregate GDP growth in trade partners of Russia in 2017 from 2.3–2.4 percent to 2.7 – 2.8 percent.[1]

In the context of slack global demand, the world trade registers sluggish growth. Meanwhile, the World Trade Organization (WTO) experts have revised upward estimates of world trade growth in 2017 from 2.4 percent to 3.6 percent.[2] Forecast revision was due to increased trade flows in Asia in the context of interregional supplies and recovery of demand for imports in North America after its marked contraction in 2016. Risks that can hamper world trade recovery are tight monetary policy, geopolitical tension and financial losses from natural catastrophes. Revision of North American Free Trade Agreement (NAFTA) and negotiations on trade agreements following Brexit between the United Kingdom and the European Union also can result in decline of world trade indicators.

The World Trade Outlook Indicator (WTOI) is designed to provide "real time" information on the trajectory of world trade by three to four months prior to release of trade volume statistics. The latest value of 102.3[3] is little changed from the previous reading of 102.2 in November last year. indicating continued solid trade volume growth in the first quarter of 2018 following robust expansion in 2017. The WTOI line in the chart below (blue) is slightly below the merchandise trade line (red), which suggests that quarterly merchandise trade volume growth may moderate going forward while still remaining above trend. The WTOI unites several indicators linked to world trade in a single indicator in order to determine near-term trends. Readings of 100 indicate growth in line with medium-term trends; readings greater than 100 suggest above trend growth, while those below 100 indicate the opposite.

Component indices for container port throughput and air freight (104.1) and international are traffic (104.4) in Q1 2018 are firmly above trend, indicating strong current trade growth. Meanwhile, the forward-looking export orders index (104.2) has reached its highest level since 2011, pointing to sustained recovery in trade flows in the first half of 2018. On the other hand, weaker results for automotive products (99.7), electronic components (97.9) and agricultural raw materials (98.6) could indicate weakening consumer confidence, which can lead to a

[1] Bank of Russia web site. Monetary Policy Report №4// http://www.cbr.ru/publ/ddcp/2017_04_ddcp.pdf/

[2] WTO web site. WTO upgrades forecast for 2017 as trade rebounds strongly// https://www.wto.org/english/news_e/pres17_e/pr800_e.htm

[3] WTO web site https://www.wto.org/english/news_e/news18_e/wtoi_12feb18_e.pdf

slowdown of recovery growth of the world trade. According to the data released by the World Trade Organization (WTO), in 2017, world merchandise exports in value terms went up by 10[1] percent compared to the same period of the previous year. Exports from the Russian Federation demonstrated the highest growth (25.3 percent), Belorussia (24.2 percent), and Viet Nam (21.4 percent). The Russian Federation returned to the rating list of major exporters where it is ranked 15 (2.17 percent of world exports), which it kept since 2015 (with 2.29 percent), following a drop to rank 18 in 2016 (1.83 percent).

In terms of merchandise trade turnover, the Peoples Republic of China ranked first on the list with USD 4,110.6 billion in 2017. Trade balance of China remains positive since 1994 and in 2017, it hit USD 429.7 billion.

In terms of merchandise trade turnover, the United States of America ranked second with USD 3,956.2 billion. This said merchandise trade deficit remains: in 2017, it constituted USD 862.7 billion.

Germany ranked third on the list; its merchandise trade turnover in 2017 came to USD 2,615.5bn. Positive trade balance amounts to USD 281.6bn.

4.8.2. Terms of Russia's foreign trade: market conditions for major products of Russian export and import

The recovery of global demand has reflected on the dynamics of world commodity merchandise markets. For example, by the year-end the composite index of commodity assets Bloomberg Commodity Index (BCOM), which has 22 commodity futures in seven sectors, edged up from the second half of June (when it hit the lowest annual level of 79.6382 points) in the wake of contraction of deliveries amid growing demand for raw materials by 5.8 percent – to the level of 82.2183 points (December 12, 2017). Most critical price growth was observed on the markets of crude oil, coal, basic metals, cotton, and Robusta coffee. Price growth of those markets was driven by contraction of supply on the pretext of curtailment of production, reduction of capacities, environmental projects and simply crop failure.

Global crude oil market in 2017 was markedly under a spell of the crude oil production cut, which resulted in the oil market balancing. Attempts taken by OPEC and other non-OPEC oil producers aimed at cutting crude oil production bore fruit – oil supply glut began edging down, and prices have stabilized. The oil market has positively reacted to the extension of crude oil production cut agreement between OPEC and non-OPEC oil producers singed in November 2017.

The World Bank energy price index edged up in December 2017 by 2 percent compared to the previous month, which was due to surge of coal price by 16.7 percent owing to the implementation of environmental projects aimed at reduction of excessive coal production capacities. In 2017 compared to 2016, the energy price index increased by 23.6 percent (*Fig. 51*).

[1] Calculated on data released by WTO «Monthly merchandise trade values»: https://www.wto.org/english/res_e/statis_e/short_term_stats_e.htm

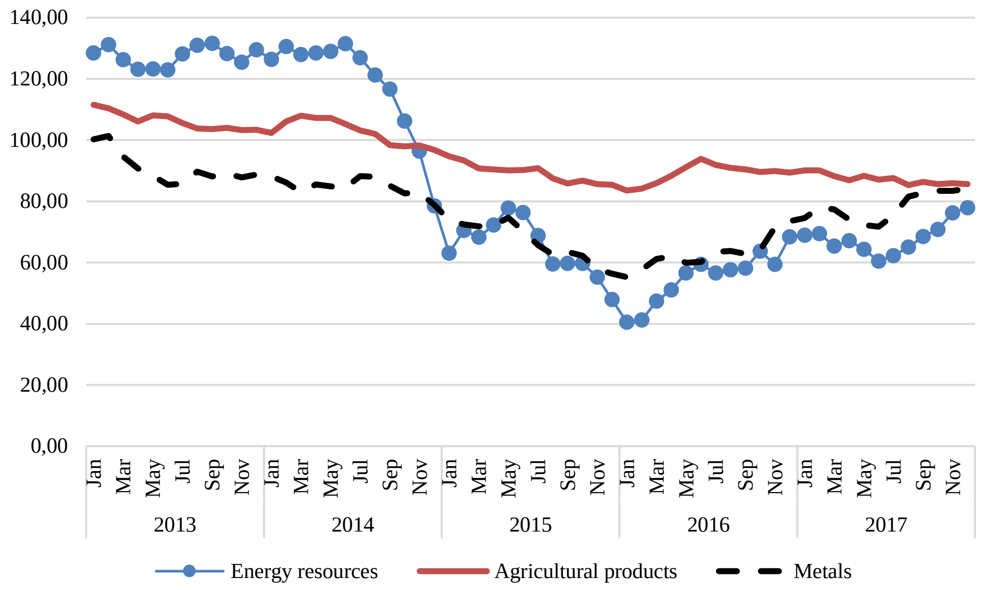

Fig. 51. World Bank commodity price index (2010 =100 percent)

Источник: http://www.worldbank.org/en/research/commodity-markets#1

Despite the fact that 22 oil-exporting countries of OPEC and non-OPEC oil producers have raised the level of the crude oil production cut agreement compliance, oil prices were falling in H1 first of all due to accumulated large stocks, shale oil production recovery in the United States as well as increased activity of such OPEC members as Libya and Nigeria, which were not covered by the OPEC+ production cut agreement as their oil industry suffered markedly from the combat activities.

