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R95 **Russian Economy in 2019. Trends and outlooks. (Issue 41)** / [V. Mau et al; scientific editing by Kudrin A.L., Doctor of sciences (economics), Radygin A.D., Doctor of sciences (economics), Sinelnikov-Murylev S.G., Doctor of sciences (economics)]; Gaidar Institute. – Moscow: Gaidar Institute Publishers, 2020. – 596 pp.: illust.

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The review "Russian Economy. Trends and Outlooks" has been published by the Gaidar Institute since 1991. This is the 41th 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: global economic and political challenges and national responses, economic growth and economic crisis; 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.

By contrast to the previous publications the present issue includes also a short analysis of the first three months of 2020 from the perspective of the COVID-19 pandemic impact on the Russian economy development.

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4.9. Russia's foreign trade in 2019[1]

4.9.1. The State of the global economy and trade

Amid prolonged trade tensions, high political uncertainties and the COVID-19 pandemic, the global growth outlook has become much worse. In the past year, in global economic growth rates there was a dramatic slowdown both of international trade flows and global production activities. The growing tariffs and rapid changes in the trade policy led to the decline of business confidence and, consequently, restrained investment growth in most regions. Sluggish demand affected global prices of primary products, particularly, crude oil and commercial metals.

The outbreak of the coronavirus COVID-19 in Europe which started in March 2020 has brought about a dramatic drop in prices on the world's major markets and a downturn in expectations of global economic growth in 2020. As of mid-March 2020, the assessments by the world's main international financial institutions (the IMF, the World Bank and the OECD) of global economic growth have not been adjusted yet. The most relevant ones are shown below. However, S&P, one of the world's three largest rating agencies reported that global recession was expected as early as 2020[2] with GDP growth rates falling to 1.0–1.5 percent. It is to be noted that for Russia, as an oil-exporting country, the main risk factor is a decrease in demand on energy commodities in developed economies. An additional factor of uncertainty is the prospect of an agreement to be reached on the reduction of oil production within the framework of the OPEC+. Without any agreement, the Brent oil price fell to USD 30 a barrel, the minimum price since the beginning of 2016. Further dynamics of oil prices will depend on the success of negotiations and the extent of the pandemic's effect on the global economy.

Monetary easing measures, including cuts in the US Federal Reserve's and leading central banks' key interest rates did not stop the downturn on the world's largest stock markets. A number of countries, including Russia, already declared that they would allocate additional budget funds to stimulate the economy. At the same time, restrictions on international flights and organization of mass events had undoubtedly a substantial negative effect.

In the IMF's World Economic Outlook[3] (WEO) January issue, it was stated that owing to unexpected negative changes in the economic activity in some countries with emerging markets the global economic growth outlook in the next two years were revised. The assessment of global economic growth rates in 2019 was revised downwards by 0.1 percentage point to 2.9 percent as compared with the October forecast. This index value was the record-low since

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[2] URL: https://www.spglobal.com/ratings/en/research/articles/200317-economic-research-covid-19-macroeconomic-update-the-global-recession-is-here-and-now-11392265.

[3] URL: https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020.

the global financial crisis and can be explained by growth in trade barriers, growing uncertainties in trade and geopolitics, specific factors creating macroeconomic difficulties in a number of countries with emerging markets, as well as structural conditions, such as low growth rates of productivity and the aging of the population in countries with developed economies. The IMF estimates USD 700 billion worth of losses or 0.8 percent of global GDP to be sustained because of protectionist practices pursued by individual countries and international trade and economic frictions before 2020.

In future, a moderate speed-up of the growth rates is expected while average growth in global gross product is forecasted at the level of 3.3 percent and 3.4 percent in 2020 and 2021, respectively, a decrease of 0.1 and 0.2 percentage point, respectively, as compared with the October issue of the report.

As per the IMF's assessment, as of year-end 2019 global growth in international trade slowed down to the past ten years' record-low: the volume of global trade in goods and services increased by the mere 1 percent. In 2019, a dramatic drop in international trade growth in goods was mainly justified by a decrease in demand in imports to China and other countries with emerging market economies. This reflects largely trade tensions' impact on the region's vast cross-border production chains and the slowdown of internal demand in China. In the US, growth in imports slowed down, too, because the increased tariffs facilitated a two-digit reduction of imports of goods from China during the year. Amid weak business sentiments, slowdown of capital expenditures, as well as setbacks in the motor industry, the euro-zone saw a decrease in demand in imports.

Among other regions, the impact of trade tensions on imports growth was made worse due to country and regional factors. For large exporters of goods, including a few countries of Africa, Western Asia and Latin America, growth in imports remained weak because the depreciation of prices of primary products kept putting pressure on domestic investment activities. In Latin America, deepening of the economic crisis in Argentina led to a drop in demand on imports on the back of a dramatic reduction of capital expenditures. The slowdown of economic growth in India and other large countries of South Asia resulted in decreased demand in imports of goods.

It was expected that growth in the global economy in 2020–2021 would be accompanied by the expansion of global trade volumes (though a more restrained one than it was forecasted in October) owing to growth in internal demand and investments (*Table 36*).

According to the economic forecast of the Organization for Economic Cooperation and Development (OECD), presented in November 2019[1], trade conflicts, weak investments into business and prevailing political uncertainties made a pressure on the global economy and increased the risk of long-term stagnation. Global GDP growth was expected to amount to 2.9 percent in 2019 – the record-low annual index value after the financial crisis – and remain at the level 2.9–3.0 percent in 2020 and 2021. Presenting the forecast in Paris, Lawrence Bun, the OECD's Chief Economist said: "It would be a mistake to consider these changes as temporary factors which can be removed by means of the monetary and fiscal policy: they are of a structural nature. Without coordination in trade and global taxation and clear-cut political

[1] The official website of the OECD. URL: https:/www.oecd.org/economy/economic-outlook-weak-trade-and-investment-threaten-long-term-growth.htm.

lines for the energy transit, the uncertainties will still pose a threat and cause damage to growth outlook."[1]

Table 36

Dynamics of global GDP and international trade (growth rates, % on the previous year)

	2011	2012	2013	2014	2015	2016	2017	2018	IMF forecast* (January 2020)	
									2019	2020
Volume of global GDP	4.3	3.5	3.5	3.6	3.5	3.3	3.8	3.6	2.9	3.3
Countries with developed economies	1.7	1.2	1.4	2.1	2.3	1.7	2.5	2.2	1.7	1.6
United States	1.6	2.2	1.8	2.5	2.9	1.6	2.4	2.9	2.3	2.0
Euro-zone	1.6	-0.9	-0.2	1.4	2.1	1.9	2.5	1.9	1.2	1.3
Germany	3.7	0.7	0.6	2.2	1.5	2.2	2.5	1.5	0.5	1.1
France	2.2	0.3	0.6	1.0	1.0	1.1	2.3	1.7	1.3	1.3
UK	1.6	1.4	2.0	2.9	2.3	1.8	1.7	1.3	1.3	1.4
Countries with emerging markets and developing countries	6.2	5.1	4.7	4.6	4.0	4.3	4.7	4.5	3.7	4.4
Russia	4.3	3.4	1.3	0.6	-3.7	-0.2	1.5	2.3	1.1	1.9
Developing countries of Asia	7.8	6.7	6.6	6.8	6.6	6.4	6.5	6.4	5.6	5.8
China	9.3	7.7	7.7	7.3	6.6	6.7	6.9	6.6	6.1	6.0
India	6.3	4.7	5.0	7.3	7.6	7.1	6.7	6.8	4.8	5.8
Latin America and Carribeans	4.6	2.9	2.7	1.3	0.0	-0.9	1.3	1.1	0.1	1.6
Brazil	2.7	1.0	2.5	0.1	-3.8	-3.6	1.4	1.3	1.2	2.2
Mexico	4.0	4.0	1.1	2.1	2.5	2.3	2.2	2.1	0.0	1.0
Volume of international trade in goods and services	6.1	2.9	3.0	3.3	2.6	2.2	5.2	3.7	1.0	2.9
Countries with developed economies	5.7	2.0	2.4	3.4	3.6	1.8	4.4	3.2	1.3	2.2
Countries with emerging markets and developing countries	6.8	4.6	4.4	2.9	1.3	3.0	6.9	4.6	0.4	4.2

* The IMF forecast as of January 2020.

Source: The IMF's data. URL: https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020.

Late in 2019, global problems were supplemented by the outbreak of the coronavirus (COVID-19), which complicated the already difficult situation in the global economy. In China, the measures aimed at stopping the spread of the virus included the quarantine and wide-spread restrictions on the mobility of the workforce, which led to unplanned delays in the renewal of work of factories after the Lunar New Year holidays and dramatic reduction of numerous types of activities in the services sector. The abovementioned measures caused a substantial reduction of output volumes. The subsequent outbreaks of the infection in other countries led to the same restrictions as the quarantine and closure of the borders.

