GAIDAR INSTITUTE FOR ECONOMIC POLICY

RUSSIAN ECONOMY IN 2018
TRENDS AND OUTLOOKS
(*ISSUE 40*)

Gaidar Institute Publishers
Moscow / 2019

UDC 338.1(470+571)"2018"(063)
BBC 65.9(2Рос)я431

R95 **Russian Economy in 2018. Trends and Outlooks. (Issue 40**) / [V. Mau at al; ed. Editors – Alexei Kudrin, doctor of sciences (economics), Alexander Radygin, doctor of sciences (economics), doctor of sciences Sergey Sinelnikov-Murylev, doctor of sciences (economics)]; Moscow: Gaidar Institute Publishers 2019. – 616 pp. – ISBN 978-5-93255-556-9

The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 40th issue. 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 sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

Reviewer: Lev Yakobson, Doctor of sciences (economics), professor, first pro-rector, NRU-HSE.

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ISBN 978-5-93255-556-9

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Russia's Foreign Trade in 2018[1]

4.6.1. The state of the global economy

In November 2018, the Organization for Economic Development and Cooperation (OECD) presented its updated forecasts[2], according to which global economic growth would slow down from the current 3.7 percent (the OECD's estimate as of 2018) to 3.5 percent in 2019–2020. Earlier, the OECD's experts expected a 3.7 percent growth in global GDP in 2019. But growth in trade and investments slowed down on the back of the US protectionist policy. Growth in interest rates and appreciation of the US dollar exchange rate resulted in the capital outflow from developing countries and depreciation of their currencies. In the OECD zone, monetary stimulation measures are gradually scaled down. Trade conflicts between the US and China constitute a separate negative factor. According to the OECD's estimate, imposition by the US of a 25 percent duty on Chinese imports and adoption by China of similar measures may cost the global economy, US economy and Chinese economy 0.5 percent of GDP, 0.8 percent of GDP and 1 percent of GDP, respectively.

India's economy is growing at a faster rate than others. In 2018, India's GDP increased by 7.3 percent and growth of 7.4 percent is forecasted in 2019. China's economy is expected to grow by 6.6 percent and 6.2 percent in 2018 and 2019, respectively, while the Indonesian economy, by 5.2 percent in 2018 and 2019.

The OECD's experts revised downwards the forecast for Russia. If at the beginning of the year growth of 1.8 percent was expected on the basis of the results of the current year, it is now stated that Russian GDP growth of over 1.6 percent of GDP is infeasible. In 2019, this indicator will fall to 1.5 percent.

According to the opinion of the World Bank's experts[3], late in 2018 global economic activities slowed down. Due to reduction of trade and investment volumes, in 2019 global economic growth rates slowed down to 2.9 percent. The Central Bank of the Russian Federation forecasted growth of 3 percent. The forecast for 2020 is revised downwards by 0.1 p.p. to 2.8 percent of GDP, too.

After several months of decline, in June the global trade growth consolidated somewhat on the back of revival of exports from the euro zone and developing Asian

[1] This section was written by N. Volovik, the Gaidar Institute and RANEPA.

[2] The official web-site of the OECD. URL: http://www.oecd.org/economy/outlook/economic-outlook/

[3] The official web-site of the World Bank. URL: http://www.vsemirnyjbank.org/ru/news/press-release/2019/01/08/darkening-prospects-global-economy-to-slow-to-29-percent-in-2019-as-trade-investment-weaken

countries. However, the latest data show that growth was sooner of a temporary nature because the indicator of new export orders decreased in September for eight months running, having fallen slightly below the threshold value which signals a forthcoming shrinkage of the global trade. At the same time, there is less uncertainty about the US trade policy with signing of a new agreement on free trade with Mexico and Canada (the United States-Mexico-Canada Agreement – USMCA). The amendments introduced into the USMCA include tougher requirements to the rules of identification of the country of origin of goods for the automotive sector, a higher extent of access for the US to the Canadian dairy market, tougher provisions on labor and intellectual property and simplified dispute settlement rules.

In the International Monetary Fund's (IMF) report – *The Prospects of Development of the Global Economy* (PDGE)[1] – published in January 2019, it is stated that growth in investments, industrial output and global trade slowed down in H2 2018. The IMF pays attention to growth in interest rates in developing countries. Consequently, global GDP will keep growing, but at a slower rate. In 2019, growth rates of global GDP are expected to slow down to 3.5 percent, while in 2020, to 3.6 percent against growth of 3.7% in 2018. As compared to the previous report, which was released in October 2018, the forecasts for 2019 and 2020 were revised downwards by 0.2 p.p. and 0.1 p.p., respectively. According to the IMF, the main risks to the global economy are the escalation of trade war between the US and China, the risks of the Brexit without a deal with the EU and slowdown of economic growth rates in the US and China. In the US, the growth rates will fall to 2.5 percent and 1.8 percent in 2019 and 2020, respectively, against 2.9 percent in 2018. In China, they will fall to 6.2 percent in 2019–2020, against 6.6 percent in 2018. The main factor behind this slowdown will be mutual trade barriers.

In addition, global growth is weakened by the following factors:

- Problems experienced by German car-makers because of introduction of new fuel emission standards;
- The weakening of the Italian economy amid weak domestic demand and higher cost of borrowings;
- Problems in the French economy on the back of negative consequences of street protests and industrial actions;
- Economic problems of Turkey following the foreign exchange crisis last summer;
- The negative situation and the downbeat mood of investors on global financial markets.

The IMF expects GDP growth of 2 percent and 1.7 percent in 2019 and 2020, respectively, in various countries. In the current year, emerging economies' growth slowed down, too, from 4.6 percent in 2018 to 4.5 percent in 2019. In 2020, economic growth is expected to speed up to 4.9 percent. The 2019 forecast is 0.2 p.p. lower than in the October 2018 issue of the PDGE.

[1] The official web-site of the IMF. URL: https://www.imf.org/ru/Publications/WEO/Issues/2019/01/11/weo-update-january-2019

Due depreciation of prices of oil and financial conditions getting tougher, the forecast of Russia's GDP growth was revised downwards from the forecasted level of 1.8 percent in October to 1.6 percent and 1.7 percent in 2019 and 2020, respectively (*Table 32*).

Table 32

The dynamics of global GDP and global trade (growth rates, % change as compared to the previous year)

	2010	2011	2012	2013	2014	2015	2016	2017	Esti-mate	Forecast	
									2018	2019	2020
Global GDP volume	5.4	4.3	3.5	3.5	3.6	3.5	3.3	3.7	3.7	3.5	3.6
Countries with developed economies	3.1	1.7	1.2	1.4	2.1	2.3	1.7	2.3	2.3	2.0	1.7
United States	2.6	1.6	2.2	1.8	2.5	2.9	1.6	2.2	2.9	2.5	1.8
Euro zone	2.1	1.6	–0.9	-0.2	1.4	2.1	1.9	2.4	1.8	1.6	1.7
Germany	3.9	3.7	0.7	0.6	2.2	1.5	2.2	2.5	1.5	1.3	1.6
France	1.9	2.2	0.3	0.6	1.0	1.0	1.1	2.3	1.5	1.5	1.6
UK	1.7	1.6	1.4	2.0	2.9	2.3	1.8	1.7	1.4	1.5	1.6
emerging market and developing economies	7.4	6.2	5.1	4.7	4.6	4.0	4.3	4.7	4.6	4.5	4.9
Commonwealth of Independent States	4.8	4.8	3.4	2.2	1.0	-2.8	0.4	2.1	2.4	2.2	2.3
Russia	4.3	4.3	3.4	1.3	0.6	-3.7	-0.2	1.5	1.7	1.6	1.7
Without Russia	6.0	6.1	3.6	4.2	1.9	-0.5	1.9	3.6	3.9	3.7	3.7
Developing Asian countries	9.5	7.8	6.7	6.6	6.8	6.6	6.4	6.%	6.5	6.3	6.4
China	10.4	9.3	7.7	7.7	7.3	6.6	6.7	6.9	6.6	6.2	6.2
India	10.1	6.3	4.7	5.0	7.3	7.6	7.1	6.7	7.3	7.5	7.7
Latin America and Caribbean countries	6.2	4.6	2.9	2.7	1.3	0.0	-0.9	1.3	1.1	2.0	2.5
Brazil	7.5	2.7	1.0	2.5	0.1	-3.8	-3.6	1.4	1.3	2.5	2.2
Mexico	5.6	4.0	4.0	1.1	2.1	2.5	2.3	2.2	2.1	2.1	2.2
Volume of global trade in goods and services	12.6	6.1	2.9	3.0	3.3	2.6	2.2	5.2	4.0	4.0	4.0
Countries with developed economies	12.0	5.7	2.0	2.4	3.4	3.6	1.8	4.3	3.2	3.5	3.3
Emerging market and developing economies	13.7	6.8	4.6	4.4	2.9	1.3	3.0	7.1	5.4	4.8	5.2

Source: The IMF's data.