In Q3 2017, crude oil prices were recovering moderately against the backdrop of the oil stock reduction amid growing global demand, improved compliance with oil production cut between OPEC and non-OPEC oil producers as well as shale oil production stabilization in the United States. Crude oil prices edged up by 1.6 percent to USD 50.2 per barrel on average compared with the previous quarter.

On November 30, 2017, members of OPEC agreed on extending the oil production cut agreement through the end of 2018. Other non-OPEC producers agreed to join the oil production cut agreement. Libya and Nigeria have undertaken obligations before OPEC to freeze their oil production at the 2017 level – 2.8 million barrels per day. According to data released by the OPEC report, at the November-end the agreement was executed by 121 percent; according to the data released by the International Energy Agency execution constituted 115 percent (assessment takes into consideration solely OPEC member states). As a result, in November 2017 Brent price exceeded USD 60 per barrel for the first time since December 2014, and on December 11, 2017, it hit USD 65.62 per barrel.

In 2017, Brent price averaged around USD 54.39 per barrel up by 23.5 percent against 2016 (USD 44.05 per barrel).

Oil production cut by OPEC and other oil producers led to the price growth on gas. For example, in the United States in 2017 compared to 2016, natural gas price went up by 18.8 percent, in Europe – by 23.9 percent, liquefied natural gas in Japan – up by 16.8 percent.

However, in Q3 2017 compared to the previous quarter, natural gas prices fell in the US by 4.0 percent to USD 2.93 per 1 million Btu owing to mild weather, corporate demand contraction, which suffered from hurricanes, and sufficient inventories of underground gas storage accumulated during winter. In Q4 price downward trend continued: compared to the previous quarter the price of natural gas in the US decreased by another 2.1 percent. In is projected that the demand for natural gas will go up due to commissioning of new capacities on the chemical industry as well as increased exports via pipelines to Mexico.

Natural gas price delivered to Japan down from USD 8.33 per 1 million Btu in Q2 to USD 8.23 per 1 million Btu in Q3 and to USD 7.92 per 1 million Btu in Q4 2017. Nevertheless, the year-average price on liquefied natural gas edged up from USD 6.89 per 1 million Btu in 2016 to USD 8.05 per 1 million Btu recorded in 2017.

European natural gas prices in Q2 and Q3 remained flat at USD 5.3 per 1 million Btu. In Q4 they rose to USD 6.22 per 1 million Btu. The year-average prices moved up by 23.9 percent to USD 5.65 per 1 million Btu reflecting contraction of nuclear capacities in France, high prices of coal and limited supply of liquefied gas.

Prices of non-energy commodities in 2017 in comparison with the previous year rose by more than 5.6 percent with higher variations among major groups. For instance, metal prices rose by 24.2 percent demonstrating best results among commodity groups due to heightened demand especially in the sphere of real estate, infrastructure and industrial sector in China as well as in the context of limited supplies due to contraction of excessive capacities. In December 2017, average basic metals prices fell by 0.5 percent due to somewhat slowdown of industrial activity and real estate market slump in China recorded in early Q4. In H2, prices recovered reflecting the weaker dollar. Over year as a whole, according to the London Metals Exchange data, price of nickel rose by 8.5 percent, led – by24 percent, aluminum – 22.7 percent, copper – 26.7 percent, and zinc – by 38.3 percent.

Prices of precious metals rose by 0.4 percent in the face of strengthening investment demand and weaker dollar. Prices of agricultural products fell by 0.5 percent continuing downward trend from the onset of the year. Prices of food products edged up by 0.7 percent despite price cut of cereals, oil and protein meal. Prices of beverages declined by 9.0 percent (*Table 43*).

Table 43

Average annual world prices

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
1	2	3	4	5	6	7	8	9	10	11	12
Brent, $/bbl.	72.32	97.64	61.86	79.64	110.9	111.97	108.86	98.94	52.37	44.05	54.39
Natural gas (USA), USD/1 m Btu	6.98	8.86	3.95	4.39	4.00	2.75	3.73	4.37	2.61	2.49	2.96
Natural gas, European market, USD /1 m Btu	8.56	13.41	8.71	8.29	10.52	11.47	11.79	10.05	7.26	4.56	5.65
Natural gas (Japan), USD/1 m Btu	7.68	12.55	8.94	10.85	14.66	16.55	15.96	16.04	10.22	6.89	8.05
Copper, USD/t	7118	6956	5149	7534	8828	7962	7332.1	6863.4	5510.5	4867.9	6169.9
Aluminum, USD/t	2638	2573	1665	2173	2401	2023.3	1846.7	1867.4	1664.7	1604.2	1967.6
Nickel, USD/t	37230	21111	14655	21809	22910	17557	15032	16893	11863	9595,2	10409

Cont'd

Source: calculated on data released by the World Bank.

4.8.3. Main indices of Russian foreign trade

Throughout 2017, Russian foreign trade turnover demonstrated the ongoing since late 2016 upward trend. In 2017, it rose compared to 2016 by 24.8 percent to USD 590.9 billion. However, it should be noted that there was a quarterly slowdown of the Russian foreign trade turnover growth rates. In Q1 2017 compared to the same period of 2016, it rose by 36.5 percent, in Q2 – by23.4 percent, and in Q3 – by 18.8 percent. In Q4, the foreign trade turnover grew at 24.2 percent.

Foreign trade turnover with countries of far abroad rose by 24.9 percent to USD 515.8 billion during the year, and with CIS countries – by 24.1 percent to USD 75.1 billion.

Russian exports in 2017 rose compared to the same period of 2016 by 25.3 percent to USD 353.1 billion, and Russian imports – by 24.1 percent to USD 237.8 billion. Long-established dynamics of exports and imports triggered growth of positive trade balance by 27.8 percent – to USD 115.3 billion (*Fig. 52*).

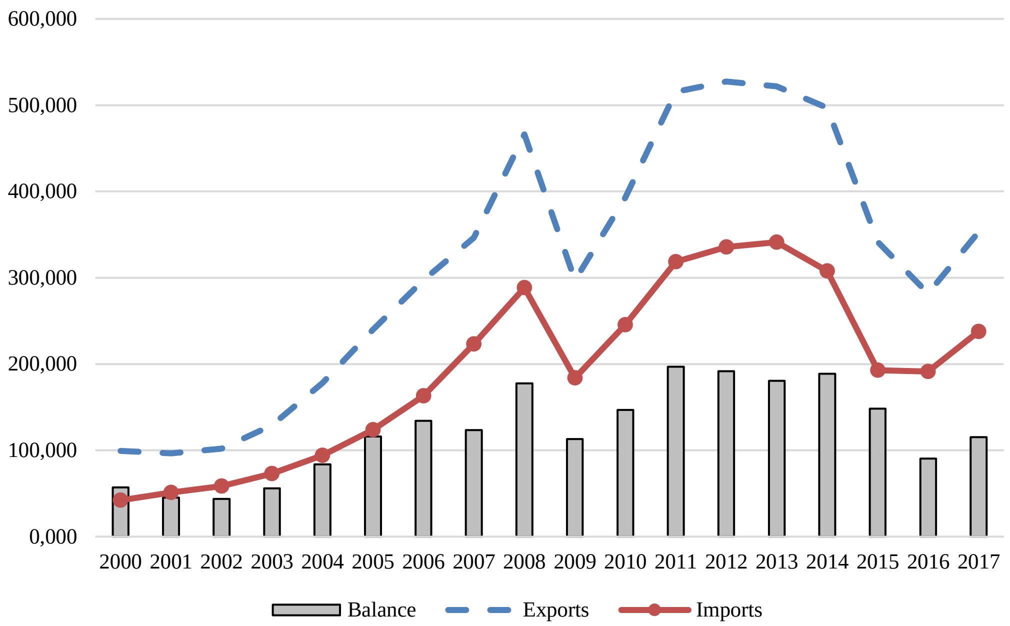

Fig. 52. Main indexes of Russian foreign trade (USD bn)

Source: Bank of Russia.