These developments' negative consequences, including the direct disruption of global supply chains, a decline of final demand on import goods and services and shrinkage of international tourism and business travelling are substantial. Risk aversion increased on the financial markets: the yield on 10-year US Treasury bonds fell to the record-low, share prices fell dramatically and prices of primary products depreciated. As a result, in February 2020 the OECD revised downward its forecast of global economic growth in 2020.[2]

[1] The official website of the OECD. URL: https:/www.oecd.org/economy/economic-outlook-weak-trade-and-investment-threaten-long-term-growth.htm.

[2] The official site of the OECD. OECD Interim Economic Assessment. Coronavirus: the world economy at risk. URL: http://www.oecd.org/economic-outlook/#resources.

Proceeding from the assumption that epidemic's peaks in China in Q1 2020 and outbreaks of the infection in other countries will turn out to be moderate, global growth may fall by about 0.5 percentage point in 2020 as compared with the economic forecast in November 2019 (to 2.4 percent), while in Q1 2020 growth may be negative. A more extended outbreak of the coronavirus which is spreading widely in the Asian-Pacific Region, Europe and North America will reduce substantially the outlook of global economic growth. In this case, global growth may fell to 1.5 percent in 2020, which is twice as little than before the outbreak of COVID-19.

The outlook for China has been revised substantially: in 2020 growth rates decline to 4.9 percent, while in 2021 recover to 6.4 percent, because output volumes gradually return to the levels forecasted before the outbreak of the coronavirus.

The negative effect of the epidemic on the financial markets and tourism, as well as the breakdown of supply chains were the factors behind the downward revision of the outlook for all G20 economies in 2020, particularly those which were related closely to China, that is, Japan, Korea and Australia.

As expected, in 2020 the US economy will grow by 1.9 percent (2 percent according to the previous forecast), while in 2021, by 2.1 percent instead of 2 percent predicted in November.

The forecast for the euro-zone in the current year was revised downwards to 0.8 percent from 1.1 percent, while in 2021 it was left at the level of 1.2 percent.

As the impact of the coronavirus gets weaker and output is gradually restored in countries exposed to the risk more than others, GDP global growth will recover to 3.3 percent in 2021.

Also, according to the data of the OECD[1], the international trade in the G20's goods (in US Dollars with seasonal fluctuations taken into account) retained its downturn trend during 2019 approaching the two-year minimums. So, in Q3 2019 as compared with Q2 2019 global exports fell by 0.7 percent, while imports, by 0.9 percent, which situation reflects partially a decrease of nearly 20 percent in prices of oil and the depreciation of the exchange rate of main currencies against the US Dollar. In Q4 2019, the international trade in goods kept shrinking. As compared with Q3 2019, exports decreased by 0.1 percent, while imports, by 1.3 percent.

In Q4 2019, among G20 North American countries, Mexico was the worst hit; its exports and imports fell by 3.4 percent and 3.2 percent, respectively. Canada saw a decrease of 1.6 percent and 1.8 percent, respectively, while the US, a decrease of 0.6 percent and 3.2 percent, respectively.

The main G20 European countries fared a little better: exports increased in France (by 1.1 percent), Italy (1.0 percent) and insignificantly in Germany (0.2 percent). Imports fell in France and Italy (0.8 percent and 2.3 percent, respectively), but increased again somewhat in Germany (by 0.2 percent). On the back of strong appreciation of the exchange rate of the pound sterling against the US Dollar, in Q4 2019 exports and imports in the UK rose by 2.4 percent and 1.1 percent, respectively, on the previous quarter.

In Asia, the Japanese-Korean trade dispute squeezes the international trade with exports and imports falling dramatically in both the countries: in Japan – by 3.4 percent and 3.6 percent, respectively, while in Korea – by 2.6 percent and 2.4 percent, respectively. In the past two years, Korea's exports and imports decreased by 12.3 percent and 8.0 percent, respectively.

In China, exports and imports increased by 0.4 percent and 2.8 percent, respectively. In India, exports increased by 2.8 percent, while imports fell, by 4.4 percent. In Indonesia, exports remained unchanged, while imports grew by 2.6 percent.

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[1] The official website of the OECD. URL: https://www.oecd.org/newsroom/international-trade-statistics-trends-in-third-quarter-2019.htm

In South America, Argentina's exports rose by 6.2 percent, while imports decreased dramatically by 9.9 percent. Imports fell substantially (8.1 percent) in Brazil, while exports decreased by 1.5 percent.

Considerable disruptions in Asian supply chains related to the outbreak of COVID-19 are evidence of the fact that negative dynamics remained in Q1 2020, too.

In February 2020, the World Trade Organization published the regular Indicator of the World Trade Growth Rates (WTOI)[1], which provides the online information on the trajectory of the global trade. The latest value of the Indicator (95.5 points) is lower than the previous one (96.6 points) registered in November 2019; this index indicates that the global trade growth rates continued to slow down early in 2020. The decrease in the WTOI in the past few months was related to a further drop in the indices of container shipping (94.8) and agricultural primary products (90.9), as well as the stagnation of the output index and the index of car manufacturing (100.0). At the same time, it seems that the decrease in the index of export orders (98.5) and electronic components (92.8) stabilized, while air service weak indicators hit the bottom in 2019. However, the efficiency of recovery of these components of the Index will depend on the extent of effect of COVID-19 and the length of the period of recovery of the global economy.

In H1 2019, global trade growth slowed down with annual growth in trade in goods falling to 0.6 percent from 2.4 percent in H2 2018 owing to growing trade tensions. In response to slower than expected growth rates, on October 1, 2019 the WTO Secretariat revised downwards its forecasts of global trade growth in 2019 and 2020 to 1.2 percent and 2.7 percent, respectively (as compared with the estimates of 2.6 percent and 3.0 percent, respectively, made last April). In H1, economic growth slowed down in major economies partially because of prevailing trade tensions and partially because of cyclic and structural factors. Growth in global real GDP is estimated at 2.3 percent.

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

In the October Commodity Market Outlook,[2] The World Bank states that in Q3 2019 prices of nearly 60 percent of primary products fell because of growing concerns over the global economic growth slowdown. It was a noticeable turn as compared with the World Bank's April Report when a series of shocks related to primary products led to growth in prices of numerous commodities, including oil. The worsening current macroeconomic situation, including the dramatic slowdown of manufacturing and trade in goods affected largely demand in goods.

In Q1 2019, there was monthly growth in prices of oil, but after it reached the peak value of USD 71.7 a barrel in April the dynamics changed for the downturn. The price reduction was justified by growing concerns over the decline of global demand on the back of aggravation of trade relations between the US and China, the world's largest oil consumers. A drop in prices was prevented by the over-fulfillment of OPEC+ agreements and the continued reduction of oil production in Iran and Venezuela.

In Q3 2019, prices of energy commodities fell by more than 8 percent on Q2 2019. Crude oil cost on average USD 60 a barrel, a decrease of 8.2 percent as compared with Q2 2019. A drop in prices took place despite an attack on the oil infrastructure of Saudi Arabia; it was the largest upsurge of oil prices within one day since 1988 (when the Brent oil started to be traded

[1] The official website of the WTO. URL: https://www.wto.org/english/news_e/news20_e/wtoi_17feb20_e.pdf.
[2] The official website of the World Bank. URL: https://www.vsemirnyjbank.org/ru/news/press-release/2019/10/29/commodity-prices-revised-down-as-global-growth-weakens-and-supplies-remain-ample.

on futures markets). On September 13, 2019, the price of Europe Brent Spot was equal to USD 61.25 a barrel, while on September 16, to USD 68.42 a barrel. However, in subsequent days after Saudi Arabia resumed successfully oil production to the normal level, prices fell again. Late in September, concerns over the slowdown of the global economy triggered by weak macroeconomic data and the ongoing trade dispute between the US and China reduced the global demand outlook and pushed oil prices downwards.

Late in 2019, the cost of the OPEC's base basket amounted to USD 66.48 a barrel, the highest monthly value since May 2019. At the end of the year, oil prices grew owing to the improvement of the fundamental indicators of the oil market, including ongoing efforts to stabilize the market carried out within the frameworks of the Declaration on Cooperation with the OPEC+ Countries, as well as easing of trade tensions between the US and China.

In December 2019, prices of ICE Brent oil rose by 5 percent to USD 65.85 a barrel as compared with the previous month, while those of NYMEX WTI oil, by 4.8 percent, to USD 59.80 a barrel. In addition, late in 2019 Brent oil cost 23 percent above the level seen at the end of 2018, while NYMEX WTI oil prices appreciated by 34 percent. However, in 2019 as compared with 2018 average annual oil prices depreciated: ICE Brent oil prices fell by 9.9 percent to USD 64.03 a barrel, while NYMEX WTI oil prices, by 12 percent to USD 57.1 a barrel. At year-end 2019, the average price of Urals oil decreased by 9.17 percent to USD 63.59 a barrel as compared with 2018 when it cost USD 70.01 a barrel. Last December, the average price of Urals oil was equal to USD 64.47 a barrel, an increase of 11 percent on December 2018.