Changes in trade agreements, risks related to introduction of new import customs duties, as well as worsening of economic expectations have had a negative effect, primarily, on export-oriented countries, such as China or Germany, a leading euro-zone economy. It means that GDP annual growth rates of Russia's main trade partners are expected to slow down: from 6.9 percent in 2017 to 6.2 percent in 2019 in China and from 2.4 percent to 1.6 percent in the euro-zone.

According to the data of the World Trade Organization (WTO), within nine months of 2018, the value of global exports of goods increased by 11 percent as compared to the relevant period of the previous year[1]. Cyprus with the highest growth in exports (64

[1] Calculated on the basis of the data of the Monthly Merchandise Trade Values on 70 countries which account for 90 percent of the global trade. URL: https://www.wto.org/english/res_e/statis_e/short_term_stats_e.htm

percent) is followed by Malta (29.4 percent), Kazakhstan (28.4 percent) and the Russian Federation (27.8 percent). As a result, in the rating of the largest exporters the Russian Federation moved upwards from the 14th place (with the share of 2.1 percent in global exports) to the 13th place (with the share of 2.4 percent in global exports).

In 2018, the highest foreign trade turnover was registered in China: within 9 months it amounted to USD 3431.9 billion. From 1994 China's export surplus has always been positive; within nine months of 2018 it amounted to USD 221.4 billion.

The US is rated the second with the foreign trade turnover amounting to USD 3,180.1 billion within nine months of 2018. However, within nine months of 2018 the US foreign trade deficit was equal to USD 695.6 billion.

Germany retained the third place with its foreign trade turnover amounting to USD 2,154.7 billion in January-September 2018. Germany's external surplus is equal to USD 213.1 billion.

Global trade growth keeps falling. This is evidenced by the World Trade Outlook Indicator, WTOI[1], which fell to 96.3 points in Q1 2019 from 98.6 points in Q4 2018. This index value is the nine years' low since March 2010. It is to be reminded that the WTOI value below 100 points signals trade growth below the trend.

The weakness of the WTOI as a whole can be explained by a dramatic decrease in all its components, which are affected by growing tensions in the global trade. So, in Q1 the index of export orders fell to 95.3 points from 96.6 points in the previous quarter, the international air carriage index decreased to 96.8 points from 100 points a quarter before, the carmaking and car sales index went down to 92.5 points from 96.9 points in the previous quarter, the electronic component index declined to 88.7 points from 93.9 points and the agricultural raw material index, to 94.3 points from 97.2 points in Q4 of the previous year. The only exception is the port capacity index which turned out to be above 100 points, having fallen from the level of 101.2 points to 100.3 points, which situation can probably be explained by the front loading of ports before the tariff increase in the US and China. Taking into account the sustained slowdown of the dynamics, it is crucially important to reduce tensions in trade amid prevailing political risks and financial instability because they may provoke a more dramatic recession.

4.6.2. The Russian foreign trade situation: prices of the main commodities of the Russian exports and imports

In 2018, prices of primary products were determined by a number of factors, including interruptions in deliveries of some raw materials, growth in interest rates in the US, appreciation of the US dollar exchange rate, growing tensions in trade between large countries and pressure on financial markets in some emerging markets and developing economies (EMDEs).

1 The WTO's official Web-site. URL: https://www.wto.org/english/news_e/news19_e/wtoi_19feb19_e.htm

In Q3 2018, prices of energy commodities appreciated by 3 percent and 40 percent as compared to Q2 and the same period of 2017, respectively, owing to substantial growth in prices of oil, coal and natural gas.

In Q3, 2018, prices of non-energy commodities fell by 7 percent relative to the previous quarter. Prices of metals depreciated by nearly 10 percent amid weak global growth and concerns over the effect of the trade dispute between the US and China on growth of the Chinese economy which accounted for 50 percent of global demand on metals. On the contrary, limitation of supplies, including the shut-down of the world's largest alumina producer[1] and ecological reduction of production in China helped underpin prices of some metals.

In Q3 2018, agricultural products depreciated by nearly 7 percent – the largest depreciation within a quarter – since Q4 2011 as compared to Q2 2018. This depreciation was driven by a number of factors, such as sufficient supplies of most oil-bearing and cereal crops (except for wheat), trade tensions which affected prices of agricultural products (particularly soya beans) and depreciation of EMDE' currencies (particularly the Brazilian real).

In 2018, the World Bank's agricultural product prices remained on average virtually unchanged as compared to 2017 (100.08 percent). The downward risks for the price forecast stem from the escalation of trade tensions. On the other side, high prices of energy commodities may put up prices of energy-intensive cereal crops, particularly, grain and oil-bearing crops. In 2019, the index of prices of agricultural products may rise by less than 2 percent, mainly, due to higher costs on energy commodities and fertilizers.

The 2018 World Bank's index of prices of energy commodities rose by 29.7 percent as compared to the previous year on the back of substantial growth in prices of its all components.

In Q3 2018, the World Bank's index of metal prices fell by 10 percent as compared to the previous quarter, despite the reduction of the LME's metal reserves, except for iron ore. The decrease was driven by the global demand shrinkage, appreciation of the US dollar and rising tensions in trade between the US and China. However, in 2018 average metal prices turned out to be higher than in 2017 owing to their appreciation early in 2018: the World Bank's Index of metal prices was equal to 106.26 percent (*Fig. 33*).

The Bloomberg Commodity Index (BCOM), which includes 22 types of primary products have been fluctuating for three years running within the range of 80 – 90 points. Having achieved on May 23, 2018 the maximum value of 91.57 points since July 2015, on December 28, 2018 the BCOM fell to the minimum level (77.59 points) since January 2016, which factor is the evidence of volatility on primary product markets.

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[1] Early in October 2018, the Norsk Hydro, a Norwegian metals company suspended for an uncertain period of time the operations of the Alunorte Plant, the world's largest alumina refinery situated in Brazil.

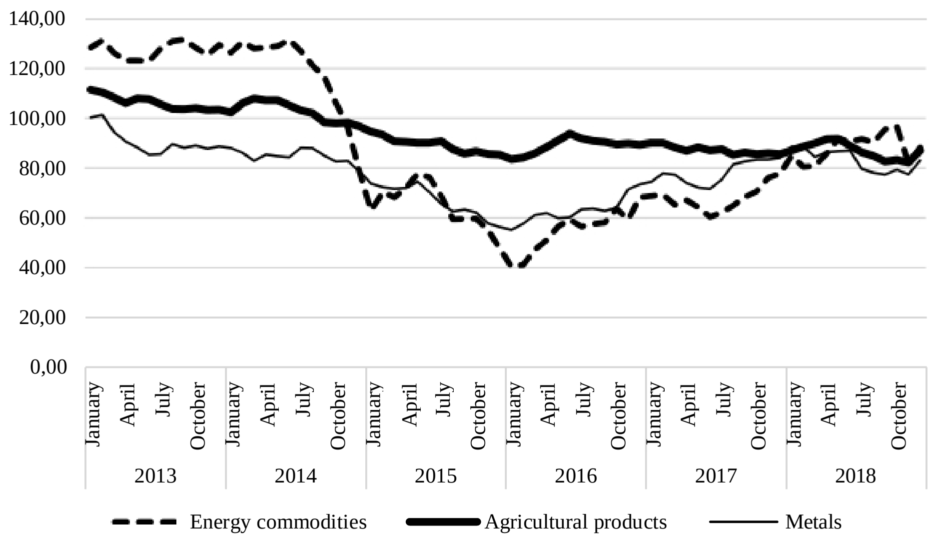

Fig. 33. The World Bank's indexes of primary product prices (the year 2010 =100 percent)

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

During the year, prices of oil were volatile: having achieved their maximum of USD 86.07 a barrel on October 4, the Brent oil prices fell to the year's minimum of USD 50.57 a barrel on December 28. The growth in oil prices partially reflects the prevalence of the loss-making production in Venezuela and concerns over the prospect of introduction by the US of new sanctions against Iran which may have a greater than expected effect on production and exports of Iranian oil. An increase in oil production by other members of the Organization of Petroleum Exporting Countries (OPEC) and the Russian Federation may make up for that reduction.

