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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 42th 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.

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4.7. Russian Foreign Trade in 2020¹

4.7.1. The state of the global economy and world trade

The pandemic has dealt a heavy blow to the world economy and global commodity markets. The COVID-19 containment measures have taken a toll on economic activity particularly in Q2 2020 when the majority of G20 countries demonstrated an unprecedented drop in real GDP. In relation to G20 as a whole, GDP decreased by a record 6.9% which markedly exceeded a decline by 1.6% recorded in Q1 2019 at the height of the financial crisis.² China was the only G20 nation exhibiting in Q2 2020 economic growth by 11.5% which was due to the fact that China was the first to exit the crisis. All other G20 economies reported contraction of GDP by 11.8% on average in Q2 2020 when the pandemic fallout was more pronounced.

The utmost decline of GDP was in India (-25.2%) followed by Great Britain (-20.4%). Severe contraction of GDP was observed in Mexico (-17.1%), South Africa (-16.4%), France (-13.8%), Italy (-12.8%), Canada (-11.5%), Turkey (-11.0%), Brazil and Germany (-9.7% in both countries), the United States (-9.1%), Japan (-7.9%), Australia (-7.0%), and Indonesia (-6.9%). Contraction of GDP was less pronounced in Korea and Russia (-3.2% in both countries).

On a year-to-year basis, GDP of G20 countries contracted by 9.1% in Q2 2020 following a contraction by 1.7% in the previous quarter. China recorded the highest annual growth rate (3.2%) among G20 economies, meanwhile India recorded the steepest annual decline (-23.5%).

According to OECD data,³ following an unprecedented contraction of real gross domestic product reported in H1 2020 on the back of COVID-19 containment measures, GDP in the OECD area countries moved up by 9.0% but stayed 4.3% below its pre-crisis maximum. In Q3, the highest rates of economic recovery among G7 nations recorded those countries that weathered the deepest fall in Q2: up by 18.2% in France (following a drop by 13.7%), 16.1% in Italy (following a drop by 13.0%) and 15.5% in the United Kingdom (following a drop by 19.8%).

1 This section was written by *Volovik N.*, Senior Researcher, International Trade Studies Department, IAES RANEPa; Head of Foreign Economic Activity Department, Gaidar Institute.

2 URL: // <http://oecd.org/>. G20 GDP Growth - Second quarter of 2020, OECD

3 URL: <https://www.oecd.org/sdd/na/GDP-Growth-Q320.pdf>

In the third quarter, GDP went up in all other major countries: in Canada (up by 10% following a reduction by 11.5% in Q2), Germany (up by 8.2% against -9.8%), Japan (up by 5.0% against -8.2%) and the USA (up by 7.4% against -9.0%). In Eurozone and the European Union, GDP increased by 12.6 and 11.6%, respectively following a decrease by 11.8 and 11.4% in the previous quarter. GDP stood markedly below the level in the previous year (-4.1%) both in the OECD area as a whole and in all G7 countries: the USA exhibited the least annual decline (-2.9%) and Great Britain – the utmost (-9.6%).

GDP growth in the OECD area slowed to 0.7% in the fourth quarter of 2020.¹ In the Major Seven economies, GDP rebounded by 0.8% with quite divergent patterns across countries. GDP growth remained positive in Japan (3.0%), Canada (1.9%), the USA and Great Britain (1.0% in each), and Germany (0.1%). In Italy and France, GDP fell (by 2.0 and 1.3%, respectively) after the rebound in Q3 (16.0 and 18.5%, respectively).

For 2020 as a whole, GDP declined by 4.9% in the OECD area, which is the largest fall ever recorded (since 1962). Almost all countries were confronted with falls in GDP in 2020. Among the Major Seven economies, GDP declines ranged from 3.5% in the USA to 9.9% in the United Kingdom. Marked falls in GDP were also recorded in France (-8.2%) and Italy (-8.9%).

According to statistics released by WTO on January 26, 2021, world trade in services in Q3 2020 decreased by 24% compared to the same period of 2019, i.e. there is an uptick compared to a slump of 30% in annual terms recorded in Q2 2020 in contrast to a stronger rebound of commodity trade.