According to the forecast of the US Energy Information Administration (EIA), the slate oil boom facilitated growth in production of natural gas in the United States; in 2019 slate oil production increased by 10 percent after growth of 12 percent in 2018. However, despite sustainable demand on clearer fuel, rapid growth in supplies kept pushing prices downward. If in 2018 an average annual spot price of natural gas increased by 6.6 percent as compared with 2017 (from USD 2.96 per million British thermal units (MBTU) in 2017 to USD 3.16 per MBTU in 2018), in 2019 the price fell by 18.7 percent as compared with 2018.

In December, prices of natural gas at Europe's largest terminal – Title Transfer Facility (TTF) – in the Netherlands fell by 10.3 percent to USD 4.62 per MBTU. The prices were influenced considerably by abnormally warm weather in December. In addition, the announcement of the deal between Russia and Ukraine on the transit of natural gas to Europe removed a substantial source of uncertainty on the market. Also, prices of natural gas were under pressure on the part of growth in liquefied natural gas supplies from the US. The US Energy Information Administration (EIA) forecasts that US natural gas exports will surpass natural gas imports on average by 7.3 billion cubic feet a day and 8.9 billion cubic feet a day in 2020 and 2021, respectively.[1] Growth in US net exports is mainly justified by growth in exports of liquefied natural gas and pipelined gas exports to Mexico. In 2019, net exports of natural gas more than doubled as compared with 2018 and the EIA expected it to double again by 2021 as compared with 2019.

The Gazprom was confronted with a dramatic drop in gas prices on the European market. According to the data of the reporting for nine months of 2019[2], in Q3 2019 the average sale price of thousand cubic meters of fuel to the EU was equal to USD 169.8. As compared with

[1] The official website of the EIA. URL: https://www.eia.gov/todayinenergy/detail.php?id=42575.
[2] The official website of the PAO Gazprom. URL: https://www.gazprom.ru/f/posts/77/885487/gazprom-ifrs-3q2019-management-report-ru.pdf.

Q2 2019 (USD 205.1) Russian gas prices depreciated by 17.2 percent, while as compared with Q3 2019 prices collapsed by 32 percent. So, in Q3 2019 the price of Russian gas in Europe fell to the level seen in 2004 when the average price of thousand cubic meters of fuel amounted to USD 137.7, but in 2005 it increased to over USD 190 per thousand cubic meters following the upsurge in oil prices.

Unlike the European market, Japanese contract prices of liquefied natural gas were declining at a slower rate (*Table 37*).

Table 37

Annual average global prices

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Oil (Brent), USD / barrel	61.86	79.64	110.9	111.97	108.86	98.94	52.37	44.05	54.39	71.07	64.03
Natural gas (USA), USD/ MBTU	3.95	4.39	4.00	2.75	3.72	4.37	2.61	2.49	2.96	3.16	2.57
Natural gas, European market, USD/MBTU	8.71	8.29	10.52	11.47	11.79	10.05	6.82	4.56	5.72	7.68	4.8
Liquefied natural gas (Japan), USD/MBTU	8.94	10.85	14.66	16.55	15.96	16.04	10.93	7.37	8.61	10.67	10.57
Coal (Australia), USD per ton	71.84	98.97	121.45	96.36	84.56	70.13	58.94	66.12	88.52	107.02	77.89
Copper, USD per ton	5 149	7534	8 828	7 962	7 332.1	6 863.4	5 510.5	4 867.9	6 169.9	6 529.8	6 010.1
Aluminum, USD per ton	1 665	2 173	2 401	2 023.3	1 846.7	1 867.4	1 664.7	1 604.2	1 967.7	2 108.5	1 794.5
Nickel, USD per ton	14 655	21 809	22 910	17 557	1 5032	16 893	11 863	9 595.2	10 409	13 114	13 914

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

Coal prices kept depreciating on the back of ample supply. In the report of the International Energy Agency (IEA)[1], it was stated that in 2019 the quantity of coal consumed in the world, particularly, in countries with developed economies decreased. For example, in the US the coal consumption fell by 17 percent in Q2 2019 on Q2 2018 after a 6 percent decrease last year. It is too early to speak about the overall downturn trend in coal consumption because in some big economies, such as China, the consumption quantity of coal and other fossil fuel sources is just growing.

In December 2019, the energy commodities price index rose by 3.1 percent as compared with November 2019. Overall, in 2019 the energy commodities price index fell by 12.7 percent.

In 2020, prices of energy commodities are expected to depreciate further. According to the World Bank's forecast, prices of non-energy commodities will go down by 5 percent in 2019. The outlook of prices of primary products, particularly, oil and metals are vulnerable to a more significant than expected slowdown of the global economy, especially, in countries with transition economies.

In 2020, oil prices are forecasted to decrease to USD 58 a barrel, a decrease of USD 7 a barrel as compared with the previous forecast. The downward revision of the outlook reflects weaker prospects of global growth and, consequently, the demand on oil. As regards supply, though growth in oil production in the US was inconsiderable, it is expected to increase substantially by 2020 as new pipelines are put into operation. The forecast suggests the reduction of oil production by the OPEC and its partners will continue in 2020, as well. If economic growth decreases further, demand in oil may become substantially weak. On the

[1] The official website of the IEA. URL: / https://www.iea.org/reports/coal-2019.

contrary, the attack on Saudi Arabia's oil refinery facilities is a reminder of the fact that geopolitical developments still entail a serious risk.

The World Bank revised downwards its forecast for the outlook of prices of natural gas and coal in 2020. Prices of natural gas are expected to stabilize, while those of coal, to decrease. The slowdown of the global economic growth rates is likely to lead to the reduction of consumption of both the commodities, particularly, with the industrial sector slowing down. However, the outlook for natural gas is somewhat better than that for coal because it is expected that a switchover to natural gas in power generation will continue, particularly, in countries with developed economies. In addition, it is expected that in 2020 growth in production of natural gas, particularly in the US, will be weaker due to the slowdown of the rates of new drilling.

In December 2019, the index of prices of non-energy commodities rose by 1.9 percent on the previous month as a result of inconsiderable growth in the index of prices of base metals and substantial growth in agricultural products. In 2019, the price index of non-energy commodities fell 4.1 percent year on year.

In Q3 2019, most non-energy goods depreciated. In Q3 2019, the World Bank's index of prices of metals and minerals declined by 1.8 percent on Q2 2019 after growth observed during two quarters. This decrease was a reflection of the slowdown of global manufacturing activities, protracted standstill in trade negotiations between China and the United States and smoothing of concerns over supplies of some metals.

Within a year, prices of nonferrous metals were generally depreciating, except for nickel which demonstrated growth of 6.1 percent at year-end because of the closure of exports of nickel ore supplies from Indonesia and substantial reduction of metal stocks at the LME.

In Q3 2019, prices of nickel appreciated by 27.8 percent mainly on the back of unexpected changes in Indonesia's policy. In August, the Indonesian authorities declared that the total ban on exports of nickel ore would come into effect in January 2020 – two years ahead of the schedule. A series of natural disasters in the Sulawesi and Halmahera – Indonesia's key nickel-producing regions – made problems related to supply of raw materials worse. China, the world's largest producer of stainless steel depended largely on exports of Indonesian ore for production of nickel cast iron (NPI). The ban which was imposed ahead of the time intensified concerns over supplies because the production of minerals by other producers, such as the Philippines and New Caledonia failed increasingly to ensure the required level of minerals. The NPI's efforts to increase stockpiles ahead of the ban cause concern. According to forecasts, prices of nickel will appreciate by 4.5 percent in 2020 after growth of 6.1 percent in 2019.

In Q3 2019, prices of aluminum depreciated by 1.7 percent as compared with Q2 2019, that is, a decrease for five quarters in a row. Concerns over supplies of alumina subsided because the world's largest alumina refinery Alunorte in Brazil resumed operations in May after a 14 -month long shutdown in compliance with the court ruling. Due to weak global demand on cars, prices of aluminum sank. However, production of aluminum and melting capacities in China increased as environment restrictions were less severe than expected. It is forecasted that in 2020 prices of aluminum will fall by 1.7 percent after a decrease of 14.9 percent in 2019 which reflects lower prices of alumina and high excess capacity in China.

In Q3, 2019, prices of copper fell by 5.1 percent on Q2 2019 after a decrease of 1.8 percent in Q2 2019 on Q1 2019. Prices started to depreciate in May when the United States increased further its tariffs on Chinese exports which situation provoked retaliatory measures on the part of China. Manufacturing in China, which accounted for 50 percent of the global consumption of copper slowed down because metalintensive industries (for example, building, power industry and transport) remained weak. Sluggish demand abundantly compensated recent stoppages at the Chilean mine Chukikamata (a two-week long strike of workers and suspension of production of minerals) and the Indonesian mine Grasberg (a working switchover from open mining to underground extraction). As a result, in 2019 copper depreciated by 8.0 percent as compared with 2018. As per the World Bank's forecasts, in 2020 copper prices will appreciate moderately by nearly 2.3 percent because the Chinese government steps up measures to motivate the economy because of the global economic slump and trade war with the US.