In 2018, the average price of Brent oil amounted to USD 71.07 a barrel, an increase of 30.7 percent on 2017. The average price of Urals oil appreciated by 32 percent to USD 70.01 a barrel in 2018 relative to 2017. In 2017 the average price of Urals oil was equal to USD 53.03 a barrel.

Demand on coal and natural gas happened to be higher than it was expected in Q2 2018 and Q3 2018 because the untypically hot weather in Asia and Europe spurred demand on electricity for air conditioning. Europe normally reduces utilization of coal in summer by switching over to alternative sources and hydro sources. However, weak winds and lack of water in rivers of Germany and France made the coal-fired power industry to step up its operations. Also, there were problems related to the reduction of nuclear power output in France and Germany because of the extended repairing. In 2018, prices of natural gas increased year on year by 34.4 percent and 24 percent in Europe and Japan, respectively, on the back of high demand, while in the US, by the mere 6.6 percent because supply was growing fast as the shale gas production increased.

Prices of South African coal and Australian coal appreciated by 14.7 percent and 20.9 percent, respectively, with ecological limitations on supplies underpinning prices further. It is expected that prices will go down in 2019 because relative to 2018 demand will slow down, while supply is to get higher.

With mutual import duties introduced by the US and China coming into effect, the trend of appreciation of prices of commercial metals – this trend was observed for the past two years – broke up. In January 2018, the commercial metal market saw record-high prices. So, for the first time since July 2014 the price of copper surpassed the level of USD 7,000 per ton. Aluminum prices attained their five-year's maximum of USD 2,209 per ton. Growth of the above indices was related to the revival of the automotive industry in the US and Europe. The US sanctions against the Rusal, the world's second largest aluminum-producing company which accounted for about 7 percent of global aluminum supplies and limitations on metal trading at exchanges led to a situation where early in April prices of aluminum appreciated for a short period of time by 30 percent, but by the end of the month fell on the back of promises of possible weakening of sanctions if the company's main shareholders reduced their shares.

With the US and China introducing mutual trade barriers in July, all nonferrous metals on the global market depreciated dramatically. In July, metal prices depreciated relative to the previous month: aluminum (6.9 percent), copper (10.3 percent), lead (9.4 percent), tin (4.5 percent), nickel (8.7 percent) and zinc (14 percent). Despite the depreciation of nonferrous metal prices which was observed in the last few months of 2018, they generally appreciated within a year as compared to 2017: aluminum (7.2 percent), copper (5.8 percent), tin (0.4 percent), nickel (26 percent), zinc (1.1%), while lead depreciated by 3.2 percent (*Table 33*).

Table 33

Average annual global prices

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Oil (Brent), USD/per barrel	97.64	61.86	79.64	110.9	111.97	108.86	98.94	52.37	44.05	54.39	71.07
Natural gas (USA), USD/1 million BTU	8.86	3.95	4.39	4.00	2.75	3.72	4.37	2.61	2.49	2.96	3.16
Natural gas, market of Europe, USD/1 million BTU	13.41	8.71	8.29	10.52	11.47	11.79	10.05	6.82	4.56	5.72	7.68
Natural gas (Japan), USD/1 million BRU	12.55	8.94	10.85	14.66	16.55	15.96	16.04	10.93	7.37	8.61	10.67
Copper, USD/ per ton	6956	5149	7534	8828	7962	7332.1	6863.4	5510.5	4867.9	6169.9	6529.8
Aluminum , USD/per ton	2573	1665	2173	2401	2023.3	1846.7	1867.4	1664.7	1604.2	1967.7	2108.5
Nickel, USD/ per ton	21111	14655	21809	22910	17557	15032	16893	11863	9595.2	10409	13114

Source: calculations based on the data of the World Bank.

4.6.3. The main parameters of Russia's foreign trade

In 2018, Russia's foreign trade turnover kept recovering after the shrinkage of 2014–2016. In 2018, Russia's foreign trade turnover increased by 17.3 percent to USD 693.1 billion as compared to 2017. However, quarterly growth rates of Russia's foreign trade turnover slowed down: if in Q1 2018 the trade turnover grew by 21.7 percent as compared to Q1 2017, in Q2 2018, Q3 2018 and Q4 2018 it increased by 20.7 percent, 16.8 percent and 10.9 percent, respectively. This happened on the back of slowdown of imports growth rates in Q2 2018 and reduction of the value of the imports to the Russian Federation in Q3 2018 and Q4 2018.

The foreign trade volume with far abroad countries increased by 18.2 percent to USD 610.2 billion, while that with the CIS countries, by 9.8 percent to USD 82.9 billion.

In 2018, Russian exports increased by 25.6 percent to USD 444 billion as compared to the relevant period of 2017, while Russian imports, by 4.6 percent to USD 249.1 billion. The existing dynamics of exports and imports facilitated substantial growth in the positive trade balance which increased by 68.9 percent to USD 194.9 billion (*Fig. 34*).

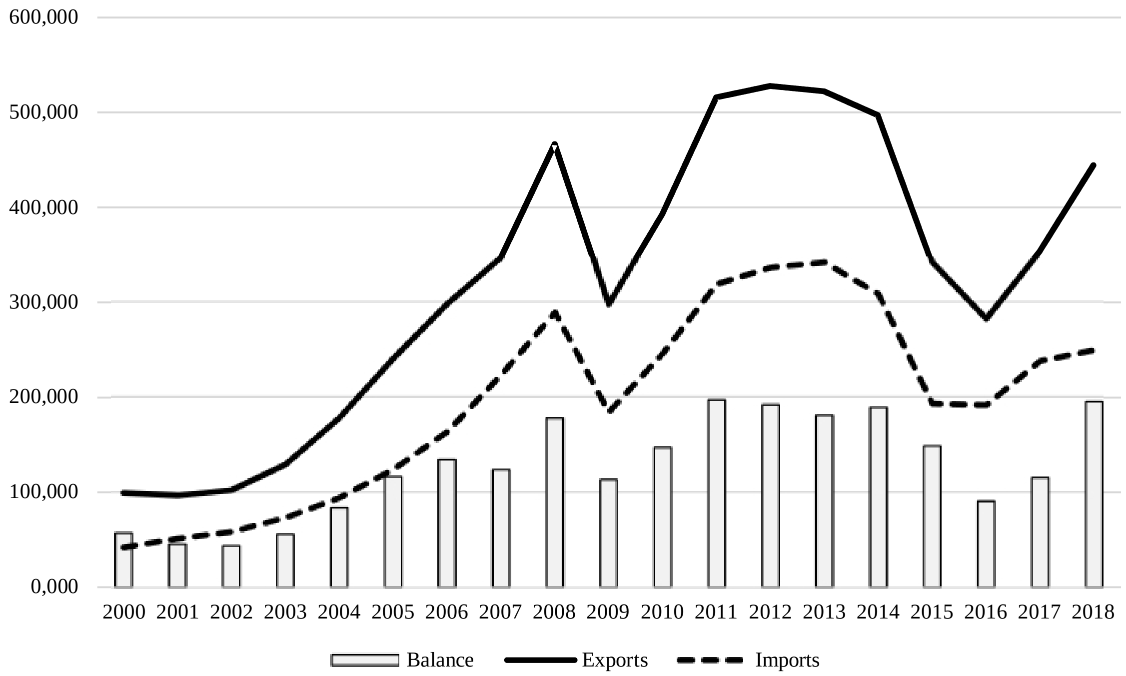

Fig. 34. The main parameters of Russia's foreign trade
(billion US dollars)

Source: The Central Bank of the Russian Federation.

The positive dynamics of Russian exports can largely be explained by the pricing factor: in Q2 the index of average export prices and the index of the volume of exports amounted to 118.5 percent and 106.5 percent, respectively, while in Q3, to 124.2 percent and 102.5 percent, respectively. Growth in the value of imports was largely determined by the pricing factor, too: in Q2 2018 the index of average import prices and the index of the volume of imports to Russia were equal to 103.7 percent and 101.1 percent, respectively, while in Q3, to 99.9 percent and 99.0 percent, respectively (*Table 34*).

Table 34

The indices of average prices and the volume of Russia's exports and imports in 2018, % change on the relevant quarter of 2017.