The International Monetary Fund in its report “World Economic Outlook Update” released in January 2021² forecast contraction of the world economy for 2020 by 3.5% which is less than that projected in the previous forecast. The revision was due to higher than expected GDP growth rates in H2 principally in the countries with advance economy where business activity began improving earlier than expected following lifting of the COVID-19 restrictions in May and June. According to the IMF forecast the global economy is projected to growth 5.5% and 4.2% in 2022 (*Table 31*). The 2021 forecast is revised up 0.3 p.p. on the back of fiscal stimulus plan put in place in the USA and stronger than expected rebound of Asian economies.

World trade growth slowed from Q4 2018 turning negative in Q3 2019 and fell by 3.0% y-o-y in Q1 2020. In March-April last year, virtually all countries implemented stringent measures to combat the spread of COVID-19 which resulted in collapse of the global economy. In Q2 2020, seasonally adjusted world trade in goods decreased by 14.3% quarter-on-quarter and by 21% compared to Q2 2019, which is the largest fall ever recorded. Europe and North America were the hardest hit with exports declining by 24.5 and 21.8%, respectively. To compare, exports of Asian countries contracted by mere 6.1%. During the same period, exports fell by 14.5% in North America and by 19.3% in Europe and solely by 7.1% in Asia.

1 URL: // <https://www.oecd.org/sdd/na/gdp-growth-fourth-quarter-2020-oecd.htm>

2 URL: <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>

Table 31

**Growth rates of the global GDP and world trade,
in % to the previous year**

	2012	2013	2014	2015	2016	2017	2018	2019	Estimate	Forecast	
									2020	2021	2022
Global GDP	3.5	3.5	3.6	3.5	3.3	3.8	3.6	2.8	-3.5	5.5	4.2
Advanced economies	1.2	1.4	2.1	2.3	1.7	2.5	2.3	1.7	-4.9	4.3	3.1
USA	2.2	1.8	2.5	2.9	1.6	2.4	2.9	2.2	-3.4	5.1	2.5
Euro area	-0.9	-0.2	1.4	2.1	1.9	2.5	1.9	1.3	-7.2	4.2	3.6
Germany	0.7	0.6	2.2	1.5	2.2	2.5	1.5	0.6	-5.4	3.5	3.1
France	0.3	0.6	1.0	1.0	1.1	2.3	1.7	1.5	-9.0	5.5	4.1
Great Britain	1.4	2.0	2.9	2.3	1.8	1.7	1.4	1.5	-10.0	4.5	5.0
Emerging markets and developing countries	5.1	4.7	4.6	4.0	4.3	4.7	4.5	3.7	-2.4	3.6	3.1
Russia	3.4	1.3	0.6	-3.7	-0.2	1.5	2.3	1.3	-3.6	3.0	3.9
Developing countries of Asia	6.7	6.6	6.8	6.6	6.4	6.5	6.4	5.5	-1.1	8.3	5.9
China	7.7	7.7	7.3	6.6	6.7	6.9	6.6	6.1	2.3	8.1	5.6
India	4.7	5.0	7.3	7.6	7.1	6.7	6.8	4.2	-8.0	11.5	6.8
Latin America and Caribbean basin	2.9	2.7	1.3	0.0	-0.9	1.3	1.0	0.0	-7.4	4.1	2.9
Brazil	1.0	2.5	0.1	-3.8	-3.6	1.4	1.1	1.1	-4.5	3.6	2.6
Mexico	4.0	1.1	2.1	2.5	2.3	2.2	2.0	-0.3	-8.5	4.3	2.5
World trade in goods and services	2.9	3.0	3.3	2.6	2.2	5.2	3.9	1.0	-9.6	8.1	6.3
Advanced economies	2.0	2.4	3.4	3.6	1.8	4.4	3.5	1.4	-10.1	7.5	6.1
Emerging markets and developing countries	4.6	4.4	2.9	1.3	3.0	6.9	4.1	0.3	-8.9	9.2	6.7