According to the World Bank's forecast, in 2020 metal prices will keep falling as the slowdown of global demand exerts high pressure on the market. The highest risk is the global growth slowdown – which is more substantial than expected – especially in China.

Prices of precious metals appreciated in response to trade tensions and easing of the monetary policy in countries with developed economies.

In Q3 2019, most agricultural commodities depreciated because manufacturing expectations were revised upwards and global stockpiles of main grain crops, particularly rice and wheat, remained at the level of multiyear heights. An exception was soya beans, prices of which appreciated on the back of the news that China resumed purchases of harvest in the US. Earlier, owing to trade tensions China switched over its purchases of soya from the US to alternative suppliers and substitute goods (*Fig. 49*).

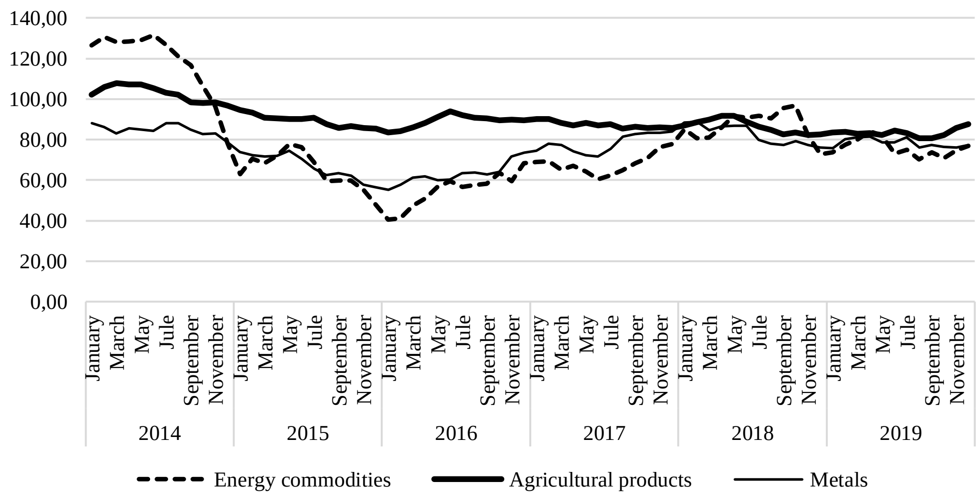

Fig. 49. The World Bank's price indices of primary products (2010 = 100 percent)

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

In Q 4 2019, food priced appreciated considerably in the world, having achieved the record-high level in the past two years on the back of growth in international prices of meat and vegetable oils. The average value of the FAO Food Price Index (FFPI)[1], which reflects on a monthly basis changes in international prices of the main types of food products amounted to 177.2 points in November, an increase of 2.7 percent and 9.5 percent as compared with the October index and the index of the relevant period of the previous year, respectively.

[1] The official website of the Food and Agriculture Organization of the United Nations. URL: http://www.fao.org/worldfoodsituation/foodpricesindex/ru/

In December 2019, the average value of the FFPI was equal to 181.7 points, a 2.5 percent increase as compared with the November index, that is, growth continued for three months in a row. Owing to dramatic appreciation of prices of vegetable oils, sugar and dairy products, the index hit the maximum level since December 2014. At the same time, at year-end 2019 the average overall value of the FFPI was equal to 171.5 points, an increase of 1.8 percent as compared with 2018, but it was much lower (by 58 points or 25 percent) relative to the peak level of 230 points in 2011.

According to the World Bank's forecasts, in 2020 average prices of food products will remain unchanged. It is expected that the recent natural disasters, such as drought in Australia, will lead to a decrease in grain yield in some regions. However, as grain stocks remain at comfortable levels, such developments are expected to have a limited effect on international grain prices. However, food prices still tend to appreciate in specific regions, particularly, in developing countries.

In 2019, the Bloomberg Commodity Index (BCOM) which includes 22 types of commodities fluctuated in the range of 75 points to 85 points. Having amounted on April 10, 2019 to the year's high of 83.06 points, on August 7, 2019 the BCOM declined to the year's low of 75.97 points, which is evidence of the remaining prevalence of low prices on commodity markets.

4.9.3. The main indicators of the Russian foreign trade

In 2017 and 2018, the Russian trade turnover recovered after a considerable reduction in 2015–2016. In 2019, recovery growth stopped and Russia's foreign trade turnover fell by 2.7 percent to USD 672.8 billion as compared with 2018. It happened on the back of depreciation of global prices of fuel and energy commodities whose supplies accounted for 62 percent and 39 percent of Russian exports and the trade turnover, respectively. The value of exports of these commodities decreased by 8.8 percent with growth in the volume of supplies of liquefied natural gas and stable volumes of supplies of oil, petrochemicals, natural gas and coal. In 2019, the value of exports of other commodities and imports underwent insignificant changes: a decrease of 1.4 percent and growth of 2.2 percent, respectively.

The foreign trade turnover with far abroad countries decreased by 3.3 percent to USD 588.9 billion, while with the CIS states increased by 1.1 percent to USD 83.9 billion.

In 2019, the value of exports of goods abroad fell by 5.5 percent to USD 418.8 billion as compared with the relevant index in 2018, while the value of imports of goods from abroad rose by 2.2 percent to USD 254.1 billion. The existing dynamics of exports and imports led to a substantial reduction of the positive trade balance, which declined by 15.3 percent to USD 164.7 billion (*Fig. 50*).

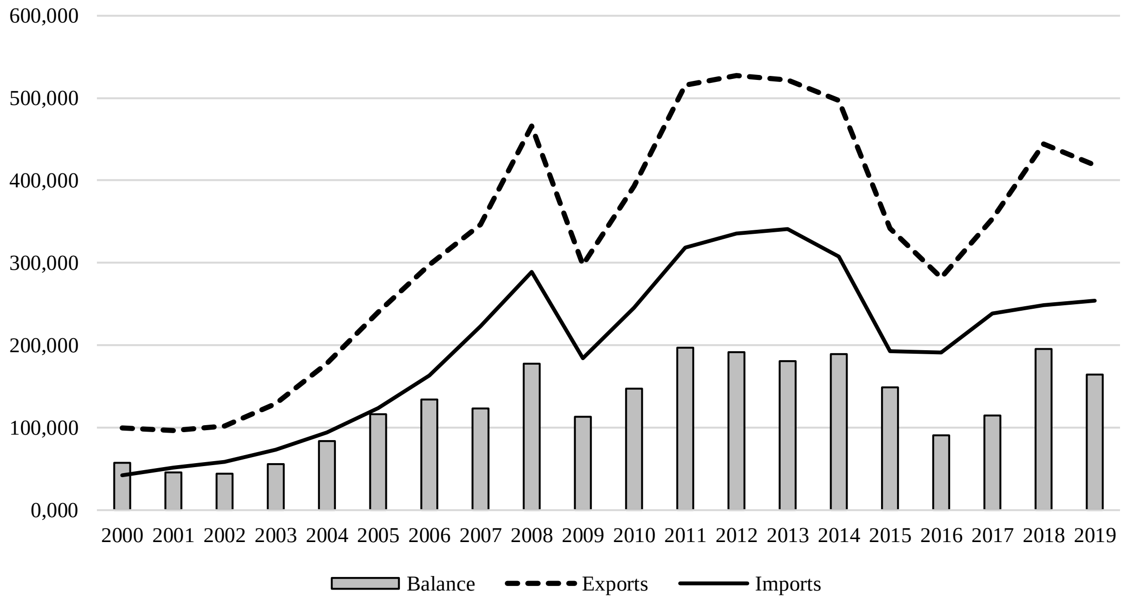

Fig. 50. The main indices of the Russian foreign trade in goods (billion US Dollars)

Source: The Central Bank of the Russian Federation.

Russian exports' negative dynamics is justified both by a decrease in average export prices and shrinkage of volumes of goods exported abroad: in Q3 2019 the index of average export prices and the index of the volume of exports amounted to 96.7 percent and 98.3 percent, respectively. Growth in the value of imports was determined mainly by growth in volumes: in Q3 2019 the index of average import prices amounted to 97.2 percent and the index of the volume of goods supplied to Russia, to 103.6 percent (*Table 38*).