Price factor above all has determined positive dynamic of Russian exports amid insignificant growth of export volumes of goods. Growth of value of imports was determined essentially by growth of volumes of delivered goods to Russia (*Table 44*).

Table 44

Indexes of average prices and volumes of export and import pattern of Russian Federation in 2017 (in percent to corresponding quarter of 2016)

Customs Tariff Number EAEU	Name of commodity group	Average price index						Volume index					
		Exports			Imports			Exports			Imports		
		Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
01–24	Food products and agricultural	108.9	102.6	103.3	103.8	103.5	105.7	109.8	140.5	99.0	100.8	111	119.1

	raw materials (minus textile)												
25–27	Mineral commodities	125.6	122.7	122.5	111.6	127.6	117.6	102.9	99.3	100.4	117.5	109.8	112.8
27	Fuel and energy products	125.6	122.4	122.5	110.1	115.5	115.1	102.8	99.3	100.1	103.2	108.6	122.2
28–40	Chemical industry products, rubber	109.2	114.6	107.8	105.8	107.3	110.7	99.1	104.3	106.8	114	103.1	108.2
41–43	Rawhide, furs and articles made of furs	122.3	114.2	99.9	91.5	100.9	91.8	98.5	121.6	93.1	99.5	123.5	180.6
44–49	Timber and pulp and paper products	102.3	107.5	111.5	99.6	98.1	101.9	114.7	106	106.6	105.9	113	105.7
50–67	Textiles, textiles and footwear	90.5	101.4	98.7	92	96.2	96.2	136.6	100.8	110.5	134.9	129.6	136.0
72–83	Metals and metal products	119.4	120.9	123.2	105.1	104.7	105.5	113.8	96.2	105.2	129.3	152	115.6
84–90	Machinery, equipment and transport vehicles	89.1	106.4	122.1	100.1	105.2	108.9	104.6	93.4	109.7	116.4	132	115.2
68–70, 91–97	Other products	89.3	102.4	105.9	99.4	100.7	103.3	71.6	80.6	104.9	130.9	118.5	108.3

Source: data released by FCS.

Russia's terms of trade improved in 2017. According to the data released by the Federal Customs Service (FCS), in November 2017 against November 2016, Russia's terms of trade index hit 116.8 points (in July 2016 – 86.6 points), of which with the countries of far abroad – 119.1 points, and with CIS countries – 102.9 points.

Ratio of disequilibrium in trade (balance and trade turover ratio) rose from 19.1 percent in 2016 to 19.5 percent in 2017.

Structure and dynamics of exports

After four consecutive years of downward trend and hitting the 11-year minimum in 2016, the volume of Russian exports began recovering. The value volume of exported goods in 2017 compared to 2016 rose by 25.3 percent to USD 353.1 billion. Deliveries to distant foreign countries increased by 25.4 percent, and to CIS countries – by 24.7 percent. The share of distant foreign countries in the total volume of exports remained at the level of the previous year – 85.9 percent.

Table 45

Russia's exports dynamics

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Exports, bn USD	354.4	471.6	303.4	400.6	515.4	529.1	523.3	497.8	341.5	281.9	353.1
Including:											
Distant foreign countries	300.6	400.5	255.3	338.0	436.7	443.8	445.2	428.9	292.3	241.9	303.3
Growth rates, in percent to previous year											
Quantum index	105.8	105.0	96.8	97.0	110.0	97.8	99.9	104.9	109.0	103.5	105.4
Average price index	119.7	110.9	137.4	76.4	119.8	132.9	101.6	95.7	58.1	76.9	129.9

Sources: Bank of Russia, Ministry of Economic Development of Russia.

Hydrocarbons price growth was the main contribution for high growth of value volumes of Russian exports. Average contract price of crude oil rose in 2017 compared to 2016 by 27.7 percent, oil products – by 33.2 percent, and natural gas – by 15.3 percent.

Moreover, volumes of natural gas deliveries abroad rose by 5.8 percent. In 2016, Gazprom increased natural gas deliveries to distant foreign countries by 12.5 percent – to 179.3 billion cubic meters, which was the all-time high. In 2017, shipments hit 194.4 billion cubic meters, which was the record of gas shipments to distant foreign countries. Practically constant growth of gas exports by Gazprom has been observed since 2012. Over five years, the share of Gazprom in the European market rose by 34.0 percent.

Despite the fact that export volumes of crude oil and petroleum products decreased compared to the previous year by 0.8 percent and 4.9 percent, respectively, value volume of exports of fuel and energy complex rose by 27.4 percent and constituted USD 211.4 billion in 2017 compared to 2016.

In 2017 compared to 2016, export pattern saw the share of fuel and energy products to rise by 1.1 percentage point. Share of other commodity groups of extended nomenclature remained at the last year's level or declines. For example, the share of food products declined from 6.0 percent to 5.8 percent, the share of chemical products–from 7.3 percent to 6.7 percent, timber, pulp and paper products – from 3.4 to 3.3 percent, machinery, equipment and means of transport – from 8.5 to 7.9 percent (*Fig. 53*).

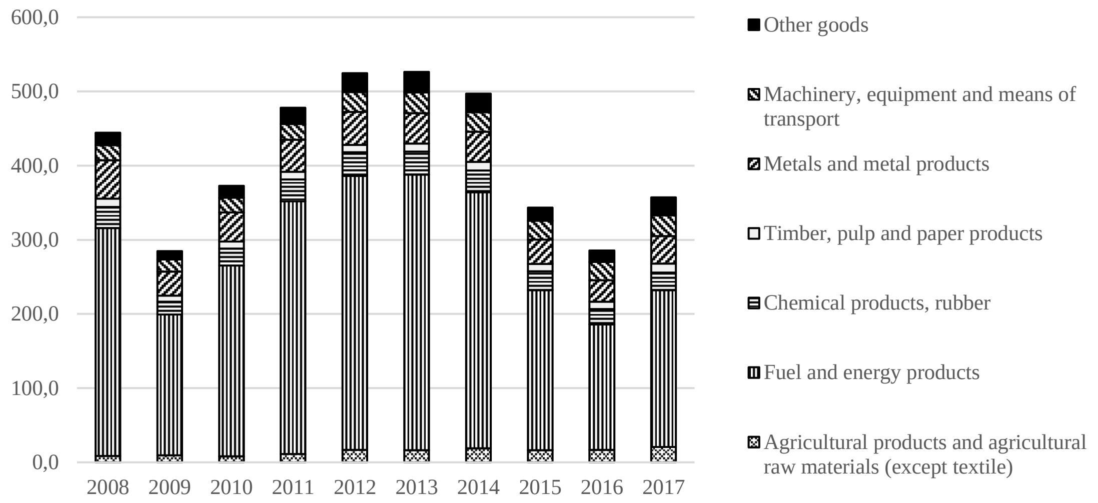

Fig. 53. Dynamics of Russian exports (USD bn)

Source: FCS.