Source: World Economic Outlook Update, January 2021: Policy Support and Vaccines Expected to Lift Activity (imf.org)

Following five months of uninterrupted decline, world trade began to rebound in June 2020 when pandemic-induced restrictions began to ease. According to Netherlands Bureau for Economic Policy Analysis,¹ in June 2020 compared to the previous month, world trade went up by 7.9%, in July – by 4.8%, and in August – by 2.4%. In August, Europe exhibited strong growth of exports by 4.0%. Japanese exports are also growing strongly (+6.6%) meanwhile imports continued falling

1 CPB Netherlands Bureau for Economic Policy Analysis. URL: <https://www.cpb.nl/en/cpb-world-trade-monitor-august-2020>

(-2.1%). The US exports growth constituted 2.5%; imported exhibited similar growth by 2.3%. China has contributed strongly to the rebound of world trade. Chinese exports demonstrating steep decline in the first months of the pandemic stabilized in Q2 and strongly rebound in Q3. By contrast with other major economies, Chinese exports stabilized in July and August and increased by 13% in September.

In Q3 2020, value of world trade fell by 5% compared to the same period in the previous year an improvement on the decline reported in Q2.

In February 2021, the World Trade Organization released next WTO Goods Trade Barometer¹ which provides information of world goods trade trajectory in real time pursuant to latest trends. The Goods Trade Barometer's current reading of 103.9 is above both its baseline value of 100 for the index and its previous reading of 100.7 from last November, signaling a marked improvement in goods trade since its dropped sharply in the first half of last year. All component indexes are either above trend or on trend, however some already exhibit signs of deceleration while others could turn down in the near future. Furthermore, the indicator may not fully reflect resurgence of COVID-19 and the appearance of new mutations of the disease, which will undoubtedly weigh on goods trade in the first quarter of 2021.

Indexes of export orders (103.4) and automotive products (99.8) that are among the most reliable leading indexes for world trade, have both peaked recently and started to lose momentum. By contrast, the container shipping (107.3) and air freight (99.4) indexes are both still rising, although higher-frequency data suggest that container shipping has dipped since the start of the year. Finally, while the indexes for electronic components (105.1) and raw materials (106.9) are firmly above trend, this could reflect temporarily stockpiling of inventories. Taken together, these trends suggest that trade's upward momentum may be about to peak and then slump.

4.7.2. The state of prices on principal goods of Russian export and import

COVID-19 impact of commodity market was uneven. Crude oil prices dropped sharply during early stages of coronavirus infection and only partially recovered to their pre-crisis level, meanwhile prices on metals declined relatively moderately and returned to the levels preceding the pandemic-induced shock. The pandemic has virtually not affected prices of agricultural products. According to the World Bank forecast,² price index on energy resources in 2020 will decrease by 32.9%, on non-energy commodities will rebound by 1.2% and due to price growth on agricultural products up by 3.6% with declining price on metals by 1.3%.

In 2020, the crude oil market faced an unprecedented instability significantly affected by the COVID-19 pandemic and subsequent plunge in demand. In Q2