Table 38

The indices of average prices and volumes of the commodity pattern of exports and imports of the Russian Federation in 2019 (% on the relevant quarter of 2018)

EEU's customs commodity code	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
1	2	3	4	5	6	7	8	9	10	11	12	13	14
01–24	Food products and agricultural primary products (except for textile)	107.8	105.1	100.2	96.5	99.4	97.9	84.2	86.8	100.8	98.9	96.8	106.9
25–26	Mineral products	93.5	95.2	95.6	109.6	102.1	101.6	102.8	94.0	92.6	92.8	96.0	96.4
27	Fuel and energy commodities	93.3	95.0	95.8	97.2	95.0	98.2	102.7	93.5	92.0	106.0	117.7	88.5
28–40	Chemical products, raw rubber	100.0	97.2	95.6	98.6	98.3	95.8	93.0	94.9	119.0	100.4	101.6	117.7
41–43	Rawhide, furs and articles made thereof	98.8	86.6	106.9	93.5	89.2	91.9	78.9	99.0	62.3	86.3	92.5	129.2

Cont'd

1	2	3	4	5	6	7	8	9	10	11	12	13	14
44–49	Timber and pulp and paper products	88.2	87.5	93.5	96.7	95.0	94.2	106.0	105.9	103.1	95.7	96.8	102.5
50–67	Textile, textile goods and footwear	91.7	97.3	95.2	99.8	97.1	94.5	123.6	91.6	124.7	104.8	99.8	109.7
72–83	Metals and fabricated metal products	94.0	95.4	94.3	97.6	93.1	93.7	102.0	86.0	98.6	98.3	109.7	112.5
84–90	Machinery, equipment and transport vehicles	97.6	106.2	105.6	99.3	100.3	98.5	72.2	102.1	108.7	96.8	97.9	97.1
68–70 91–97	Other goods	99.6	97.5	95.1	95.2	98.4	99.0	166.5	80.8	152.6	120.5	93.9	84.3

Source: The data of the Federal Customs Service of the Russian Federation.

The Pattern and Dynamics of Exports

After exports' insignificant growth in value terms in February-April 2019, they started to decline. If in Q1 2019 imports of goods increased by 1 percent relative to the same period of the previous year, they fell by 6.5 percent, 7.7 percent and 8.6 percent in Q2 2019, Q3 2019 and Q4 2019, respectively. Overall, in 2019 the value of exports of goods decreased by 5.5 percent to USD 418.8 billion as compared with the relevant index in 2018. Supplies of goods to far abroad countries and the CIS declined by 6.2 percent and 0.4 percent, respectively (*Table 39*).

Table 39

Dynamics of Russian exports

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Exports, billion USD	466.3	297.2	392.7	515.4	527.4	521.8	496.8	341.4	281.7	353.5	444.0	418.8
Including:												
Far abroad	397.7	252.0	333.6	436.7	443.8	443.8	428.1	292.1	241.7	303.4	387.7	362.5
Growth rates, % on the previous year												
Volume index	105.8	105.0	96.8	97.0	110.0	97.8	99.9	104.9	109.0	103.5	104.7	98.7
Price index	119.7	110.9	137.4	76.4	119.8	132.9	101.6	95.7	58.1	76.9	120.2	92.8

Source: The Central Bank of the Russian Federation.

The main factor behind the shrinkage of Russian exports is the depreciation of prices of energy commodities. In 2019, the average contractual price of crude oil, petrochemicals and natural gas fell by 8.3 percent, 10 percent and 15 percent, respectively, as compared with 2018.

Despite the aggravation of competition on the global market amid stagnating demand, reduction of supply volumes within the frameworks of the Declaration on Cooperation with the OPEC+ and direct opposition on the part of a number of countries, the volume of exports of crude oil and petrochemicals remained at the level of the previous year (410 million tons). Exports of petrochemicals declined, while exports of crude oil increased. So, in 2019 the volume of exports of Russian crude oil reached a historic high of 267.5 million tons, having increased by 2.7 percent or 7 million ton as compared with 2018. However, in 2019 on the back of depreciation of contract prices the value of exports of Russian oil fell by 6 percent as compared with 2018.

In 2019, Russia exported 47.7 percent of produced oil, the maximum value in the past eight years (in 2004 the share of exports in production exceeded 56 percent). In 2019, the unit weight of crude oil exports in the overall volume of Russian exports and exports of fuel and energy commodities amounted to 28.6 percent and 46.3 percent, respectively (28.7 percent and 45.0 percent, respectively, in 2018).

In 2019, exports of petrochemicals amounted to 142.8 million tons, a decrease of 5 percent or 7 million tons as compared with 2018. This is the minimum index value since 2013; the maximum (171.7 million tons) was achieved in 2015. In the past few years, Russia exported about 55 percent of its petrochemicals.

In 2019, the volume of exports of natural gas amounted to 219.9 billion cubic meters, that is, it remained at the level of the previous year (-0.3 percent). Exports of liquefied natural gas kept growing at a high rate. In 2019, the export volume of liquefied natural gas increased by 78 percent to 65.4 million cubic meters. In 2019, the revenues from exports of liquefied natural gas rose by 49.8 percent to USD 7.92 billion, while incomes from sale of natural gas shrank by 15.3 percent to USD 41.6 billion. According to the data of Russia's export center (REC)[1], at year-end 2019 the total volume of non-oil and gas exports amounted to USD 54.5 billion, an increase of 0.2 percent on the previous year's relevant index which was the record-high as regards the volume of non-oil and gas exports in Russia's recent history. It is to be noted that this increase in non-oil and gas exports is mainly related to a large deal on the sale of monetary gold to the UK, which fact should be regarded as modification of the pattern of Russia's gold and foreign exchange reserves and not as a build-up of exports. The share of non-oil and gas exports in the overall Russian exports rose to 36.5 percent against 34.3 percent in 2018 because of depreciation of prices of fuel commodities, the main portion of Russian exports.

As per the REC's estimate, in 2019 the volume of non-oil and gas exports increased by 2.7 percent. Growth in the volume index was observed in most sectors of non-oil and gas exports, except for exports of grain and fish abroad, a decrease of 27.6 percent and 4.1 percent, respectively, owing to a high base in 2018.

In 2019, the commodity pattern of exports did not virtually change as compared with the previous year: the share of fuel and energy commodities declined by 1.6 percentage points. The share of metals and fabricated metal products decreased by 1 percentage point. The share of food products increased by 0.3 percentage point, while that of precious stones, precious metals and articles made thereof, to 3.6 percent (2.2 percent in 2018) (*Fig. 51*).

The value of exports decreased virtually across all positions of the expanded range of products, except for precious stones, precious metals and articles made thereof (51.1 percent), textile, textile goods and footwear (13.5 percent) and other goods (19.2 percent).

In 2019, exports of precious stones, precious metals and articles made thereof amounted to USD 15.26 billion, which is a new historic high. The previous record of the year 2013 was surpassed by nearly USD 1 billion. This position's main export commodity was gold whose exports exceeded 8.1-fold the relevant index value seen in 2018. Almost the entire volume of gold was exported to the UK. In volume terms, exports of Russian gold to the UK increased 11-fold from 10.4 tons to 113.5 tons. The record-high index of gold exports to the UK can be explained by concerns over the Brexit, as well as global upturn trends in demand on gold and the traditional role of the UK as a center of trade in and safekeeping of gold. In addition to gold, Russia sold to the UK twice as much platinum (USD 936 million) and 2.5 times as much silver (USD 100 million).

[1] The official website of the REC. URL: https://www.exportcenter.ru/press_center/news/obemy-nesyrevogo-neenergeticheskogo-eksporta-vyrosli-v-2019-godu/.

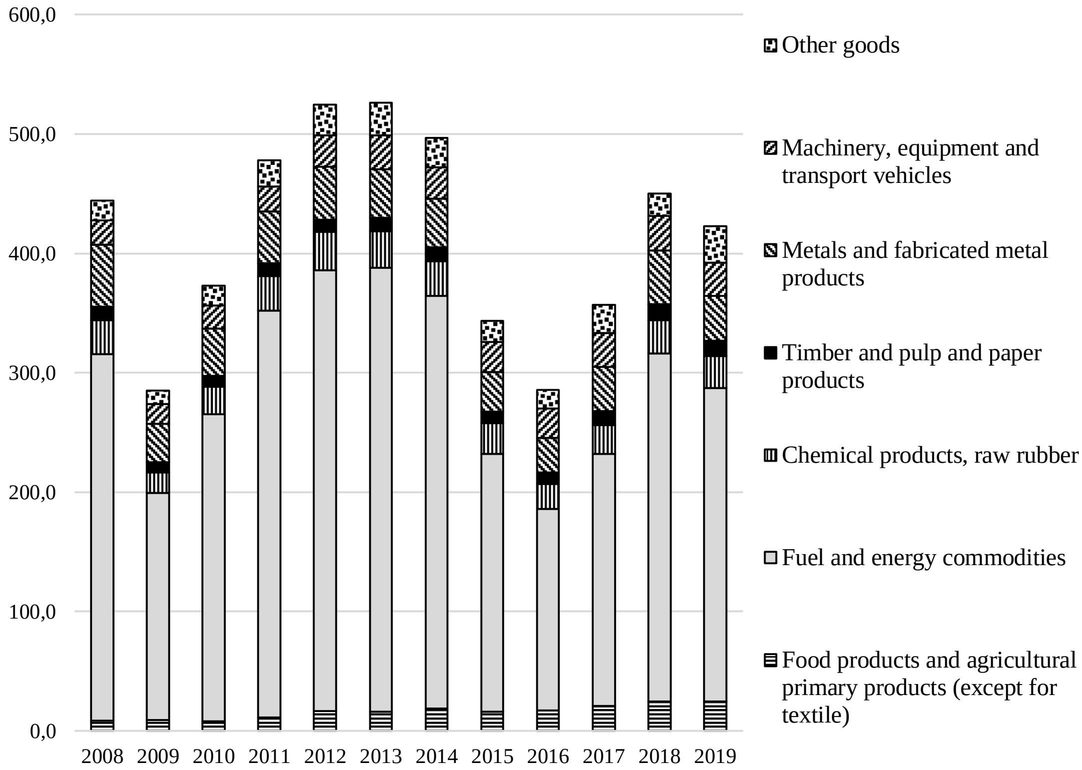

Fig. 51. Dynamics of Russian exports by the commodity (billion USD)

Source: The Federal Customs Service of the Russian Federation.