FEA CN code	Commodity group name	Index of average prices						Index of volume					
		Exports			Imports			Exports			Imports		
		Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
01-24	Food products and agricultural primary products	101.3	104.1	105.6	101.7	101.8	99.3	128.2	145.3	105.8	104.1	103.2	97.2
25-27	Mineral products	119.7	127.6	135.0	120.7	118.7	120.3	103.1	101.6	106.2	91.9	94.3	83.4
27	Fuel and energy commodities	120.0	127.9	135.5	111.9	108.6	113.1	102.7	102.1	106.0	91.0	100.4	95.0
28-40	Chemical products and raw rubber	106.9	107.6	107.8	107.2	105.2	103.8	107.3	102.5	107.9	106.5	103.3	96.6
41-43	Rawhide, furs and fur articles	83.2	83.2	73.5	99.6	112.1	94.2	140.9	119.8	92.3	100.3	84.5	137.0
44-49	Wood and pulp and paper products	120.6	120.3	127.7	109.6	104.9	107.0	88.9	99.1	97.6	103.3	100.5	98.5
50-67	Textile, textile products and footwear	106.0	99.6	99.1	107.6	105.8	100.2	107.9	92.9	103.6	115.5	95.8	110.7
72-83	Metals and metal fabricated articles	115.0	114.1	111.1	109.3	108.3	104.4	113.6	116.0	107.3	116.5	94.6	93.6
84-90	Machines, equipment and transport vehicles	81.3	87.3	91.2	104.1	102.3	99.3	101.2	120.5	109.7	111.0	101.5	96.8
68-70, 91-97	Other commodities	104.1	98.1	103.3	104.1	98.5	82.4	99.8	114.4	86.0	99.3	108.6	131.5

Source: the data of the Federal Customs Service

The Pattern and Dynamics of Exports

In 2018, the value of exports increased by 25.6 percent to USD 444.0 billion as compared to 2017. Export supplies to far abroad countries and the CIS rose by 27.8 percent and 12.3 percent, respectively. In the overall volume of exports, the unit weight of far abroad countries increased to 87.3 percent against 85.8 percent in 2017 (*Table 35*).

Table 35

Dynamics of Russian exports

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Exports, billion USD	354.4	466.3	297.2	392.7	515.4	527.4	521.8	496.8	341.4	281.7	353.5	444,0
including												
Far abroad countries	294.8	397.7	252.0	333.6	436.7	443.8	443.8	428.1	292.1	241.7	303.4	387,7
Growth rates, % change on previous year												
Index of volume of exports	104.7	105.8	105.0	96.8	97.0	110.0	97.8	99.9	104.9	109.0	103.6	102,5
Index of prices	126.9	119.7	110.9	137.4	76.4	119.8	132.9	101.6	95.7	58.1	120.7	124,2

Source: The Central Bank of the Russian Federation and the RF Ministry of Economic Development.

The main factor behind high growth rates of exports is appreciation of prices of hydrocarbons. In 2018, the average contract price of crude oil, petrochemicals and natural gas appreciated by 34.3 percent, 32.6 percent and 22.8 percent, respectively, relative to 2017.

The value of exports of Russian oil increased by 38.3 percent in 2018 as compared to 2017 with growth of 3 percent in the volume of export supplies to 260,171 million tons.

In addition, according to the data of the Federal Customs Service the volume of the Russian exports of liquefied natural gas rose by 50.4 percent to 36.7 million cubic meters as compared to 2017. The volume of exports of natural gas increased by 4.9 percent to 220.6 billion cubic meters. In 2018, the revenues from liquefied natural gas rose by 66.6 percent to USD 5.3 billion, while the revenues from sale of natural gas, by 28.8 percent to USD 49.1 billion.

As a result, in 2018 in the commodity pattern of exports the share of fuel and energy commodities increased by 4.5 p.p. as compared to the previous year. There was a decrease in shares of food products (from 5.8 percent to 5.5 percent), chemical products (from 6.7 percent to 6.1 percent), wood and pulp and paper articles (3.3 percent to 3.1 percent), metals and metal fabricated articles (from 10.4 percent to 9.9 percent) and machines, equipment and transportation vehicles (from 7.9 percent to 6.5 percent) (*Fig. 35*).

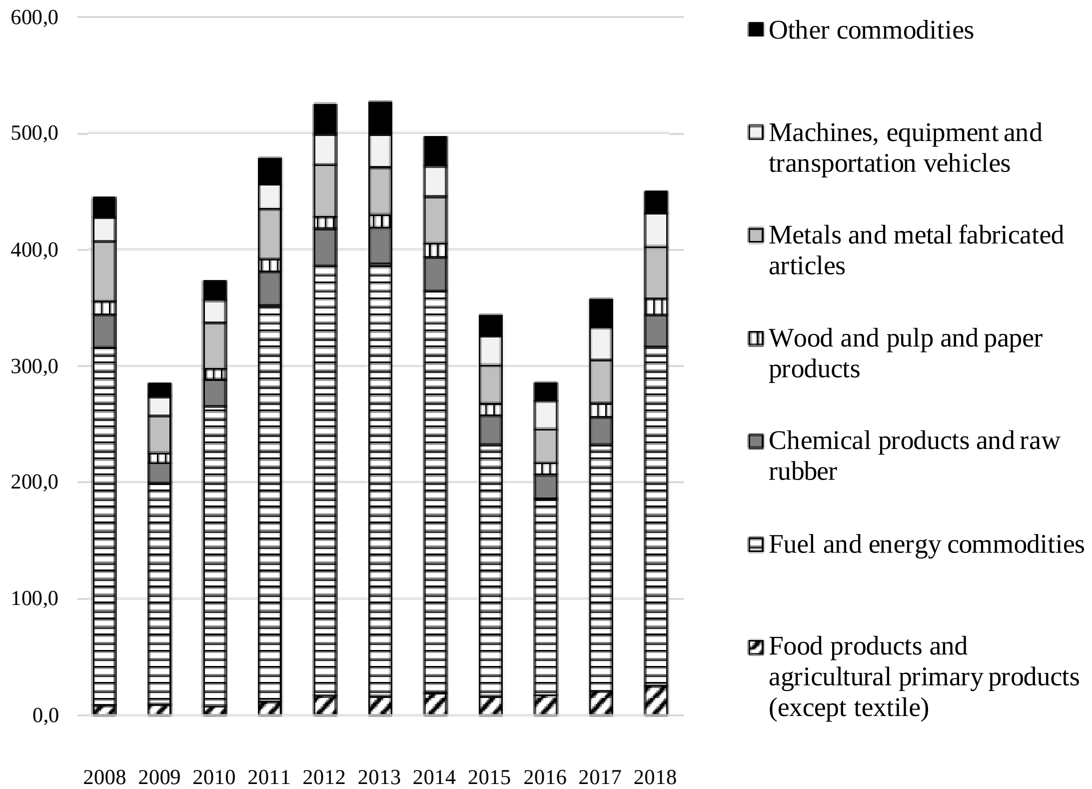

Fig. 35. The Commodity dynamics of Russian exports (billion USD)

Source: The Federal Customs Service.

According to the data of the Russian Export Center[1], in 2018 Russia's exports of non-primary and non-energy commodities amounted to USD 149.4 billion, having surpassed the historic record of 2012 (USD 143.5billion). The growth rates happened to be lower than a year before (11.6 percent). In 2017, the exports of non-primary and non-energy commodities increased by 22.5 percent mainly on the back of the effect of the low base of 2016. In 2018, growth was facilitated by expansion of the volume of supplies and appreciation of global prices. There were high growth rates of exports of nonfood agricultural products (+25 percent), timber (+18 percent), food products (+20.2 percent) and metal products (+19.4 percent).

In 2018, Russia kept stepping up exports of food products and agricultural primary products. In 2018 the volume of food exports amounted to USD 24.9 billion, a record-high level within the entire period of observations. The main drivers of growth in exports of food products were the increase in domestic production, a favorable USD/RUB exchange rate and decrease in households' purchasing power. As a result, the domestic market of most food products shrank.

Traditionally, in the pattern of the Russian exports of food products the leaders are cereals (42.1 percent in 2018). In 2018, the volume of exports of wheat and meslin rose by 33.1 percent, while the value thereof, by 45.6 percent.