1 WTO 2021 News items - Goods Barometer signals strong trade rebound but momentum may be short lived

2 URL: <https://openknowledge.worldbank.org/bitstream/handle/10986/34621/CMO-October-2020.pdf>

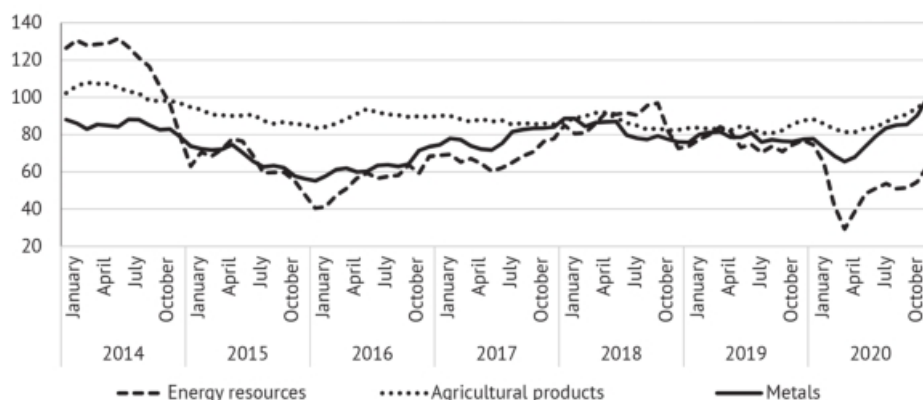


Fig. 31. World Bank price index on commodities

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

2020, global crude oil consumption plunged by 16% year-on-year principally on the back of lockdowns and self-isolation regime put in place in virtually all countries to combat the spread of the coronavirus infection. At some point in April, combination of factors pushed down WTI futures to negative values for the first time on record in the oil market.

Travel ban has markedly affected the consumption of oil due to the fact that transportation fuel accounts for two thirds of global consumption of crude oil. There was a widespread decline in demand for oil with the EU countries bearing the brunt. China was a notable exception where oil consumption dropped slightly in Q1 2020 but has since rebounded against the backdrop of renewed economic activity and mounting stocks, with consumption in Q2 2020 exceeding that seen in Q2 2019. Beyond the boundaries of China, the consumption of oil displayed an upward trend on the back of lifting of quarantine measures. According to October report released by the International Energy Agency, in 2020, demand for oil will remain on average 8% lower than in 2019.

A notable exception was China, where oil consumption declined slightly in the first quarter of 2020, but has since recovered amid renewed activity and inventory accumulation, with consumption in the second quarter of 2020 being higher than in the second quarter of the previous year. Outside of China, oil consumption began to recover after the lifting of quarantine measures. According to an October report by the International Energy Agency, oil demand in 2020 will be about 8% lower than in 2019.

In May 2020, global oil prices were rapidly rebounding following multi-year low reported in April 2020. This was due to the adherence to the OPEC+ agreement on the oil production cut (Declaration of Cooperation, DoC). In June-July, the recovery of the global oil prices went on, however their recovery rates slowed. Recovery of prices were on the back of demand growth, reduction in oil production in the USA and extension by the OPEC+ countries of tougher production quotas in July. In July

2020, ICE Brent futures price went up by 6% - up to \$43.22 bbl and NYMEX WTI up by 6.4% to \$40.77 bbl. Compared to the same period a year earlier, ICE Brent price fell by 35.8% and NYMEX WTI by 34.9%.

In December 2020, spot oil prices surged hitting ten-month record high owing to the improvement of fundamental indicators in quantum market against the backdrop of dynamic purchases of crude oil by oil refineries in Asia-Pacific Region. Pending gradual lifting of travel restriction and acceleration of demand, recovery have also contributed to the rebound of oil prices. Increased refining margin, reduction in crude oil held in sea storage and stringent adherence to production adjustments by the OPEC+ producers have ensured additional market support.

OPEC Reference Basket (ORB) of crudes went up in price at end-2020: in December, price increased by 15% to \$49.17 bbl – the highest monthly value seen since February 2020. However, on yearly average ORB came down by 25.2% to \$41.47 bbl which is the lowest average annual value since 2016.

In December 2020, crude oil futures surged on both sides of the Atlantic hitting the record high since February 2020. The investors were more positive in relation to economic rebound and rapid recovery of the oil prices following the registration of COVID-19 vaccines in several countries. Oil price futures and shares increased on the back of the adoption of additional stimulus packages in the USA and Europe. The market optimism enhanced against the backdrop of improved prospects of the global oil market balance following DoC participating countries voluntary decision adopted in December to voluntarily adjust production from January and also to extend the compensation period.

In December, ICE Brent oil price spiked by 14.2% to \$50.22 bbl, NYMEX WTI oil – by 13.8% to \$47.07 bbl. However, ICE Brent dropped in price by 32.7% year-on-year and came to \$43.21 bbl, NYMEX WTI oil – by 31.0% to \$39.43 bbl.