In 2019, exports of textile, textile goods and foot wear amounted to USD 1.36 billion, the best result since 1993 (without the USD inflation taken into account); growth was observed for three years in a row. Commodities of this group are supplied mainly to CIS countries.

Despite a 0.5 percent decrease in the value of exports of food products and agricultural primary products, plenty of goods in this group demonstrated high results. There was a 74.8 percent growth in exports of living trees and other plants; bulbs, roots and other similar parts of plants; cut flowers and decorative plants; a 45.2 percent growth in exports of meat and food meat by-products; a 32.5 percent growth in exports of oil seeds and horticultural products; medical plants and plants cultivated for technical purposes; straw and fodder; a 28.7 percent growth in exports of fats, butter and vegetable oils; ready edible fats; a 23.6 percent growth in exports of sugar and sugar confectionery.

Exports of machinery and equipment decreased by 4.7 percent with the value of exports of electric equipment and overland transport, except for railway transport, increasing by 12.4 percent and 9.8 percent, respectively. Exports of the Russian car industry increased substantially: car sales grew by 23.6 percent and sales of trucks, by 6.8 percent. Export supplies go mainly to CIS countries – the Republic of Belarus, Kazakhstan and Uzbekistan.

The Pattern and Dynamics of Imports

In 2019, Russian imports increased by 2.2 percent to USD 254.1 billion as compared with 2018. USD 226.5 billion worth of goods was bought in far-abroad countries, a 1.9 percent increase on the relevant index in 2018, while USD 27.6 billion worth of goods was imported from the CIS countries, an increase of 4.4 percent as compared with 2018 (*Table 40*).

Table 40

Dynamics of Russian imports (billion USD)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Imports, billion USD	288.7	183.9	245.7	318.6	335.8	341.3	307.9	193.0	191.5	238.1	249.1	254.1
Including												
To far-abroad countries	253.8	162.7	213.2	273.8	288.4	295.0	271.9	170.6	170.8	212.8	222.5	226.5
Growth rates, % on previous year												
Volume index	122.4	130.1	127.1	113.5	63.3	135.4	122.2	105.1	97.8	96.6	102.0	100.5
Price index	106.5	105.5	107.6	117.8	99.1	101.6	109.1	97.3	102.5	99.8	102.6	104.9

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

In Q3 and Q4 2018, as well as in Q1 and Q2 2019, exports were falling, while in Q3 2019 there was growth driven by the revival of domestic demand and appreciation of the ruble's real effective exchange rate, which rose in the currency basket by 1.7 percent and 8.4 percent in December 2019 and over the entire 2019, respectively. Early in October, wages of public sector employees were indexed against the rate of inflation. Growth in real wages with the slowdown of the rate of inflation facilitated consumer demand dynamics.

Growth in the value of imports was observed virtually across all positions of the expanded commodity range, except for positions "timber and pulp and paper products" (imports decreased by 5.5 percent) and "machinery, equipment and transport vehicles" (a decrease of 0.1 percent).

In the imports commodity pattern, machinery and equipment still account for the largest unit weight whose share was equal to 46.2 percent in 2019 (47.3 percent in 2018).

It is to be noted that in the past few months of 2019 upturn dynamics of imports were driven mainly by positive dynamics of purchases of chemical products: growth of 9.6 percent in 2019 as compared with 2018. Purchases of pharmaceutical products grew at advanced rates: in 2019 imports of pharmaceuticals increased by 33 percent as compared with 2018. It is more likely related to the fact that from January 1, 2020 the mandatory marking of pharmaceuticals was planned to be started and pharmaceutical companies sought to buy pharmaceutical products in advance. The deadline for introduction of mandatory marking was postponed till July 1, 2020.

Owing to growth in utilization by Russian agrarian enterprises of mineral fertilizers, their purchases from abroad increased by 12.1 percent. Growth in domestic consumption was facilitated by increased business solvency of agrarians amid a favorable situation on agricultural commodities markets, as well as state policy measures taken to support the agriculture. The main volume of mineral fertilizers is bought in the Republic of Belarus and Kazakhstan.

In 2019, imports of food products and agricultural primary products increased by 0.7 percent as compared with 2018. In the past few years, the share of this commodity group in the overall volume of Russian exports was shrinking. If early in the 2000s, it amounted to over 20 percent, at year-end 2019 in hit the record-low (12.2 percent) over the entire period of observations (*Fig. 52*).

Imports of precious stones, precious metals and articles made thereof increased substantially. In 2019, USD 1,066 million worth of valuables was imported to the Russian Federation, a 40 percent increase relative to the index of 2018. During the past three years, China used to be the leader as regards imports of precious stones, precious metals and articles made thereof to Russia.

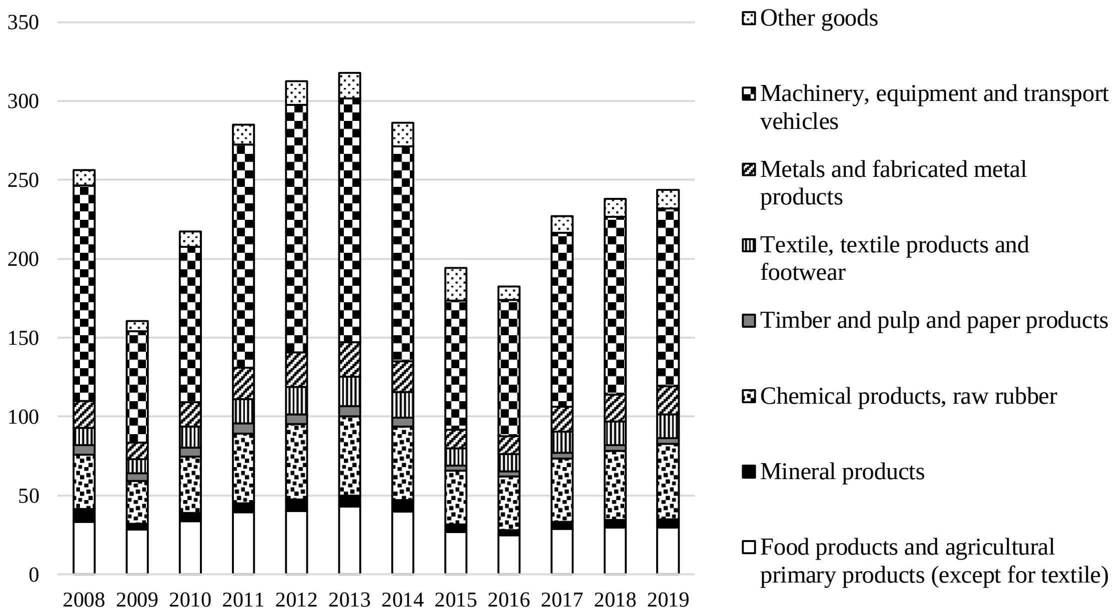

Fig. 52. Dynamics of Russian imports by the commodity (billion USD)

Source: The Federal Customs Service.

However, at year-end 2019 Armenia became the leader which supplied to the Russian Federation USD 140.9 million worth of valuables, while China, only USD 61.8 million worth of valuables. Armenia supplies mainly scrap precious metals to Russia (USD 95.9 million worth) and diamonds (USD 33.2 million worth). In 2019, top five suppliers of valuables were Italy, the UK and Germany.

Within 10 months, there was growth in imports of fresh and frozen meat (50.1 percent), butter (47.5 percent), cheese and cottage cheese (15.3 percent) as compared with the corresponding period of the previous year.

4.9.4. The geographic pattern of the Russian foreign trade

In the geographic pattern of the Russian foreign trade, the trend of growth in the APEC's share in the Russian foreign trade volume continued: in 2019 it rose to 31.8 percent against 31 percent in 2018. At the same time, the share of the CIS increased somewhat from 11.8 percent to 12.1 percent. The share of the EU decreased from 42.8 percent in 2018 to 41.7 percent in 2019 (*Fig. 53*).

The European Union is still the main trade partner of the Russian Federation. In 2019, The Russian foreign trade turnover with EU countries decreased by 5.6 percent with Russian exports and Russian imports falling in value terms by 7.8 percent and 0.8 percent, respectively. It is to be noted that the reduction of Russian foreign trade turnover was observed with all countries, except for Austria, Ireland, Spain, Latvia, the Netherlands, Slovakia and Croatia. The trade turnover with the UK increased by 25.6 percent.