According to the data released by the Federal Customs Service of Russia, non-resource non-energy Russian exports in 2017 hit USD 133.7 billion or 37.5 percent of the total exports volume (in 2016–38.3 percent).[1] Compared to 2016, value volume of non-resource non-energy exports rose by 22.5 percent. Upward trend of the global prices and extension of deliveries volume by 9.8 percent as well as strengthened ruble have contributed to exports.

Maximum contribution to the increase of non-resource non-energy exports was made by metal products (32.7 percent of total increase), food products (14.7 percent), engineering

[1] FCS web site http://www.customs.ru/index.php?option=com_content&view=article&id=26274:2018-02-12-11-28-37&catid=40:2011-01-24-15-02-45&Itemid=2094&Itemid=1835

products (15.1 percent), chemical products (12.6 percent), precious metals and gems (8.6 percent), and pulp and paper products (8.1 percent).

In 2017, exports of food products and agricultural raw materials continued to demonstrate an upward trend, which volume hit USD 20.7 billion. This indicator surpassed the same indicator for 2016 by 21.5 percent and was a record high for the entire period of observation. Exports volume of that category of products rose by 21.7 percent. Export growth of food products was triggered by increased domestic production, favorable ruble exchange rate against the US dollar, as well as decline of the purchasing power of the population, which led to the contraction of domestic market of the majority of food products.

Cereals traditionally ranked first in the structure of Russian exports of food products. According to the data released by the FCS of Russia, in the current 2017–2018 agricultural year exports of cereals hit 31,427,000 tons up 36.1 percent against the same period of the last season (23,088,000 tons). Wheat exports constituted 24,514,000 tons (up 36.7 percent against the same indicator of last season). Barley exports came to 3,869,000 tons (up 1.9fold). Corn exports hit 2,823,000 tons (down by 5.7 percent). In value terms, exports of wheat and meslin over the calendar year rose by 37.4 percent to USD 5.8 billion. Egypt has accounted to one fourth of that volume up 45 percent, Turkey has accounted for 10 percent (up 29.9 percent), and Bangladesh has accounted for 6 percent (up 14.6 percent).

Fish and seafood ranked second in the structure of food exports: their exports hit 1.6 million tons up 8.4 percent against 2016. Their value volume constituted USD 3.43 billion in 2017 up by 14.3 percent against the same indicator seen in 2016. Frozen fish (59.5 percent) and shellfish (26.9 percent) account for the major part of the turnover. South Korea, China, the Netherlands, and Japan import the major share of these products.

Animal and vegetable fats and oils ranked third on the list. Their exports rose in 2017 by 22.0 percent to USD 2.66 billion. Turkey, Egypt, China, Algeria and many other countries import products of that group.

Over the last two years, Russia began exporting sugar, increased exports volume of pork and poultry meat. For example, exports of meat and edible meat offal rose by 57.6 percent, fruit and nuts – by 29.3 percent, and sugar – twice.

Exports of machinery, equipment and means of transport increased by 15.5 percent to USD 28.1 billion. Its share in the total exports hit 7.9 percent (in 2016 – 8.5 percent).

Exports of foreign-branded cars made in Russia kept rising markedly. At year-end 2017, it increased by 20.3 percent in value terms. Skoda and Lada top the list of Russian automotive industry exports. Skoda top the list with around 40 percent of the total exports of automobiles. Skoda Yeti tops sales. Over 15,000 of these vehicles were exported. Exports of Lada vehicles reached 10,000 unites. Renault ranks third on the list with exports of 3,700 vehicles. Belorussia, Kazakhstan, Check Republic, China, and Germany account for the majority of imports of Russian made cars.

Structure and dynamics of imports

Against a background of domestic demand upward trend and relatively stable dynamics of ruble exchange rate imports in 2017 demonstrated a sustainable growth–imports reached USD 237.8 billion up 24.1 percent against the same indicator seen in 2016 (*Table 46*). Imports from distant foreign countries amounted to USD 212.5 billion, up 23.0 percent against 2016. The share of distant foreign countries in the total imports volume remained unchanged at 89.4 percent.

Table 46

Russian imports dynamics (USD bn)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Imports, USD bn	223.5	291.9	191.8	248.6	318.6	335.8	341.3	307.9	192.9	191.6	237.8
Including:											
Distant foreign countries	191.2	253.1	167.7	213.3	275.5	288.5	295.0	271.9	170.6	171.0	212.5
Growth rates, in percent to previous year											
Quantum index	122.4	130.1	127.1	113.5	63.3	135.4	122.2	105.1	97.8	96.6	115.0
Average Price Index	106.5	105.5	107.6	117.8	99.1	101.6	109.1	97.3	102.5	99.8	111.2

Sources: Bank of Russia, Ministry of Economic Development of Russia.

H2 2016 saw a recovery of imports volumes and in mid-2017, this indicator surpassed the average monthly level of 2010. That growth was due to purchases of machinery and equipment, which accounted for 53.6 percent of Russian imports increment. The Russian Federation imported machinery and equipment to the tune of USD 110.28 billion up 27.8 percent against 2016. Russia has imported machinery and equipment to the tune of USD 104.89 billion from the distant foreign countries. Imports of machinery and equipment include energy and special equipment, automotive special machinery, means of transport, vessels and airplanes, instruments and optics. Machinery and equipment as before account for around one-half of the total volume of Russian imports – 48.6 percent.

Imports of chemical products ranked second on the list of Russian imports (17.7 percent) rose in 2017 by 19.2 percent. Pharmaceuticals, plastics and products of plastics account for the major value of imports of chemicals with 27.0 and 22.0 percent, respectively. Rose by 23.7 percent.

Textiles imports reflecting increase of footwear imports by 40.0 percent and knitwear up by 25.0 percent.

In 2017, for the first time since the onset of the "sanctions wars" Russia increased imports of food products and agricultural raw materials.

To note, in August 2014, Russia banned imports of food products from countries, which had imposed sanctions against Russia: the US, the EU countries, Canada, Australia, and Norway. Beef, pork, poultry, sausage, fish, vegetables, fruits, dairy products, among other products were banned. From January 1, 2016, Russia banned imports of certain agricultural products from Turkey.

In 2014, Russia imported 25 million tons of food products and agricultural raw materials to the tune of USD 39.96 billion. In the following years, imports of food products were falling in the wake of the imposed sanctions. In 2015, imports fell by 15.0 percent in volume terms to 21.4 million tons and by 33.0 percent in value terms down to USD 26.65 billion. In 2016, the downward trend went on to 20.3 million tons and USD 25.0 billion, respectively.

In 2017, imports of food products and agricultural raw materials increased in comparison with 2016 by 15.7 percent to USD 28.8 billion reflecting the rubles strengthening and amid lifting of embargo on imports of food products from Turkey. Fruits with 16 percent, meat and meat bypass with 9 percent, dairy product with 9 percent, alcoholic and non-alcoholic beverages with 9 percent, and vegetables with 6 percent account for major share of food products imports value.

Belorussia remains Russia's most important food and agricultural products exporter to despite a reduction in shipments in volume terms by 6 percent in 2017 down to 3 million tons.

In value terms, imports from Belorussia rose by 15 percent to USD 3.9 billion. Belorussia exports dairy products, sugar, cheeses and cottage cheese, as well as meat and meat bypass to Russia.