On April 21, 2020, average price of Urals hit the lowest value since 1999 - \$12.09 bbl down more than 80% from the start of the year due to a notable squeeze in demand on the back of containment measures introduced to face coronavirus pandemic as well as increased oil supply after the termination of the OPEC+ agreement in April 2020. In May, Urals oil edged up in price to \$30 bbl, in June – to \$42 bbl, in July – to \$43.91 bbl which was 1.4-fold lower than in July 2019 (\$63.34 bbl). In January-July 2020, the average price of Urals stood at \$40.34 bbl (in January-July 2019 - \$65.27 bbl). Anticipation of deceleration of the global demand at the year-end resulted in the Urals price to drop 8% in September-October relative to July-August.

Over 2020 as a whole, the average price of Urals stood at \$41.73 bbl by 34.4% lower than in 2019 (\$63.59 bbl).

COVID-19 pandemic-induced global recession led to a drop in demand for natural gas, however, the pandemic impact on the natural gas market was markedly softer than on the oil one given that natural gas is principally used for electricity production, industry and heating of residential and commercial facilities rather than in transportation. In H1 2020, natural gas was steadily dropping in price (primarily in Europe), natural gas prices recorded an all-time low in H2 2020. Demand began to rebound reporting an uptick in prices in Q3 2020.

In October, natural gas prices surged in Europe: average price on the principal virtual trading point for natural gas in Europe – Netherlands' Title Transfer Facility (TTF) spiked by 24% to \$4.9 MMBtu in relation to September. In December, growth continued natural gas rose in price by 21.1% compared to November and hitting record high \$5.86 MMBtu since February 2019. Prices were propped up by expectations of low temperatures at the start of November, projections of power outages in Norway due to strikes of oil workers and an accident at the major LNG producing plant in late September coupled with a spike in prices on LNG in Asia to \$11 MMBtu which promotes LNG exports to that region.

According to International Energy Agency estimates,¹ in 2020 compared to 2019, global natural gas demand dropped by around 2.5% or by 100 bcm which was the largest drop on record. However, it is expected that natural gas demand will recover fast and in 2021 it will grow by around 3%, and by 2030 will grow by 14% compared to 2019 with Asia being in the forefront of price growth.

Price of Australian thermal coal following a drop by more than 20% in Q2 2020, stabilized in Q3 2020 and from September began rising. As a result, in December price for coal surged by 28.9% compared to November and constituted \$83.0 per ton recording 20-months high mainly owing to more severe than average winter temperatures in North-Eastern Asia.

Nevertheless, it should be noted that the coronavirus pandemic accelerated the current downward trend in coal consumption in favor of cleaner natural gas and renewable energy resources, meanwhile low prices on natural gas have accelerated transition from coal to gas. All major coal producers have cut production led by Colombia (partially due to labor disputes), Indonesia, and the USA. Despite demand growth and strong production, China (major coal consumer in the world) introduced tight restrictions on coal import.

According to the IEA projection, coal demand will remain on average 8% lower through to 2030 than in pre-crisis levels due to a combination of expanding renewables, cheap natural gas and coal phase-out policies. In advanced economies, coal demand in 2030 is nearly 45% lower than in 2019. Demand for coal in the power and industry sectors continues to grow in India, Indonesia, and Southeast Asia, but its rate is slower than previously projected. In China coal use rebounds in the near term, peaks around 2025, before gradually declining.

The World Bank commodity metals and minerals price index rose in Q3 2020 by 19.5% quota-on-quota balancing losses incurred in H1. In December, commodity metals price index rose by 10.4% quota-on-quota and closed 2020 by 28.6% above that in December 2019 (*Table 32*). Price growth was due both to disruptions in shipments and renewal in economic activity, primarily in China, with easing of COVID-19 restrictions. Improvement in investors sentiments on the back of vaccines registration, expectations of additional fiscal stimulus package in the USA and weaker US dollar continued to boost price growth.