The Foreign Agricultural Service of the US Agricultural Department[2] has revised upwards the forecast of Russian export wheat supplies from 35 million tons to 36.5 million tons in the 2018/19 season. The Russian Federation will remain the world's leader as regards wheat exports followed by the US (29 million ton) and Canada (24 million tons). Russian wheat dominated on the global market for several years thanks to high reserves and price advantages. From July till October, monthly shipments of wheat were higher than in the previous year, however, with winter coming they slowed down. According to the updated information of the Federal Customs Service, from the beginning of the season till December 13 Russia exported 25.4 million tons of grain, an increase of the mere 4 percent as compared to the previous season. Particularly, shipments of wheat increased by 13 percent to 21.8 million tons, while those of barley and maize decreased by 13.5 percent to 2.8 million tons and twofold to 1 million ton, respectively. So, in December exports of wheat fell to 0.5–0.7 million tons a week against 1 million tons in October – the beginning of November. The second largest position in the Russian food exports is occupied by fish and seafood (17.4 percent); in 2018 the value of their exports amounted to USD 2.9 billion, an increase of 22.6 percent as compared to the index of 2017.

The third place in the Russian food exports is retained by the supplies of animal and vegetable fats and oil (10.5 percent), which exports fell by 1.5 percent to USD 2.6 billion in 2018 relative to 2017.

1 URL: https://www.exportcenter.ru/upload/iblock/6f1/Экспорт%20России%202018_12%20(reference).pdf

2 Grain: World Markets and Trade. URL: https://apps.fas.usda.gov/psdonline/circulars/grain.pdf

There was growth in the exports of meat and meat by-products (28.7 percent), edible fruits and nuts (10 percent), products of the flour and cereals industry (14.1 percent), vegetable, fruits, nuts and plants products (16.5 percent) and alcoholic and non-alcoholic beverages (12.5 percent).

In 2018, the exports of the timber industry's products attained the record-high level of USD 13.9 billion. At the same time, there are some changes in the pattern of the timber industry's exports: the share of exports of unprocessed timber keeps falling; within ten years it decreased from 22 percent to 8 percent. The exports are retargeting at products with a higher added value. In 2018, the volume of exports of processed timber, glued ply wood, pulp wood and newsprint paper rose by 6.8 percent, 8.5 percent, 0.5 percent and 1.4 percent, respectively.

The exports of machines and equipment increased by 3.5 percent. This happened on the back of growth of 15.7 percent in export sales of those products to CIS countries. Exports of machines and equipment to far abroad countries fell by 2.8 percent.

The Pattern and Dynamics of Imports

In 2018 the Russian imports increased by 4.6 percent to USD 249.1 billion as compared to 2017. The value of imports from far abroad countries amounted to USD 222.5 billion, an increase of 4.6 percent as compared to the index of 2017, while that of imports from CIS countries to Russia was equal to USD 26.5 billion, an increase of 4.7 percent relative to the index of 2017. In the total volume of imports, the unit weight of far abroad countries remained at the level of the previous year (89.3 percent) (*Table 36*).

Table 36

Dynamics of Russian imports (billion USD)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Imports, billion USD	223.1	288.7	183.9	245.7	318.6	335.8	341.3	307.9	193	191.5	238.1	249.1
Including												
Far abroad countries	194.1	253.8	162.7	213.2	273.8	288.4	295.0	271.9	170.6	170.8	212.8	222.5
Growth rates , % change on previous year												
Index of volume of imports	122.4	130.1	127.1	113.5	63.3	135.4	122.2	105.1	97.8	96.6	116.7	99.0
Index of prices	106.5	105.5	107.6	117.8	99.1	101.6	109.1	97.3	102.5	99.8	106.6	99.9

Source: The Central Bank of the Russian Federation and the RF Ministry of Economic Development.

Amid the depreciation of the rouble, weakening of business activities in the industry and fading of the effect of the low base in Russia, after two years of uninterrupted growth in Q2 2018 imports of goods slowed down, while in Q3 2018 they started to shrink. If in January 2018, imports of goods to the Russian Federation increased by 20.4 percent year on year, in July they grew by the mere 0.9 percent, while in August, September and December they fell by 3.5 percent, 2.9 percent and 6.8 percent, respectively. On the one side, imports were underpinned by continuous moderate growth in domestic demand. On the other hand, they were restrained by depreciation of the rouble's real effective exchange rate which in Q2 2018 weakened by 11 percent as compared to the relevant period of 2017 (a 6.5 percent depreciation in Q3 2018). Generally, within a year the real effective exchange rate of the rouble in the basket of foreign currencies of the main trade partners of Russia decreased by 6.9 percent in 2018.

The dynamics of imports across different types of commodities was not homogeneous. So, in 2018 the volume of imports of fresh and frozen meat decreased by 36.4 percent to 409,200 tons as compared to 2017. The volume of poultry supplies fell by 2.5 percent to 221,700 tons. Also, Russia started to import less fish, a decrease of 5 percent (407,200 tons).

Imports of citrus fruits increased the most (9.3 percent) followed by bananas and apples. Also, there was growth in imports of coffee (+5 percent), cacao beans (+2 percent) and cacao-containing products (+22.6 percent).

The share of import food products on the domestic market fell from 36 percent in 2013 to 22 percent in 2018.

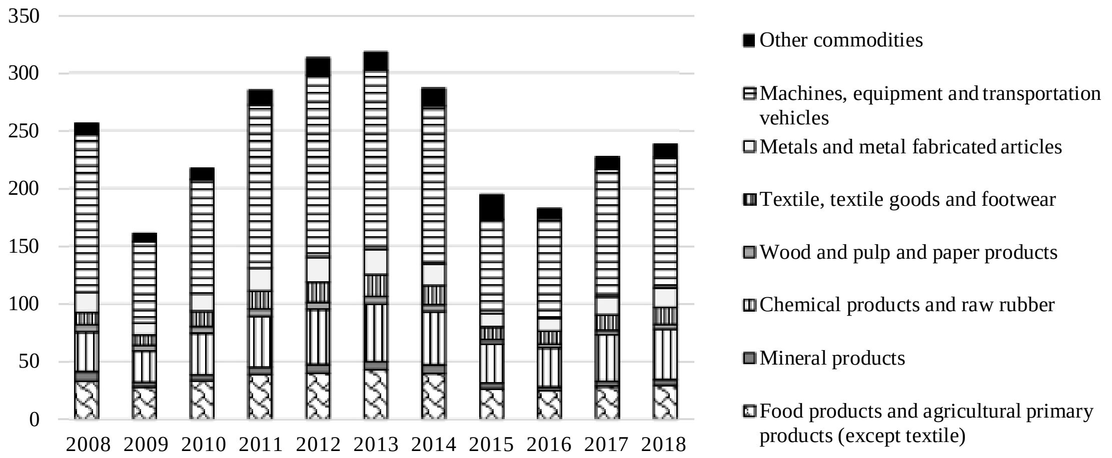

Fig. 36. The Commodity dynamics of Russian imports
(January-October, billion USD).

Source: The Federal Customs Service.

In the commodity pattern of imports, machines and equipment still have the highest unit weight; in 2018 it was equal to 47.3 percent (48.6 percent in January-October 2017). In 2018, purchases of machines and equipment increased by 2.1 percent, including electrical equipment (15.5 percent) and instruments and optical device (9.6 percent) as compared to 2017.

The value of imports of chemical products increased by 8.2 percent as compared to 2017, while the volume of imports, by 1.0%. There was growth in the volume of the imports of soap and detergents (8.2 percent), raw rubber, rubber and rubber articles (6.5 percent), plastics and plastic articles (3.0 percent) and organic chemical products (0.2 percent).

The value of imports of metals and fabricated metal articles increased by 9.1 percent as compared to 2017. The volumes of imports of ferrous metals and articles made thereof rose by 5.7 percent with import supplies of pipes and flat rolled iron and unalloyed steel products falling by 21.6 percent and 3.3 percent respectively.

4.6.4. The geographic pattern of Russia's foreign trade

In the geographic pattern of Russia's foreign trade, the role of the APEC keeps growing in the Russian foreign trade volume: in 2018 it increased up to 31 percent against 30.4 percent in 2017. It is to be noted that the share of the EU increased from 42.1 percent to 42.7 percent. The share of the CIS states keeps falling: from 12.5 percent in 2017 to 11.7 percent in 2018. It is noteworthy that the share of Russia's mutual trade turnover with its partners in the Eurasian Economic Union is shrinking: the Republic of Belarus (from 5.2 percent to 4.9 percent) and Kazakhstan (from 3 percent to 2.6 percent (*Fig. 37*).