Brazil ranks second on the list with USD 2.28 billion (in January-November 2017) of foodstuffs and agricultural products exports to Russia. Brazil exports to Russia soybeans, refrigerated and frozen pork, cattle meat and poultry, and peanuts. Ecuador ranks third with USD 1.18 billion of food products exports to Russia. First of all, Ecuador exports bananas to Russia. China ranks fourth with USD 1.55 billion of food products exports. China mostly exports apples and pears, citrus, onions and garlic, as well as tomatoes. Turkey resumed food products exports and agricultural products to Russia in 2017. Shipments of foodstuffs from Turkey in 2017 compared to 2016 rose in volume terms by 81 percent to 1.1 million tons, and in value terms by 66 percent to USD1 billion.

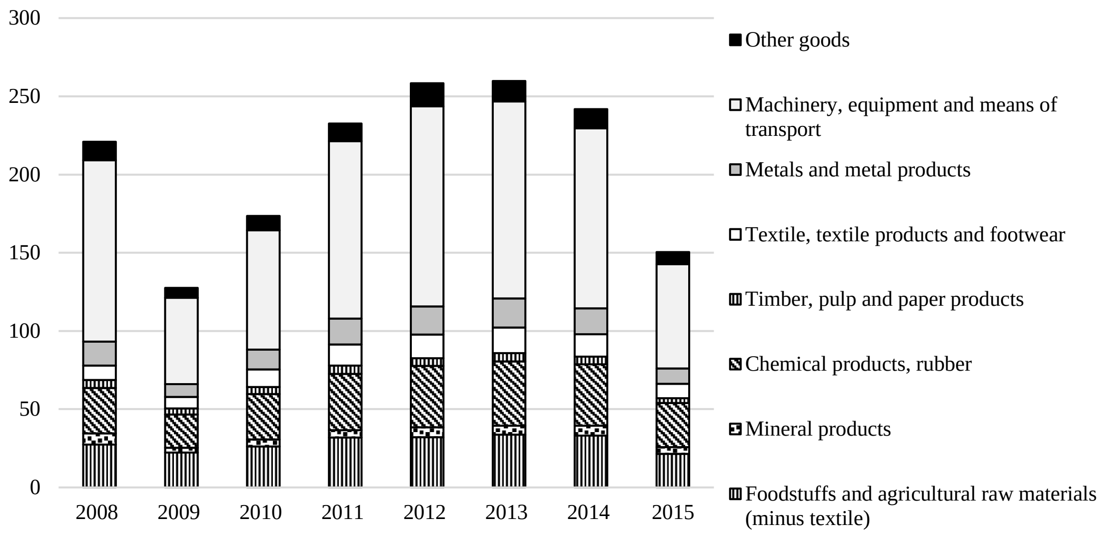

Fig. 54. Dynamics of Russian imports (USD bn)

Source: FCS.

2017 saw changes in the pattern of Russian imports in favor of investment goods. According to the Ministry of Economic Development, increment of investment goods deliveries came to 28.1 percent. Growth of consumer imports (by 21.6 percent in annual terms) reflected increased consumer unsecured lending.

The share of investment goods in Q3 2017 rose compared to Q2 by 1.6 percentage points to 29.2 percent, consumer goods up 0.7 percentage point to 32.6 percent. The share of intermediate goods contracted by 2.3 percentage points to 38.2 percent.

4.8.4. Regional pattern of Russian foreign trade

The share of the EU countries is decreasing in the regional pattern of Russian foreign trade, meanwhile the share of the APEC countries is rising in Russian foreign trade turnover. In 2017 compared to 2016, the share of the EU countries fell from 42.8 percent to 42.2 percent. Meanwhile, the share of the APEC countries rose in 2017 to 30.5 percent against 29.9 percent seen in 2016 (*Fig. 55*).

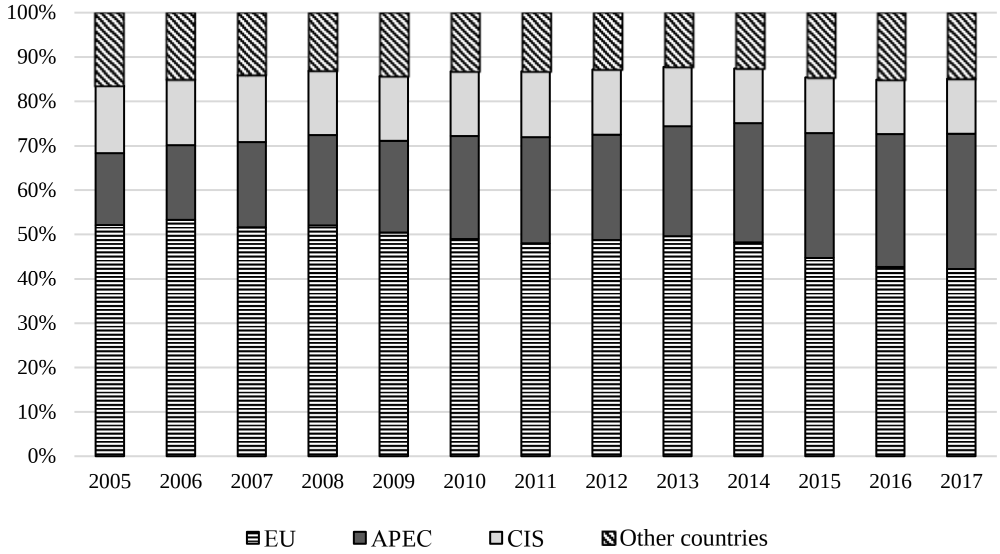

Fig. 55. Regional pattern of Russia's foreign trade (percent)

Source: FCS.

The European Union remains by far Russia's most important trade partner. In 2017, Russian foreign trade turnover with the EU countries rose by 22.9 percent notably both of Russian exports (by 22.1 percent) and Russian imports (by 24.4 percent). It should be noted that the growth of Russian foreign trade turnover was observed with all EU countries except Latvia and Estonia.

Russia's foreign trade with the APEC countries has moved up by 27.1 percent, with China by 31.5 percent, with Viet Nam by 36.2 percent, with Indonesia by 25.2 percent, and with Singapore by 94 percent. High growth rates of foreign trade turnover have been observed with countries that imposed sanctions against Russia. For example, foreign trade turnover with Australia in 2017 rose by 18.5 percent, with Canada by 43.2 percent, and with the United States by 16.2 percent.

Russian foreign trade turnover with the CIS countries has grown by 25.8 percent. Restoration of trade links was taking place with all CIS countries minus Turkmenia whose trade turnover with Russia contracted by 52.2 percent.

The Peoples' Republic of China is Russia's top trading partner since 2010. China's share rose to 14.9 percent in 2017 (14.1 percent in 2016) in Russia's foreign trade turnover. At the same time, Russia has adverse balance with China: in 2016, it amounted to USD 10.1 billion, and in 2017 – USD 9.1 billion.

Russia has adverse balance with other APEC countries: Viet Nam (USD -1.4 billion), Indonesia (USD -1.7 billion), the US (USD -1.8 billion), Malaysia (USD -0.9 billion), and Thailand (USD -1.2 billion). As a result, Russia has adverse trade balance with the entire Asia-Pacific economic cooperation region (*Fig. 56*).