¹ World Energy Outlook. URL: <https://www.iea.org/reports/world-energy-outlook-2020/outlook-for-energy-demand#abstract>

Table 32

Average annual world prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Oil (Brent), USD/bbl	79.64	110.9	111.97	108.86	98.94	52.37	44.05	54.39	71.07	64.03	49.73
Natural gas (USA), USD/MMBtu	4.39	4.00	2.75	3.72	4.37	2.61	2.49	2.96	3.16	2.57	2.04
Natural gas, European market, USD/MMBtu	8.29	10.52	11.47	11.79	10.05	6.82	4.56	5.72	7.68	4.80	3.28
Natural gas (Japan), USD/MMBtu	10.85	14.66	16.55	15.96	16.04	10.93	7.37	8.61	10.67	10.56	8.4
Coal (Australia), USD/t	98.97	121.45	96.36	84.56	70.13	58.94	66.12	88.52	107.02	77.86	61.41
Copper, USD/t	7534	8828	7962	7332.1	6863.4	5510.5	4867.9	6169.9	6529.8	6010.2	6041.7
Aluminum, USD/t	2173	2401	2023.3	1846.7	1867.4	1664.7	1604.2	1967.7	2108.5	1794.5	1721.4
Nickel, USD/t	21809	22910	17557	15032	16893	11863	9595.2	10409	13114	13914	13928
Iron ore, USD/t	145.86	167.75	128.50	135.36	96.95	55.85	58.42	71.76	69.75	93.85	110.03

Source: World Bank data.

After eight consecutive quarterly declines, the price of aluminum went up by 14% in Q3 2020 compared to Q2 2020 and exceeded the pre-pandemic level in mid-October. In December compared to April 2020, aluminum rose by 38% to \$2,014.67 per ton which was the highest value since October 2018. Price growth was supported by strong demand from China, as imports of primary aluminum to the country moved up by 8-fold in August compared to the previous year which is the largest monthly growth rate in the last ten years. Demand for aluminum in the United States has also risen as brewers have moved from using kegs to cans to accommodate the growing consumption of beer at home during lockdowns and restrictions on public gatherings. Global car sales are also gradually recovering. Despite the expected recovery in global demand next year, the planned increase in capacity is expected to keep prices down. According to the World Bank projection, aluminum prices will be up by around 1% in 2021 after falling by 4.6% in 2020.

Copper prices surged 22% in Q3, the highest quarterly growth recorded since mid-2009 markedly exceeding the pre-pandemic level in September. Compared to November, copper went up in price by 9.9% to \$7,772.24 per ton in December against the backdrop of a further decline in stocks: in December, ground stocks of the London Metal Exchange (LME) dropped to 107,950 tons from 149,000 tons in November, which highlights market pressure. The price growth was driven by strong demand and sharp increase in imports in China. Serious supply disruptions caused by the pandemic have also driven up prices. In Chile, the world's largest copper producer, a rise in COVID-19 infections and a union backlash have led to temporary shutdown of the state company Codelco. The pandemic-induced labor

shortages and weather conditions have also cut production in Panama and Peru. The supply gap in the copper market is expected to decrease in the coming years, as ambitious new projects or expansion of existing capacity are launched in Chile, Democratic Republic of Congo, Indonesia, Mongolia, Panama, and Peru. According to the World Bank forecast, in 2021 copper prices to rise 4% following growth by 3.2% in 2020.

Indonesia's ban on nickel ore exports, which came into force in January 2020, has sharply restricted the supply of raw materials for the production of nickel pig iron production (NPI) in China. Shipments from the Philippines, major supplier of nickel ore to China, are being hampered by mine closures due to the COVID-19 outbreak. The increase in nickel consumption, boosted by strong demand from stainless steel producers in China and concerns about nickel shortages, has led to a significant rise in the price of this metal. In December 2020, prices of nickel rose by 42.5% compared to those in April. However, in general, in 2020, nickel dropped in price by 0.4%. According to the World Bank forecast, the price of nickel will move up by around 2% in 2021.