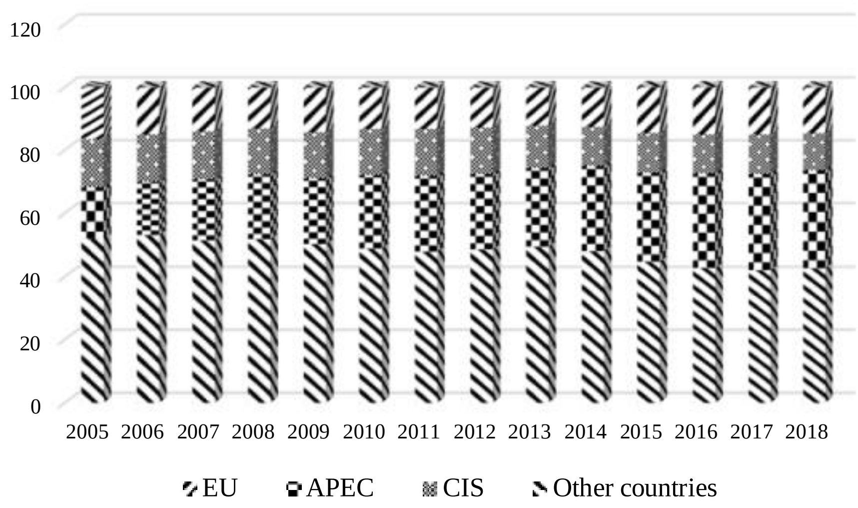

Fig. 37. The Geographic Pattern of Russian Foreign Trade (%)

Source: The Federal Customs Service of the Russian Federation.

The European Union is still the main trade partner of the Russian Federation. In 2018, Russia's trade turnover with the EU increased by 17.6 percent with growth both in the value of Russian exports (25.8%) and Russian imports (4.7 percent). It is to be noted that growth in Russian foreign trade volume was observed with all countries of the EU, except Latvia.

Russia's foreign trade volume with the APEC increased by19.8 percent. In particular, there was growth in the foreign trade volume with China (24.5 percent), Vietnam (16.4 percent), Australia (28.7 percent) and the US (7.9 percent).

Russia's foreign trade turnover with CIS states increased by 10.7 percent. Trade links with all the CIS countries recovered, except for Azerbaijan (the trade turnover with that country shrank by 5.4 percent).

China has been Russia's main trade partner since 2010; in 2018 its share in Russia's foreign trade turnover increased up to 15.7 percent (14.9 percent in 2017). It is to be noted that for the first time since 2013 the Russian Federation has had a positive trade balance of USD 3,847.5 billion (in January-October 2017 it was negative (USD 9,137.3 billion)

4.6.5. Regulation of the Russian Foreign Trade [1]

Tariff Regulation

Export customs duties

In 2018, the rates of export duties on oil and petrochemicals were calculated in compliance with the methods approved by Resolution No.276 "On Calculation of the Rates of Export Customs Duties on Crude Oil and Individual Categories of Oil-Produced Products".

The methods of calculation of export duties on oil were amended by Resolution No.1523 of December 14, 2018 of the Government of the Russian Federation "On Amendment of Some Documents of the Government of the Russian Federation". As a result, from January 1, 2019 oil export duties were reduced by 33.4 percent to USD 89 per ton. With completion of the tax maneuver in the oil industry in 2019 – 2024, oil export duties will not be set to nil with a simultaneous severance tax increase *(Table 37*).

Table 37

The rates of export duties on oil and petrochemicals in 2018 (USD per ton)

	Oil	Petrochemicals	
		Light petrochemicals	Dark petrochemicals
January 1	111.4	33.4	111.4
February 1	120.1	36.0	120.1
March 1	119.5	35.8	119.5
April 1	111.4	33.4	111.4
May 1	118.5	35.5	118.5
June 1	131.8	39.5	131.8
July 1	139.1	41.7	139.1
August 1	135.4	40.6	135.1
September 1	130.0	39.0	130.0
October 1	137.5	41.2	137.5
November 1	152.0	45.6	152.0
December 1	135.1	40.5	135.1
2019			
January 1	89.0	26.7	89.0

Source: Resolutions of the Government of the Russian Federation, the data of the RF Ministry of Economic Development.

Import customs duties

In compliance with Resolution No.13 of January 26, 2018 of the Council of the Eurasian Economic Commission "On Setting of Import Customs Duties of the Single Customs Tariff of the Eurasian Economic Union in Respect of Individual Types of Goods in Compliance with the Obligations of the Russian Federation within the

[1] In preparing this section, the data of the GARANT.RU, an information and legal Web-site, were used.

Frameworks of the WTO", import customs duties were changed in respect of linoleum, refrigerators, vehicle bodies, dump trucks and car semitrailers. As regards linoleum, the rate of 10 percent, plus euro 0.08 per 1 kg was set. Earlier, it was 10 percent, but no less than euro 0.25 per 1kg. As regards household refrigerators, household freezers and vehicle bodies (cabins) meant primarily for transportation of people, import customs duties are now equal to 15 percent. The rates on off-the-road dump trucks with maximum two shafts is equal to 5 percent (earlier – 5 percent, but minimum euro 0.5 per 1 cm^3 of the engine volume). The rate of 9 percent was set for car semitrailers with the full weight of 15 tons and overall length of minimum 13.6 mm as well as car refrigerator semitrailers with the body's interior volume of minimum 76 m^3.

To reduce the cost of production of Russian products, import customs duties on individual types of import products used in manufacturing of Russian products were reduced. It concerns import supplies of polyethylen for manufacturing of large diameter pipes which are used for building the Nord Stream-2 and the Turkish Stream. By Resolution No.14 of January 26, 2018 of the Council of the Eurasian Economic Commission "On Setting of the Import Customs Duty of the Single Customs Tariff of the Eurasian Economic Union on Polyethylen for Applying Industrial Three-Layer Anti-Corrosion Finish on Large Diameter Pipes" the zero import customs duty on polyethylen was extended for the period of nine months.

By Resolution No.65 of July 13, 2018 of the Council of the Eurasian Economic Commission "On Amendment the Unified Trade Classification of Foreign Economic Activities of the Eurasian Economic Union and Single Customs Tariff of the Eurasian Economic Union in Respect of Individual Types of Transformers for Microwave Ovens, as Well as Some Resolutions of the Supreme Eurasian Economic Council and the Council of the Eurasian Economic Commission", import customs duties were reduced in respect of some types of transformers for microwave ovens. The zero import customs duty rate on transformers for microwave ovens with power voltage of 220–240 V and output voltage of the main winding and auxiliary winding being 2.1–2.4 kV and 3.2–37 V, respectively, was temporarily set. The zero customs duty rates will be in effect till December 31, 2020 included. Earlier, the rate of 8 percent of the customs value used to be charged from the imports of the specified goods. The reduction of the import customs duty rate will make it feasible to reduce the cost of manufacturing of microwave ovens at enterprises of the Eurasian Economic Union.

By Resolution No.146 of September 7, 2018 of the Collegium of the Eurasian Economic Commission "On Setting of the Rates of Import Customs Duties of the Single Customs Tariff of the Eurasian Economic Union in Respect of Down and Fur Raw Stuff and Tanned and Dressed Fur Skins (Except for Mink Raw Stuff and Skins)", import customs duty rates on down and fur raw stuff and tanned and dressed fur skins (except for mink raw stuff and skins) were reduced from 3 percent and 5 percent to 0 percent of the customs value. The zero rates will be in effect till September 30, 2020 included. The measure in question is meant to promote production of natural fur articles in the EEU.

By Resolution No. 94 of June 5, 2018 of the Collegium of the Eurasian Economic Commission “On Setting of the Rates of Import Customs Duties of the Single Customs Tariff of the Eurasian Economic Union in Respect of Individual Types of Goods in Compliance with Obligations of the Russian Federation Within the Frameworks of the WTO and Amendment of Some Decisions of the Eurasian Economic Commission”, import customs duty rates were reduced in respect of some goods. In particularly, it concerns fireworks, gunpowder and individual types of mattress frames. The duty rates were reduced by 1–2 p.p. The periods of application of zero rates of customs duties, particularly, in respect of gold, platinum, components of lock gears for manufacturing of locomotive-driven double-deck coaches and some types of grapes were specified.