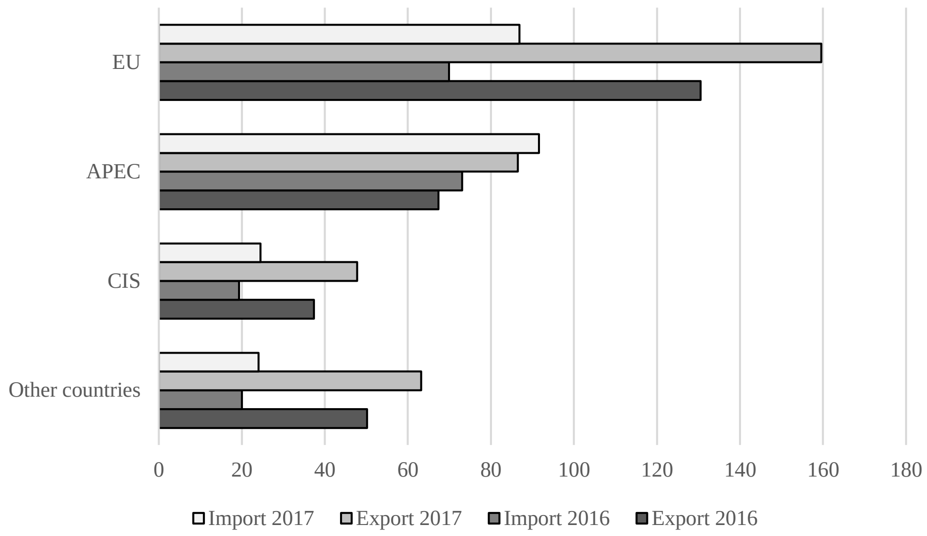

Fig. 56. Principal indexes of Russia's foreign trade across regions (USD bn)

Source: FCS of Russia.

4.8.5. Russian foreign trade regulation[1]

Tariff regulation

Export customs duties. "Important tax maneuver" terminated in 2017 brining down oil export duties and light oil products and raising Mineral extraction tax (MET) and export duty on heavy oil products. The government planned to introduce a fuel oil export duty hike to 100 percent of that on crude oil. However, the oil producing companies lagged behind with upgrading their refining capacities aimed at increasing depth of refining. Ministry of Energy and Ministry of Finance coordinated middle course version, which envisaged gradual increase of fuel oil duties and a hike to 100 percent happened in 2017 (*Table 47*).

Table 47

Rates of export customs duties on crude oil and petroleum-based products in 2014–2017 (USD/t)

	Crude oil	Petroleum-based products	
2014			
January 1	401.0	264.6	
		Light oil products	**Heavy oil products**
February 1	386.3	251	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

[1] Materials of information and legal web site GARANT.RU were used in drafting this chapter.

	Crude oil	Petroleum-based products	
August 1	388.4	252.4	256.3
September1	367.6	238.9	242.6
October1	344.7	224.0	227.5
November 1	316.7	205.8	209.0
December 1	277.5	180.3	183.1
2015			
January1	170.2	81.6	129.3
February 1	112.9	54.1	85.8
March 1	105.8	50.7	80.4
April 1	130.8	62.7	99.4
May 1	116.5	55.9	88.5
June 1	144.4	69.3	109.7
July 1	143.1	68.6	108.7
August 1	133.1	63.8	101.1
September1	109.2	52.4	82.9
October1	91.5	43.9	69.5
November 1	97.1	46.6	73.7
December 1	88.4	42.4	67.1
2016			
January 1	73.3	29.3	60.1
February 1	52.0	20.8	42.6
March 1	39.5	15.8	32.3
April 1	54.9	21.9	45.0
May 1	66.0	26.4	54.1
June 1	80.6	32.2	66.0
July 1	95.9	38.3	78.6
August 1	90.1	36.0	73.8
September1	80.0	32.0	65.6
October1	91.9	36.7	75.3
November 1	92.7	37.0	76.0
December 1	90.4	36.1	74.1
2017			
January 1	79.1	23.7	79.1
February 1	89.5	26.6	89.5
March 1	91.0	27.3	91.0
April 1	88.9	26.6	88.9
May 1	84.0	25.2	84.0
June 1	80.0	24.0	80.0
July 1	80.9	24.2	80.9
August 1	74.4	22.3	74.4
September1	84.1	25.2	84.1
October1	87.9	26.3	87.9
November 1	96.1	28.8	96.1
December 1	105.0	31.5	105.0

Sources: Regulation of RF Government, Information released by Ministry of Economic Development of Russia.

In compliance with Regulation of the RF Government of August 15, 2016 No. 797 "On Introduction of Amendments in Rates of Export Customs Duties on Goods Moved from the Russian Federation Outside the Borders of Members of Agreement of Customs Union," since September 2016, export customs duties were lifted on 200 headings, and reduced on 7 headings. For example, export customs duties were reduced on sunflower seeds, lead, zinc and cobalt waste and scrap. Slashed to zero export customs duties on precious and semi-precious gems, unrefined copper, waste and lead scrap, coke and semi-coke from lignite, gas and coal tar, naphthalene, bituminous mastic, red fish (red salmon), soybeans, among other.

By the Regulation of the RF Government of August 19, 2017 No 984 "On Introduction of Amendments in Rates of Export Customs Duties on Goods Moved from the Russian Federation Outside the Borders of Members of Agreement of Customs Union," and in compliance with Russia's commitments within the WTO, from September 2017, Russia cut export duty rates on rawhide, iron-and-steel waste and scrap, refined copper and copper alloy, and articles made from basic metals.

Import customs duties

Pursuant to the Decision by the Collegium of the Eurasian Economic Commission of May 11, 2017 No. 44, in the framework of commitments undertaken by the Russian Federation at the accession to the World Trade Organization in 2012, from September 1, 2017 Russia reduced rates of Common Customs Tariff (CCT) on around 1,000 tariff headings. Duty rates changed on fish, cheese, vegetables, fruits, seeds for sowing, sources, cosmetics, detergents, ceramics, metal products, scooters, among others. For example, import duty rates were reduced on garments from 9.2 to 6.5 percent, tableware and kitchen utensils, as well as refrigerators from 13.6 to 12 percent, Pacific salmon from 4.4 to 3 percent, cod from 6 to 5 percent, and roses from 7 to 5 percent.

Also within the commitments undertaken by the Russian Federation at the accession to the WTO, the Board of the Eurasian Economic Commission took a decision on June 23, 2017 about the change of import duty rates regarding 472 codes TNVED EAEU from the list of the so called sensitive goods, such as equipment assembled on means of transport, drones, certain types of aircraft, textiles, other products of light industry, fish and sea food, among other. Similar changes were introduced into certain decisions of the EEU Board regarding import duty rates, which were applied during the transition period in Armenia, Kyrgyzstan, and Kazakhstan.

New rates were effective since early September 2017. The average weighted of import duty rate decreased to 5.3 percent (it was 5.4 percent from January 1, 2017). To note, prior to the accession to the WTO in 2012, the average import duty constituted 9.6 percent. During the first year following the accession, the reduction affected solely 10 percent of tariff headings (out of 11,000). By September 2015, the average import duty was reduced to 5.5 percent (in 2014–2015, rates declined on more than 4,000 tariff headings). By the end of the transition period in 2019, the EAEU average import duty should constitute 4.5 percent.