In December against November, iron ore went up in price by 25% to \$155.4 per ton, exceeding the level recorded in December 2019 by 68%, i.e. iron ore became a commodity with the highest growth in price in the last 12 months. Prices were supported by strong demand for crude steel production in China. According to the World Steel Association,¹ in 2020, China's crude steel production hit 1,053.0 mn tons, up by 5.2% on 2019. China's share of global crude steel production increased from 53.3% in 2019 to 56.5% in 2020.

The World Bank precious metal price index moved up by 23.7% in Q3 2020 compared to Q1. Price hike reflected a flight to safe-haven assets, increased uncertainty in the face of the COVID-19 pandemic, and ultra-low interest rates as major central banks continued expansionary monetary policy. The weakening of the US dollar and supply disruptions have also propped up prices.

In Q4 2020, there was a decrease in prices of precious metals. The biggest deterrent to this was the positive news about vaccines. For example, in November, gold weathered its sharpest drop in 7 years after Pfizer announced the development of an effective vaccine against COVID-19. The same day, the price of gold dropped by 5% ending the month below \$1,800 per ounce.

In general, in 2020, precious metals exhibited very good results: gold went up in price by 27.8% compared to 2019, which was the best result since 2010, silver - up by 27.3%. According to the World Bank forecast, in 2021, precious metals will drop in price by around 4% as the world economy recovers.

In 2020, agricultural products went up in price by 4%, mainly on the back of supply shortage and higher-than-expected demand for edible oils and meal. Some regions observed local price hikes on food products, and declining household incomes, primarily among poorest segments of the population, have raised the risk of the food security. According to the World Bank forecast, in 2021, the price index for agricultural products will increase by 1.4%.

¹ URL: <https://www.worldsteel.org/media-centre/press-releases/2021/Global-crude-steel-output-decreases-by-0.9--in-2020.html>

The Bloomberg Commodity Index (BCOM) includes 22 types of commodities ranged from 60 to 82 points in 2020. At the turn of the year, BCOM exceeded 81 points. Having fallen on April 24 to the lowest level in 5 years - 60.24 points, on December 4, 2020, BCOM climbed up to 74.3 points reflecting the continuation of low prices in commodity markets.

4.7.3. The main indicators of Russian foreign trade

The recession of the world economy triggered by the spread of the novel coronavirus infection, price crash on the energy market have adversely affected Russian foreign trade. April 2020 saw collapse in main indexes of the Russian foreign trade. Thus, the foreign trade turnover calculated according to the balance of payments methodology amounted to \$40.7 bn, down by 30.7% against the same index of the previous year. Goods worth \$23.5 bn were exported abroad, down by 36% against April 2019. Imports contracted by 21.9% to \$17.2 bn against April 2019.

In 2020, Russian foreign trade turnover contracted by 15.3% to \$571.5 bn compared to 2019. Contraction was uneven. If in Q1 2020 compared to the same quota of 2019, foreign trade turnover contracted by 8.1% owing to a drop in exports by 13% with an increase in imports by 0.8%, then in Q2 there was a collapse in main foreign trade indexes – the value of exports dropped by 30.6% and imports - by 12.7%, as a result of which Russian foreign trade turnover decreased by 23.9% compared to Q2 2019. In Q3, the rate of decline in Russian foreign trade slowed, but nevertheless remained very significant - foreign trade turnover decreased by 17.7%, exports from Russia down by 24.4%, imports from Russia down by 8.1%. In Q4, Russia’s foreign trade turnover decreased by 11.5%, primarily due to a 16.9% drop in exports, while the decline in imports slowed to 2.9%.

In 2020, foreign trade turnover with countries of far-abroad decreased by 16% to \$495.7bn and with CIS countries fell by 10% to \$75.5 bn.