Russia's foreign trade turnover with the APEC countries declined by 0.5 percent. At the same time, there was growth in the foreign trade turnover with China (2.5percent), Australia (4.6 percent), the USA (4.9 percent) and Canada (32.2 percent). The trade turnover with Vietnam and Singapore declined by 19.1 percent and 21.1 percent, respectively.

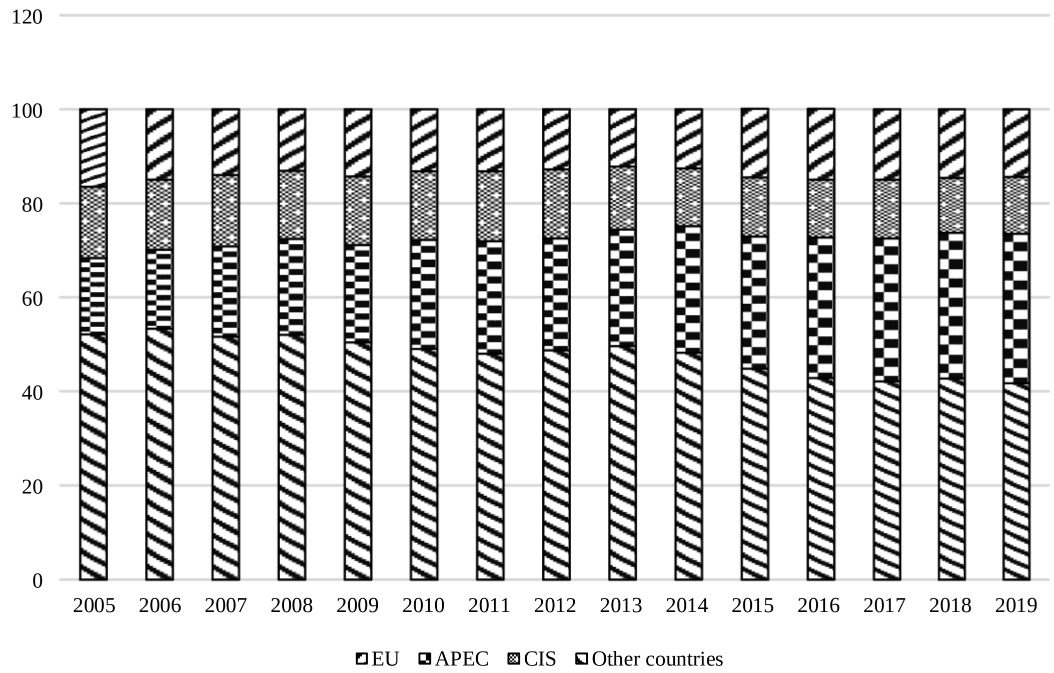

Fig. 53. The geographic pattern of the Russian foreign trade (%)

Source: The Federal Customs Service of the Russian Federation.

Russia's turnover with the Commonwealth of Independent States decreased by 1.3 percent mainly because of the shrinking trade turnover with Ukraine: exports of Russian goods to Ukraine fell by 30.5 percent, while imports of Ukrainian goods to the Russian federation, by 11.5 percent. Russia's trade turnover with Belarus and Kirgizia fell by 3.1 percent and 1.2 percent, respectively. Trade relations with other CIS countries kept restoring.

Among Russia's main trade partners, China has been the leader since 2010; its share in Russia's foreign trade turnover increased to 16.6 percent in 2019 (15.7 percent in 2018). For two years in a raw, the Russian Federation had external surplus: USD 2.7 billion in 2019 (USD 3.8 billion in 2018).

4.9.5. The Russian foreign trade regulation [1]

Tariff regulation

Export customs duties

In 2019, the rates of export customs duties on oil and petrochemicals were calculated in compliance with the methods approved by Resolution No.276 of March 29, 2013 of the Government of the Russian Federation "On Calculation of the Rates of Export Customs Duties on Crude Oil and Individual Categories of Products Made of Oil."

From 2019, the final stage of the tax maneuver in the oil industry started in Russia. The rate of the export duty on oil would be gradually decreasing (down to zero) with simultaneous growth in the rate of the severance tax (*Table 41*).

[1] In preparing this Chapter, materials of the information and legal website GRANAT.RU were used.

Table 41

The rates of export duties on oil and petrochemicals in 2019 (USD per ton)

	Oil	Petrochemicals	
		Light oil	Dark oil products
January 1	89.0	26.7	89.0
February 1	80.7	24.2	80.7
March 1	91.2	27.3	91.2
April 1	97.4	29.2	97.4
May 1	104.6	31.3	104.6
June 1	110.4	33.1	110.4
July 1	100.3	30.0	100.3
August 1	94.1	28.2	94.1
September 1	90.7	27.2	90.7
October 1	87.2	26.1	87.2
November 1	88.3	26.4	88.3
December 1	90.5	27.1	90.5

Source: The Resolution of the Government of the Russian Federation; information of the Ministry of Economic Development of the Russian Federation.

Imports customs duties

In compliance with the obligations of the Russian Federation within the frameworks of the WTO, by Decision No.59 of May 28, 2019 of the Eurasian Economic Commission some FEACN positions and the rates of the single customs tariff (SCT) of the Eurasian Economic Union were changed in respect of individual types of goods from September 1, 2019. The rates of import customs duties of the single customs tariff (SCT) of the Eurasian Economic Union are subject to reduction in respect of 135 tariff lines. In respect of 111 tariff lines (individual types of motor transport vehicles and aircraft), the rates were reduced from September 1, 2019, while in respect of 24 tariff lines (fresh, refrigerated and frozen pork), from January 1, 2020. So, the final stage of reduction of duty rates in compliance with Russia’s WTO obligations was carried out.

For new cars, the reduction of ad valorem customs duties amounted on average 2 percentage point (from 17 percent to 15 percent), while the specific component shrank on average by euro 0.05 per 1 cm^3 of the engine capacity. In respect of second-hand cars, the ad valorem portion of customs duty decreased by 5 percentage point (from 22 percent to 17 percent), while the reduction of the specific component was equal to euro 0.06 per 1 cm^3 of the engine capacity. The reduction affected only cars because as regards trucks the transition period in conformity with Russia’s obligations to the WTO was over as early as 2017. At present, customs duties in the range of 0–15 percent are in effect in respect of trucks.

According to the data of the Avtostat think tank, despite the reduction of customs duties within the frameworks of the WTO, in the past ten years the volume of imports of second-hand cars in Russia has been falling. If in 2009 imports of such cars amounted to about 500,000 cars, at present they are equal to nearly 50,000 cars and, primarily, in the Far East. It is noteworthy that nearly half of them are specified in documents as dismantled auto parts. Overall, in the first seven months of 2019 the market of second-hand cars amounted to 866,100 cars, a decrease of 1.3 percent as compared with the relevant index of the previous year (877,900 cars).

Tariff rate quotas

By Resolution No. 1134 of August 31, 2019 of the Government of the Russian Federation “On Introduction of Temporary Quantitative Restrictions on Exports of Waste and Ferrous Scrap Outside the Russian Federation to Countries which are not Member-States of the Eurasian Economic Union”, quotas on exports of waste and ferrous scrap to countries which were not member-states of the Eurasian Economic Union were introduced from September 1 till the end of 2019. This quota, equal to just over 1 million tons, will be distributed between exporters of scrap metal on the basis of the volume of their exports of scrap metal in 2016–2018 and with the specific of the export region taken into account. One-time licenses will be issued for quota-based exports of scrap metal. The term of the license is set from the day of its actual issue (but not earlier than September 1, 2019).

By Resolution No.1169 of September 7, 2019 of the Government of the Russian Federation on "Introduction of Changes in the Rates of Export Customs Duties on Goods Exported from the Russian Federation Beyond the Territory of Member-States of the Agreement on the Customs Union", the rate of export customs duty was increased to 13 percent within the quota on the Far Eastern timber.

Non-Tariff Regulation

On November 21, 2019, the WTO issued its report on the G20's[1] trade measures taken by the G20 countries in the period of from May 16, 2019 to October 15, 2019. During that period, new trade limitations and growing trade tensions kept increasing uncertainties over the international trade and global economy. During that period, the G20 countries introduced 28 new trade restrictions, that is, mainly increased tariffs, bans on imports and toughening of customs procedures in respect of imports.

It was specified in the report that the volume of the global trade turnover affected by restrictive measures increased by 37 percent (from USD 335,900 billion to USD 460,400 billion).

According to the WTO' findings, all protectionist measures introduced since 2009 affected 8.8 percent of the G20 states' imports. Late in 2018, by estimates, USD 1.3 trillion worth of imports of goods were affected by limitations introduced by the G20 countries in the past ten years, with the G20 states' overall imports amounting to USD 15.1 trillion. As of the end of October 2019, import limitation measured affected USD 1.6 trillion worth of trade, that is, the number of limitations on imports kept growing.