Non-tariff regulation

In November 2017, the WTO released its sixteenth monitoring report on Group of 20 (G20) trade measures.[1] G20 economies implemented a total of 16 new trade-restrictive measures during the period from mid-May to mid-October 2017. They are new of increased effective tariffs, export restrictions and localization of added value. This averaged over three new measures per month against six measures imposed in the period from October 2016 through May 2017. In 2015, around eight new trade-restrictive measures were imposed per month.

Over the same period, G20 imposed 28 measures aimed at facilitating trade, including abolishment and reduction of tariffs and simplification of customs procedures. Nevertheless, it should be noted that measures aimed at trade-facilitating during the period under review were applied to goods, which value volume in the world trade turnover came to USD 27 billion, which was notably less than the previous monitoring period – USD 163 billion. During the reporting period, the value volume of good under the trade-restrictive measures also contracted to USD 32 billion against USD 47 billion seen in the previous monitoring period. The majority of trade-facilitating measures imposed in the framework of International Harmonized Commodity Description and Coding System (HS) included such goods, as “Nuclear reactors, boilers, equipment and mechanisms, and their components” (HS84) – 43.5 percent, “Electrical machinery and equipment and their components” (HS 85)–24.9%, “Instruments and optical,

[1] The World Trade Organization web site: https://www.wto.org/english/news_e/news17_e/g20_wto_report_november17_e.pdf

photographic, cinematographic, measuring, controlling, precision, medical and surgical devices and instruments, and their components" (HS 90) – 11.4%, and "Cereals" (HS 10) – 3.7 percent.

Currently, G20 economies implement 12,224 trade-restrictive measures. According to the WTO data as of June 30, 2017, sanitary and phytosanitary measures accounted for the highest share in the overall number of imposed trade-restrictive measures (28.5 percent of the total non-tariff measures). They are followed by technical barriers to trade (21.5 percent) and anti-dumping measures (13.8 percent).

The latest available data for January-June 2017 demonstrate a slight increase of the number of anti-dumping investigations initiated by G20 economies in comparison with the previous six months (July-December 2016). In H1 2017, G20 economies initiated 123 anti-dumping investigations against 118 such investigations initiated in H1 2016. The number of investigations initiated by Brazil, India, and the United States significantly fell from July 2016 to June 2017 compared to July 2015 to June 2016. Over the same period, Argentina notably increased the number of investigations (from 8 to 21), Canada (from 4 to 19), and Turkey (from 8 to 19). Although anti-dumping investigations not always result in anti-dumping measures, the growing number of anti-dumping investigations speak for a probable increase of implemented measures.

In early October 2017, the European Parliament adopted new anti-dumping rules designed to protect jobs and industrial production in the EU. The EU Assembly Resolution[1] indicates that they are designed to "update the trade defense instruments to deal with anti-dumping imports" by including in the existing rules social and environmental criteria, freeing European companies from excessive bureaucratic burden, assisting small and medium businesses. The Resolution envisages tougher EU rules against dumping and subsidized dumping from third countries.

The European Union imposed anti-dumping duties on eight type of Russian goods, anti-dumping investigations are under way against two type of Russian goods (hot-rolled steel and ferrochrome), review of anti-dumping measures are under way on two types of Russian products.

According to the Register of trade-restrictive measures[2] as of December 1, 2017, 143 restrictive measures were revealed, which limit access to the markets of Russian good. Mainly, they are anti-dumping duties, which account for 30.1 percent of the overall number of imposed measures, sanitary and phytosanitary measures account for 11.9 percent (SPS measures), and technical barriers – 10.5 percent (TBT measures) (*Table 48*).

Table 48

Market protective measures applied by third countries against goods from the Russian Federation

	2014	2015	2016	2017
Restrictive measure				
Anti-dumping measures	40	39	40	43
Special safeguard duty	9	15	17	13
Countervailing duty	–	1	1	1
TBT	9	9	10	15
SPS	3	7	11	17
Quotas (including tariff quotas)	2	3	3	3
Excises on the basis of discrimination	5	4	5	7
Ban on imports	4	3	4	6
Risks of imposition of measures	5	5	5	8

[1] European Commission web site // http://europa.eu/rapid/press-release_MEMO-16-3605_en.htm

[2] http://www.ved.gov.ru/mdb/information/database/

Other non-tariff measures	25	24	29	30
TOTAL	102	110	125	143

Source: Register of restrictive measures as of December 1 of the corresponding year.

Currently 19 investigations against Russian goods have been initiated, of which 13 are anti-dumping, four are special protective, two investigations regarding impact of imports on the US national security, as well as six reviews of anti-dumping measures. Two agreements on suspension of anti-dumping procedure in the US are in effect. However, two agreements on termination of anti-dumping procedures are in force (regarding uranium products and thick-gage plate).

Within the framework of sanctions implemented by the European Union, the U.S., Japan, Ukraine, Switzerland, Norway, Australia, New Zealand, Iceland, Lichtenstein, Montenegro, and Albania a ban is imposed on imports of goods originated from Crimea and Sevastopol.

Moreover, in response to events happened in Crimea and in the east of Ukraine, restrictive measures were applied against a number of Russian organizations and individuals by the European Union, the U.S., Canada, Japan, Ukraine, Switzerland, Norway, Australia, New Zealand, Iceland, Lichtenstein, Montenegro, and Albania.

Protective measures of domestic market

Application of the protective measures in the Eurasian Economic Union (EAEU) has been regulated by Articles 48–50 of the Treaty on the Eurasian Economic Union of May 29, 2014, and by the Protocol on application of special protective, anti-dumping and countervailing measures in relation to third countries (Annex No. 8 to the Treaty on the Eurasian Economic Union). At present, seventeen protective measures of domestic market are effective in the EAEU.

Table 49

Protective measures of domestic market effective in the EAEU

№	Product	Type of measure	Exporter	Date of expiry
1	2	3	4	5
AD-8	Rolled steel with polymer coating	Anti-dumping	PRC	30.06.2017
AD-3	Rolling bearings	Anti-dumping	PRC	20.01.2018
AD-12	Iron enamel tubs	Anti-dumping	PRC	25.01.2018
AD-9	Graphite electrodes	Anti-dumping	Ukraine	25.01.2018
AD-11	Cold-worked seamless stainless pipes	Anti-dumping	PRC	14.05.2018
AD-10	Light commercial vehicles	Anti-dumping	Germany, Italy, Turkey	14.06.2018
AD-7	Steel forged rolls for rolling mills	Anti-dumping	Ukraine	25.06.2019
AD-15	Citric acid	Anti-dumping	PRC	09.04.2020
AD-14	Kitchen and cutlery from corrosion-resistant steel	Anti-dumping	PRC	18.06.2020
AD-16	Tubing and casing steel seamless pipes for drilling and oil and gas production	Anti-dumping	PRC	22.09.2020
AD-17	Bulldozers	Anti-dumping	PRC	11.12.2020
AD-18	Truck tires	Anti-dumping	PRC	17.12.2020
AD-19	Steel all-rolled wheals	Anti-dumping	Ukraine	21.01.2021
AD-21	Corrosion-resistant tubes and pipes	Anti-dumping	Ukraine	25.02.2021
AD-13	Rods	Anti-dumping	Ukraine	29.04.2021
AD-1	Certain types of steel pipes	Anti-dumping	Ukraine	01.06.2021
AD-20	Ferrosilicon manganese	Anti-dumping	Ukraine	27.10.2021

Cont'd

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

Tariff quotas. Decision of the Board of the Eurasian Economic Commission of August 18, 2017 No. 97 “Of implementation for 2018 of tariff quotas regarding certain types of agricultural goods transported to the customs territory of the Eurasian Economic Union, as well as volumes of tariff quotas regarding these goods, transported to the territory of member of the Eurasian Economic Union” imposed tariff quotas on import of meat and meat bypass. This list includes cattle meat, pork, poultry meat and sub products, port trimming, certain types of buttermilk and modified buttermilk. Distribution of quotas among the EAEU member states was established. Quotas are applied to goods under customs procedure for domestic consumption (except produced and imported from the CIS countries).