By Resolution No. 99 of June 13, 2018 of the Collegium of the Eurasian Economic Commission “On Setting of the Rates of Import Customs Duties of the Single Customs Tariff of the Eurasian Economic Union in Respect of Industrial Fatty Alcohols “, import customs duties were reduced to 0 percent in respect of industrial fatty alcohols. The zero rates are applied from September 02, 2018 till August 31, 2021 included. Earlier, the rate of import duties on the specified goods was equal to 5 percent of the customs value.

By Resolution No. 98 of June 13, 2018 of the Collegium of the Eurasian Economic Commission “On Setting of the Rates of Import Customs Duties of the Single Customs Tariff of the Eurasian Economic Union in Respect of Shelled Cashew Nuts”, from September 2, 2018 till August 31, 2021 included a zero rate of import customs duties is set in respect of cashew nuts. Earlier, the rate of import duties on the commodity in question was equal to 5 percent of the customs value.

By Resolution No. 737 of June 27, 2018 of the Government of the Russian Federation “On Amendment of Export Customs Duties on Goods Exported from the Russian Federation beyond the Borders of Member-States of the Agreement on the Customs Union”, a zero export customs duty on wheat was extended for a year till July 1, 2019.

Within the frameworks of fulfillment of the obligations assumed by the Russian Federation when it joined the WTO, the Council of the Eurasian Economic Commission (EEC) modified the procedure for applying the rates of import duties in respect of cars and some other goods. By Resolution No. 66 of July 13, 2018 of the Council of the Eurasian Economic Commission, the procedure for applying the rates of import duties was specified in respect of individual types of goods, including military cargo planes equipped with a loading ramp and the weight of empty outfit of over 12000 kg, but maximum 13000 kg; aluminum; polyethylen for applying industrial three-layer anti-corrosion finish on large diameter pipes; and some types of machinery products. Reduced rates were introduced in respect of some items.

Duty rates were reduced in respect of rattan furniture and furniture parts made of metal and wood.

In respect of all-terrain cars with the effective engine cylinder capacity of over 4200 cubic cm, the ad val. rate of 10 percent of the customs value was introduced. It is to be noted that from September 1, 2018 till August 31, 2019 included either the duty rate of

17 percent or the rate of 12.1 percent of the customs value are applied, but no less than euro 1.14 per 1 cubic cm of the engine volume depending on which calculated amount is lower.

A similar rate is applied in respect of the specified cars with a combustion engine capacity higher than the maximum 30 minute capacity of the electric motor. The rates of duties were changed in respect of other car positions.

By Resolution No. 129 of August 21, 2018 of the Collegium of the Eurasian Economic Commission "On Setting of the Rates of Import Customs Duties of the Single Customs Tariff of the Eurasian Economic Union in Respect of Individual Types of Equipment for Fish Breeding", a zero rate of import customs duty will be applied till December 31 2019 included in respect of individual types of equipment for fish breeding. It concerns sea-floating crafts meant for fish feeding which are equipped with feeding device and supply bins with cargo capacity of minimum 155 cubic meters for fishfood storage. Also, it is round fish-breeding cages with the core diameter of 20-50m. Before amendments were introduced, imports of the specified goods were charged at the rate of 10 percent and 15 percent of the customs value, respectively.

By Resolution No.187 of November 20, 2018 of the Collegium of the Eurasian Economic Commission "On Setting of the Rates of Import Customs Duties of the Single Customs Tariff of the Eurasian Economic Union in Respect of Individual Types of Electrodes", a zero rate of import duties was introduced in respect of electrodes for metallurgical furnaces to support processers of waste and ferrous and nonferrous scrap.

Tariff quotas

By Resolution No. 1524 of December 14, 2018 of the Government of the Russian Federation "On Distribution of the Volumes of Tariff Quotas in Respect of Cattle, Pork and Poultry Meat in 2019", the volumes of tariff quotas set for 2019 for Russia in respect of pork, beef and poultry were distributed between supplier-countries with international agreements taken into account. The mechanism of distribution of tariff quotas of Costa-Rica and other countries between foreign trade participants was spelled out. From December 20, 2018 till December 31, 2019 included, the Ministry of Industry and Trade will be issuing licenses to foreign trade participants for imports of beef, pork, pork trimming and parts of poultry carcasses within the limits of tariff quota volumes.

In accordance with Resolution No.1521 of December 12, 2017 of the Government of the Russian Federation, from January 1, 2018 reduced export duties of 6.5 percent of the customs value (minimum euro 4 per 1 m^3) were introduced in respect of Yezo spruce timber, East Siberian fir and Dahurian larch. The rates are applied to exports of the specified commodities within the frameworks of the tariff quota provided that relevant licenses were issued. In case of exports beyond the quota for 2018, the export customs duty which used to be in effect before is applied (25 percent of the customs value, but no less than euro 15 per 1 m^3). From January 1, 2019, it is to be gradually increased to 80 percent in 2021. The measure in question is meant to create new timber processing capacities in the Far East.

In accordance with Resolution No.836 of July 17, 2018 of the Government of the Russian Federation “On Introduction of the Temporary Quantitative Limitation on Exports of Birch Timber Beyond the Territory of the Russian Federation to Countries which are Not Member-States of the Eurasian Economic Union”, from January 1 till June 30, 2019 quantitative limitations (quotas) were introduced on exports of birch timber from Russia to countries which are not member-states of the Eurasian Economic Union. The quotas are applied to birch timber with the minimum cross-section diameter of minimum 15 cm and length of minimum 1 m. In the period of from January 1 till June 30 2019, it is allowed to export 567,000 cubic meters of round birch timber.

Non-Tariff Regulation

On November 22, 2018 the WTO issued the 18th Report on the G20’s Trade Measures[1] implemented by the G20 countries in the period of May 16 – October15, 2018. Also, the Report dealt with important trends in the current global trade policy. In the period under review, there was still dramatic escalation of the protectionist rhetoric and trade tensions which factors were specified in the previous report on G20’s trade measures. Though the G20 countries kept facilitating development of trade, the data pointed to substantial growth in the number of protectionist measures.

In the period under review, the G20 countries applied 40 new protectionist measures in trade, including tariff hikes, bans on imports of some products and introduction of export charges. This is equal on average to eight protectionist measures per month. In the period under review, the measures on limitation of imports affected USD 480 billion worth of the international trade per year, an increase of 500 percent on the relevant index of the previous year (from the mid-October 2017 till the mid-May 2018) and the highest one since the release of the first Report in 2012.

The initiation of anti-dumping investigations is still the most wide-spread means of legal protection of domestic markets in the G20 countries; they account for nearly three-fourth of all the measures introduced. In the period under review, the main sectors affected by the anti-dumping measures were “Iron and Steel” (HS 72) and “Articles Made of Iron and Steel” (HS 73). Aggregately, they account for over 40 percent of the initiated anti-dumping investigations. The other sectors – “Furniture, Bedding Items and Mattresses” (HS 94) and “Electric Machines and Their Components” (HS 85) – accounted for 31.9 percent and 14.6 percent, respectively.

In January-June 2018, the number of anti-dumping investigations initiated by G20 member-states increased by 23% as compared to the previous six month period (July-December 2017), that is, growth from 90 to 111 anti-dumping investigations. In H1 2018, the highest number of anti-dumping investigations were initiated by India (28 anti-dumping investigations), the US (22), Argentina (14) and Australia (11). Most anti-dumping measures are aimed against Chinese goods.

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[1] The official Web-site of the World Trade Organization. URL: https://www.wto.org/english/news_e/news18_e/trdev_22nov18_e.htm

The G20 countries actively present their notifications to the WTO Committee on Sanitary and Phytosanitary Measures; they account for 67 percent of all the regular notifications starting from 1995. They are mostly notifications as regards changes in the safety standards applied to food products. In the period of May 1 – September 30, 2018, the largest number of notifications to the WTO was presented by Brazil, Canada, the US and Japan; they aggregately accounted for 47 percent of the notifications submitted by the G20 countries in that period.

Also, the G20 countries submit more often to the WTO Committee on Technical Barriers in Trade notifications as regards technical barriers imposed in trade (TBT). Aggregately, they have presented nearly a half of all the notification on TBT since 1995. The rules adopted by the G20 countries have accounted for most measures (about 80 percent) discussed at the Committee on TBT since 1995. The G20 countries submitted 276 new regular notifications on TBT measures (nearly 30 percent) out of 949 measures submitted to the Committee on TBT by all WTO member-states from May 1 till September 30, 2018. Most new notifications were received from Saudi Arabia (41 notifications), the European Union (36), the United States (35), Brazil (32) and Mexico (28). Most new regular notifications were aimed at protection of health and safety of people and the environment. Other notifications dealt with the information for consumers, marking, prevention of fraud, protection of consumers and quality requirements.