The initiation of antidumping investigations is still the most widely used trade instrument of legal protection which accounts for over 4/5 of all initiations. According to the latest data (January – June 2019), there is growth of 46 percent in the number of antidumping investigations initiated by the G20 countries as compared with the previous six months (July – December 2018). In the past period, the G20 countries initiated 82 antidumping investigations as compared with 56 investigations in the previous six months.

However, in July 2018 – June 2019 as compared with July 2017 – June 2018 the overall level of initiations decreased substantially (from 202 to 138). Such a reduction can be explained by a decrease in the number of investigations initiated by Australia, Argentina, Brazil, India, Indonesia, Canada, China, Mexico, the Russian Federation, Turkey and the United States as compared with July 2017 – June 2018. In the same period, there was growth in the number of investigations initiated by the European Union (from 8 to 11), the Republic of Korea (from 6 to 7) and Saudi Arabia (from 3 to 5).

Metal products accounted for the largest share (about 25–50 percent) of antidumping investigations. In H2 2017, this sector accounted for 22 initiatives, while in H1 2018, for 28; as in H2 2018, the number of initiations fell to 24 in H1 2019. Steel products (Chapter 72 and

[1] The official website of the World Trade Organization. URL: https://www.wto.org/english/news_e/news19_e/trdev_21nov19_e.htm

Chapter 73 of the Harmonized Commodity Description and Coding System) accounted for most investigations (76 out of 102). In many cases, one importing member of the G20 initiated investigations in respect of one and the same steel product simultaneously from different sources: 7 steel products accounted for 30 investigations in these periods. China is still the main target of antidumping investigations in respect of metal products: in the period between July 2018 and June 2019 17 investigations were carried out in respect of Chinese products, then follows the Republic of Korea with 4 initiations and Turkey and Chinese Taipei with 3 initiations each. The US initiated 12 investigations in this sector in July 2018- June 2019 followed by India with 10 initiations and Canada with 8 initiations.

Though antidumping investigations do not necessarily lead to introduction of antidumping measures, growth in the number of initiated investigations can be the evidence of possible growth in the number of applied measures. It is to be noted that both the number of initiated investigations and the number of measures introduced by the economies of the G20 countries decreased from July 2017 – June 2018 to July 2018 – June 2019 from 202 to 138 and from 166 to 121, respectively.

The volume of trade influenced by the G20's liberalization measures fell from USD 379 billion to USD 93 billion. During the period under review, the G20 countries approved 36 new measures aimed at facilitating trade, including cancelation or reduction of import tariffs and export duties. Liberalization related to the expansion in 2015 of the range of goods covered by the WTO Agreement on Information Technologies paved the way to simplification of trade procedures.

Russian goods encounter growing protectionist barriers with each year. As per the data of the Restrictive Measures Register[1], as of December 1, 2018 170 measures limiting Russian goods' access to foreign markets were identified. They are mostly antidumping duties which accounted for 28.2 percent of the total number of the introduced measures; sanitary and phytosanitary (SPS) measures and special protective duties accounted for 18.2 percent and 12.4 percent, respectively (*Table 42*).

Table 42

Market protective measures applied by third countries in respect of goods from the Russian Federation

Restrictive measure	2014	2015	2016	2017	2018	2019
Antidumping duty	40	39	40	43	48	50
Special protective duty	9	15	17	13	21	26
Compensatory duty	–	1	1	1	1	1
TBT measures	9	9	10	15	14	17
SPS measures	3	7	11	17	31	38
Quotas (including tariff quotas)	2	3	3	3	6	4
Discriminating excises	5	4	5	7	5	4
Bans on imports	4	3	4	6	8	9
Threats to introduce measures	5	5	5	8	7	7
Other non-tariff measures	25	24	29	30	29	36
Total	102	110	125	143	170	192

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

As of 2020, in respect of Russian goods 15 investigations, including 6 antidumping ones, 9 special protective ones, including 2 investigations for national security reasons, 6 revisions of antidumping measures, as well as 2 agreements on suspension of antidumping investigations in the USA (in respect of uranium products and heavy-gage steel) are being carried out.

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

Within the framework of the sanctions policy of the EU, the US, Japan, Ukraine, Switzerland, Norway, Australia, Iceland, Liechtenstein, Montenegro and Albania, the above countries introduced a ban on imports of goods originating from the Crimea and the city of Sevastopol.

In addition, sanctions because of the developments in the Crimea and in the east of Ukraine were introduced against a number of Russian entities and persons by the European Union, the US, Canada, Japan, Ukraine, Switzerland, Norway, Australia, New Zealand, Iceland, Liechtenstein, Montenegro and Albania.

Domestic market protective measures

Application of protective measures in the Eurasian Economic Union is regulated by Articles 48–50 of the Agreement of May 29, 2014 on the Eurasian Economic Union and the Protocol on Application of Special Protective Antidumping and Compensatory Measures against Third Countries (Annex No. 8 to the Agreement on the Eurasian Economic Union). At present, 19 measures aimed at protecting the domestic market are in effect in the EEU (*Table 43*).

Table 43

The EEU's domestic market protective measures

Position No	Goods	Type of measure	Exporter-country	Expiry date
AD-1	Some types of steel pipes	Antidumping	Ukraine	01.06.2021
AD-8	Polymer coated rolled metal products	Antidumping	China	22.01.2023
AD-11	Cold-deformed weldless stainless steel pipes	Antidumping	China, Malaysia	10.12.2023
AD-7	Forged steel rolls for rolling mills	Antidumping	Ukraine	25.02.2020
AD-15	Citric acid	Antidumping	China	09.04.2020
AD-14	Rust-resisting steel kitchen and table-ware	Antidumping	China	18.06.2020
AD-16	Steel weldless pipes used for drilling and operation of oil and gas wells	Antidumping	China	22.09.2020
AD-17	Tracked bulldozers	Antidumping	China	11.12.2020
AD-18	Truck tires	Antidumping	China	17.12.2020
AD-19	Steel all-rolled wheels	Antidumping	Ukraine	21.01.2021
AD-21	Stainless steel pipes	Antidumping	Ukraine	25.02.2021
AD-13	Wire rods	Antidumping	Ukraine	29.04.2021
AD-20	Ferrosilicon manganese	Antidumping	Ukraine	27.10.2021
AD-22	Angle iron	Antidumping	Ukraine	02.07.2022
AD-3	Rolling bearings	Antidumping	China	20.08.2023
AD-9	Graphitized electrodes	Antidumping	India	24.09.2023
AD-24	Cast-aluminium wheels	Antidumping	China	27.04.2024
AD-23	Weedkillers	Antidumping	EU	19.07.2024
SG-10	Some types of rolled metal products	Special protective	All	30.11.2020

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

On December 3, 2019, the Board of the Eurasian Economic Commission (EEC) introduced antidumping duties on zinc-coated rolled products from China and Ukraine and weldless pipes from China. By Resolution No.209 of the Board of the Eurasian Economic Commission (EEC), antidumping duties in the range of 12.69 percent to 23.9 percent of the customs value were introduced for five years in respect of zinc-coated rolled products from China and Ukraine. The Decision will become effective 30 calendar days after the day of its official publication.

By Resolution No.218 of the Board of the Eurasian Economic Commission (EEC), an antidumping duty of 15.5 percent of the customs value was introduced for five years in respect of weldless circular cross-section pipes imported from China to the Eurasian Economic Union. The Decision will become effective on February 1, 2020.[1]

[1] The official website of the Eurasian Economic Commission. URL: http://www.eurasiancommission.org/ru/nae/news/Pages/03-12-2019-2.aspx.

Technical regulation

At its meeting on December 3, 2019, the Board of the Eurasian Economic Commission (EEC) introduced a number of changes into the Program of Development of Interstate Standards to the Union's Technical Regulations "On Safety of Toys". These changes envisage the development of seven interstate standards based on the ISO international standards (the International Organization for Standardization), IEC standards (International Electrotechnical Commission) and EN (European norms). Also, it is planned to develop the new interstate standard – "the Guidelines for Age Determination" – in which recommended criteria for determination of the minimum age of a child whom the toy is meant for are to be specified.

The Board of the Eurasian Economic Commission (EEC) updated the lists of standards to the Union's technical regulations "On the Safety of Small Vessels". The list includes interstate standards developed in compliance with the Program of Development of Interstate Standards instead of previous ISO standards.

Changes were introduced into the form of single veterinary health certificates on controlled goods imported to the EEU from third countries. There is no need now to prove that imported animals are not genetically related with the livestock from countries with unfavorable spongiform encephalopathy situation. The update of the form of the veterinary health certificate will facilitate trade in goods liable to veterinary control (supervision) and harmonization of the EEU's regulatory statutory acts with international recommendations. The earlier issued veterinary certificates are valid till December 1, 2020.

Bans and import limitations

By the Executive Order of June 24, 2019 of the President of the Russian Federation "On Extension of Individual Special Economic Measures to Ensure Security of the Russian Federation", retaliatory restrictive measures against the European Union in terms of a ban on imports to Russia of some types of agricultural products, primary products and food products from countries which introduced sanctions against Russia were extended till December 31, 2020.