Embargos and import restrictions. In the course of 2017, agricultural products from Turkey were gradually returning to the Russian market. Decree of the Government of the Russian Federation of November 30, 2015 adopted a list of agricultural products, raw materials and foodstuffs produced in Turkey and are banned from January 1, 2016 for imports to the territory of the Russian Federation. Decree of the Government of the Russian Federation of March 9, 2017 No. 276 this list was reduced. The following products were excluded from the list: carnations, fresh and refrigerated onions, underground onion, cauliflowers and broccoli sprout among others. The Federal Service for Veterinary and Phytosanitary Surveillance lifted the ban on imports of green leaf lettuce, salad iceberg, pepper, vegetable marrows and pumpkins from nine Turkish enterprises starting from September 1, 2017. From October 30, the ban was lifted on imports of aubergines and pomegranates from 27 Turkish enterprises.

Decree of the Government of the Russian Federation of June 2, 2017 No. 672 “On introduction of changes into the Decree of the Government of the Russian Federation of November 30, 2015 No. 1296 and repeal some Acts of the Government of the Russian Federation” lifted the ban on imports to Russia of frozen dressed chickens and turkeys and their by-products, fresh and refrigerated cucumbers and pickling cucumbers, fresh apples, pears, grapes, wild strawberries and strawberries. Decree of the Government of the Russian Federation of October 26, 2017 No. 1301 imports of Turkish tomatoes was permitted from November 1 in volume determined by the Ministry of Agriculture of Russia (not more than 50 thousand tons till the end of 2017).

Executive Order of the President of Russia of June 30, 2017 No 293 “On extension of special economic measures aimed at provision of security of the Russian Federation” in response to the extension of the sanction regime imposed against Russia till the end of 2018 extended the ban o imports of certain types of agricultural products, raw materials and food stuffs originated from the European Union, the U.S., Canada, Ukraine, Norway, Australia, Albania, Montenegro, Iceland, Lichtenstein.

4.8.6. Integration processes

The Federal Law of November 14, 2017 No. 317-FZ ratified Agreement on Customs Code of the Eurasian Economic Union. The Customs Code is designed to optimize customs operations, further liberalization of customs rules and codification of effective agreements. Provision of international agreements under the law of EAEU are being codified. The Code envisages maximum use of the information technologies in declaration and release of goods and simplification of some procedures (for example, customs warehouse). The Code allowed for shorter length for goods release in non-risk deliveries (which does not require revision). Goods release procedure is described in more detail. The Code envisages the status of the authorized economic operator, coordination of customs authorities within the Union have been regulated. On the other hand, customs payment procedure remained unchanged (prior to goods release), significant number of reference rules to bylaws including at the national level, which implies differences in tax administration rules on the EAEU common customs territory, multiple stages of customs clearance. The Customs Code of the EAEU entered into force on January 1, 2018.

Trade and economic agreements of the EAEU. The free trade zone agreement between Eurasian Economic Union (EAEU) and the Socialist Republic of Vietnam (SRV) will come into force starting October 5, 2016,[1] which creates new conditions for trade and economic activities for business of EAEU and Vietnam. Vietnam was the first country signing the free trade zone agreement with the EAEU.

Table 50

Negotiation tracks on trade and economic agreements of EAEU as of December 1, 2017

Ratified free trade zone (FTZ)	Agreement with the Socialist Republic of Vietnam effective from October 2016
Upon completion of the fifth round of negotiations between EAEC and the Ministry of trade of China, joint statement on the completion of negotiations on the Agreement of trade and economic cooperation was signed on October 1, 2017.	Agreement on economic partnership between the Eurasian Economic Union and China is practically ready and can be signed in early next year.
Routs of the dialogue, negotiations/consultations under way.	Iran – "abridged" FTZ. India – FTZ. Israel – 3 FTZ. Singapore – FTZ. Egypt – FTZ. Serbia – common FTZ between the EAEU and Serbia will replace bilateral FTZ with Belarus, Kazakhstan, and Russia.
Prospective candidates (working groups, display of interest, memorandums).	South Korea. Cambodia. Mongolia. Peru. Chili.

Source: Eurasian Economic Union (Edited by Vinokurova E.Yu.). Center for Integration Studies. St. Petersburg. 2017, p. 163.

Implementation of the Agreement had a positive impact on the Russian-Vietnamese trade turnover, which over ten months of 2017 rose by 36.3 percent and hit USD 3.9 billion. Both Russian exports to Vietnam (up by 43.5 percent) and imports from Vietnam (up by 33.3 percent) demonstrate solid upward trend.

During last year, shipments of agricultural products (corn and wheat) from Russia to Vietnam markedly rose owing to the Agreement. Favorable conditions have been created for meat products trade.

In October 2015, Presidents of the EAEU member states adopted a systemic decision for further development of the Union's trade policy. Tasks and landmarks for the EAEU cooperation with key trade partners, strategies for the EAEU promotion in the world trade relations have been formed.

[1] Agreement on free economic zone between the Eurasian Economic Union, on the one part, and the Socialist Republic of Vietnam, on the other part: EAEC web site.

4.8.7. WTO Agreement on trade facilitation

The WTO Trade Facilitation Agreement (TFA) adopted by the 9th Ministerial Conference of the WTO members at Bali (Indonesia) in December 2013. This document was the first major agreement between WTO members since the Uruguay round of twenty years before. This Agreement development was launched in 2004 and took around nine years for completion. Now it is ratified by 110 WTO members.

The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area. Solution of these issues is of high interest for small and medium –size businesses, which will open for them new horizons for international trade participation. The WTO members' commitments to reform customs procedures and red tape, raising efficiency of international shipments, as well as provision of access to information and express-delivery channels will permit small businesses to widen their logistical capacity and proactively participate in global supply chain, reduce costs of exporting their goods.

The WTO report (2013) noted that trade facilitation will result in reduction of costs from USD 350 billion to USD 1 trillion due to reduction of trade costs by 10-15 percent, increase of trade flows and revenues, creation of sustainable business environment and attraction of foreign investment.

On February 26, 2016, the Federation Council of the Russian Federation adopted protocol to the Marrakesh agreement, which envisaged incorporation of Trade Facilitation Agreement into Annex 1 to the Marrakesh Agreement on establishing the WTO.

It should be noted that the Federal Customs Service has been taking serious measures in this direction. Large sums have been invested in electronic declaration, automatic collection and interdepartmental exchange of customs information, all federal okrugs have been developing centers for electronic declaration, and the institute of authorized economic operators is operational. All these innovations mean that Russia has been implementing certain provisions of this WTO Agreement, although problems remain. Implementation of single-window system is lagging behind. There are complaints against methods of levying customs duties on the basis of the so called risk factors.

In the World Bank Doing Business 2018 report, Russia is ranked 100 out of 190 countries up 40 places owing to a new deep-sea port on the Gulf of Finland, which increased competition and reduce costs on border control in St. Petersburg port.