The G20 countries implemented 33 measures aimed at simplifying the trade, including removal and reduction of import tariffs and export duties. The value of the turnover of goods in respect of which those measures were aimed at was equal to USD 216 billion.

Participants in the G20 meeting which was held in Argentina on November 30 – December 1, 2018 spoke in favor of the reduction of barriers in the international trade. An important point of the final declaration of the G20 Summit in Argentina was the statement on the need of reforms to be carried out in the WTO. The document reads that the international trade and investments are important drivers of growth, efficiency, innovations, creation of new jobs and development. "We recognize the contribution to international trade systems. At present, it fails to achieve its goals and there is room for upgrading. In this context, we support the reforming of the WTO", the document states[1].

With each year, protectionism against Russian goods is gaining momentum. According to the data presented in the Register of Restrictive Measures[2], as of December 1, 2018 170 measures which limited Russian goods' access to foreign markets were identified. It is mainly anti-dumping duties which accounted for 28.2 percent of the total number of measures introduced with sanitary and phytosanitary measures (SPS – measures) and special protective duties accounting for 18.2 percent and 12.4 percent, respectively (*Table. 38).*

[1] G20 Leaders' declaration. Building consensus for fair and sustainable development. // https://g20.org/sites/default/files/buenos_aires_leaders_declaration.pdf

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

Table 38

The market protection measures taken by third parties in respect of Russian goods

Restrictive measures	2014	2015	2016	2017	2018
Anti-dumping duties	40	39	40	43	48
Special protective duties	9	15	17	13	21
Compensation duty	-	1	1	1	1
TBT measures	9	9	10	15	14
SPS measures	3	7	11	17	31
Quotas (including tariff quotas)	2	3	3	3	6
Excises imposed on discriminatory basis	5	4	5	7	5
Bans on imports	4	3	4	6	8
Threats of measures to be taken	5	5	5	8	7
Other non-tariff measures	25	24	29	30	29
TOTAL	102	110	125	143	170

Source: The Register of Restrictive Measures as of December 1 of the relevant year.

Within the frameworks of the policy of sanctions carried out by the European Union, Japan, Ukraine, Switzerland, Norway, Australia, Iceland, Liechtenstein, Montenegro and Albania, the above countries introduced a ban on imports of goods from Crimea and the city of Sevastopol. Also, in connection with the developments in Crimea and in the East of Ukraine, sanctions were introduced against some Russian organizations and individuals by the EU, the US, Canada, Japan, Ukraine, Switzerland, Norway, Australia, New Zealand, Iceland, Liechtenstein, Montenegro and Albania.

Measures of Domestic Market Protection

Application of protection measures in the Eurasian Economic Union is regulated by Articles 48–50 of the Agreement on the Eurasian Economic Union of May 29, 2014 (Annex No.8 to the Agreement on the Eurasian Economic Union). At present, the EEU maintains 16 domestic market protection measures *(Table. 39*).

Table 39

Domestic market protection measures which are in effect in the EEU

No.	Commodity	Type of measure	Exporter–country
AD-1	Some types of steel pipes	Anti-dumping	Ukraine
AD-8	Rolled metal products with polymer coating	Anti-dumping	China
AD-11	Cold-deformed weldless stainless steel pipes	Anti-dumping	China, Malaysia
AD-7	Steel wrought cuts for rolling mills	Anti-dumping	Ukraine
AD-15	citric acid	Anti-dumping	China
AD-14	Anticorrosion steel kitchen and tableware	Anti-dumping	China
AD-16	Steel seamless pipes used for drilling and operation of oil and gas wells	Anti-dumping	China
AD-17	Tracked bulldozers	Anti-dumping	China
AD-18	Truck tyres	Anti-dumping	China
AD-19	Steel wrought wheels	Anti-dumping	Ukraine
AD-21	Stainless steel pipes	Anti-dumping	Ukraine
AD-13	Wire rods	Anti-dumping	Ukraine
AD-20	Ferrosilicon manganese	Anti-dumping	Ukraine
AD-22	Angle iron	Anti-dumping	Ukraine
AD-3	Rolling bearings	Anti-dumping	China
AD-9	Graphitized electrodes	Anti-dumping	India

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

Technical Regulation

On August 3, 2018 Federal Law No.281-FZ "On Ratification of the Agreement on Marking of Goods by Identification Means in the Eurasian Economic Union" was approved. The Agreement in question was signed in Almaty on February 2, 2018. The Agreement specifies the general procedure for marking goods within the limits of the Eurasian Economic Union. The authorities as regards formation of the unified system of goods marking within the limits of the Eurasian Economic Union were distributed between the Eurasian Economic Commission and the member-states of the Eurasian Economic Union. It is envisaged to utilize unified identification marks, maintain the single register of identification means and form an integrated information system of goods marking. The mandatory stages of submission of the data on goods to the information system of goods marking were determined. The notification procedure for introducing the mandatory marking of goods both in the territory of the Eurasian Economic Union and the territory of individual member-states of the EEU was established. In case of initiation by other member-states of proposals on introduction in the territory of the EEU of mandatory markings in respect of individual goods, they can be introduced in the territory of the Russian Federation (provided that the initiative was supported by the Russian side), as well.

Bans and Limitations on Imports

On March 23, 2018, the US introduced limitations in terms of increased duties on imports of ferrous metal products (an increase of up to 25 percent) and aluminum (up to 10 percent) from Russia. In response to those unfriendly measures, by Resolution No.788 of July 6, 2018 of the Government of the Russian Federation "On Approval of the Rates of Import Customs Duties in Respect of Individual Goods Whose Country of Origin is the United States of America" the rates of import customs duties were increased in respect of individual goods whose country of origin was the US. It concerns individual types of transportation vehicles for cargo carriage, building and road equipment, oil and gas equipment, metal processing equipment, solid rock drilling equipment and fiber optics (an import duty rate increase of 25 -40 percent).

By Resolution No.1017 of August 28, 2018 of the Government of the Russian Federation "On Amendment of Resolution No.774 of July 31, 2015" the procedure for liquidation of sanctioned products was actualized. The period of counter-sanctions was extended till December 31, 2019. In this context, the procedure for liquidation of individual types of imported agricultural products, raw materials and food products whose country of origin were the US, the EU, Canada, Australia, Norway, Ukraine, Albania, Montenegro, Iceland and Liechtenstein was specified.

Limitations on Imports of Goods for Personal Use

By Resolution No.107 of December 20, 2017 of the Eurasian Economic Commission "On Individual Issues Related to Goods for Personal Use", new customs limits were set for bringing in goods in luggage and by mail or delivery service. The value, weight and quantity of goods which could be brought for personal use into the customs territory of the Eurasian Economic Union without payment of customs duties and charges were determined. The amounts of the duties for exceeding the established limits were specified. The list of previously used goods which foreign nationals could bring in the Eurasian Economic Union for the period of their stay in the territory of the Eurasian Economic Union without paying customs duties (regardless of the value and (or) weight) and the list of the categories of goods which are not attributed to goods for personal use were released.

In 2018, one could bring in the country maximum euro 1,500 worth of goods with the weight of up to 50 kg. From January 1, 2019, the value of goods is limited to the equivalent of euro 1,000. From January 1, 2020 the limitation of the value and weight by euro 750 and 35 kg, respectively, will be applied, while from January 1, 2021 it is admissible to bring in maximum euro 500 worth of goods with weight of maximum 25 kg.

The above rules do not concern goods brought into the territory of the Eurasian Economic Union in the accompanied luggage by air. In this case, the maximum value and weight of the purchase are limited to euro 10,000 and maximum 50 kg,

Also, the limits on the value and weight of goods which are delivered by international mail and postal carriers will be gradually reduced: from January 1, 2018, the limit of euro 1,000 and 31 kg within a calendar month was introduced, while from January 1, 2019 it is to be euro 500 and 31 kg.

The value of duties for the excess of the limits is being reduced. In 2018–2019, it is necessary to pay 30 percent of the value, but minimum euro 4 per 1 kg of weight in case of excess of the value and (or) weight limit. In 2020, the duty will be equal to 15 percent of the value, but minimum euro 2 per 1 kg of the excess weight.