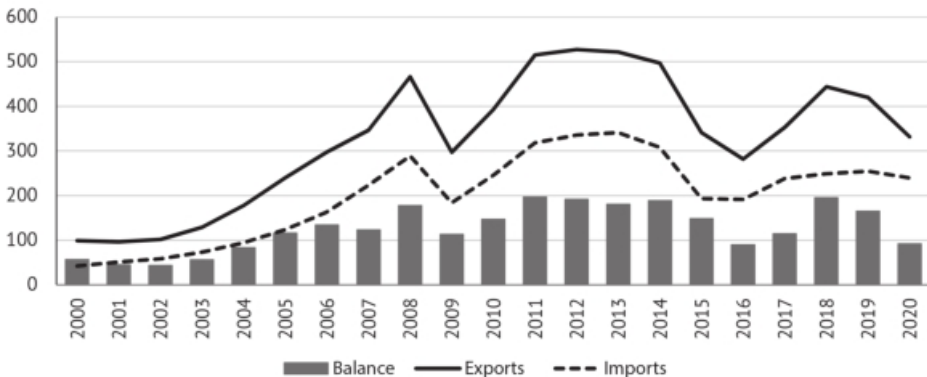


Fig. 32. Main indexes of Russian foreign trade (bn USD)

Source: Bank of Russia

In 2020, Russia's exports shrank by 21% compared to the same index in 2019 to \$331.7 bn, while Russia's imports went down by 5.8% to \$239.7 bn. The current dynamic of exports and imports gave rise to a sizable contraction of positive trade balance to \$92 bn against \$165.3 bn in 2019 (down by 44.3%) (*Fig. 32*).

The collapse in imports is primarily due to a reduction in contract prices for virtually all Russian goods exported abroad, given that the value of exports of many goods (above all, non-resource non-energy) increased (*Table 33*). According to the Federal Customs Service (FCS), the value of all exports decreased by 20.7% and volume - down by 2.1% in 2020 compared to 2019. This being said, the value of non-resource non-energy (NRE) exports climbed by 2.2% and volume of non-resource non-energy exports - up by 2.8%.

Table 33

**Indexes of average prices and volume of export and import pattern
of the Russian Federation in 2020 (in % to corresponding quarter 2019)**

OKVED code EAEU	Merchandise line	Average price index						Quantum index					
		Exports			Imports			Exports			Imports		
		Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
01-24	Food products and agricultural primary products (except for textile)	102.6	97.1	97.6	101.3	99.3	98.5	120.7	147.6	98.5	97.7	90.9	104.5
25-27	Mineral commodities	87.8	51.8	62.4	89.3	75.9	94.0	92.1	102.5	88.5	125.9	110.6	74.3
27	Fuel and energy products	87.8	51.4	62.0	88.0	65.3	91.6	91.9	101.9	87.6	96.3	124.6	73.8
28-40	Chemical products, rubber	89.7	82.6	80.4	99.9	95.9	99.7	104.8	100.3	110.9	86.0	96.3	77.1
41-43	Rawhide, furs and articles made therefrom	99.1	85.0	96.7	104.4	97.2	96.6	95.5	50.2	61.8	84.2	37.7	86.6
44-49	Timber and pulp and paper articles	85.4	86.9	86.0	97.0	97.0	98.7	118.1	111.2	116.1	96.6	87.4	93.9
50-67	Textile, textile products and footwear	103.3	85.9	91.8	98.3	115.0	92.8	130.4	82.8	110.2	110.2	75.7	103.7
72-83	Metals and article made therefrom	94.6	87.0	92.3	99.0	90.5	92.0	86.1	98.6	97.6	111.2	76.3	81.6
84-90	Machinery, equipment and means of transportation	86.8	91.2	93.9	97.2	96.2	96.3	91.3	86.4	96.7	105.4	89.8	97.2
68-70, 91-97	Other goods	95.7	92.5	90.6	98.0	92.8	96.4	66.7	89.1	48.8	101.1	83.4	95.9

Source: FCS data.

Export structure and dynamic

Following a two-year growth in 2017-2018, Russia's exports began falling in Q2 2019, and in 2020 the negative dynamic gathered momentum (*Table 34*). Stringent social distancing measures and travel and traffic restrictions were in full effect in the majority of countries during April and May. In the wake of global uncertainty, in May 2020, Russian exports hit the lowest level since February 2016 worth \$20.98 bn.

Table 34

Russian exports dynamic

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Exports, USD billion	297.2	392.7	515.4	527.4	521.8	496.8	341.4	281.7	353.1	443.1	419.8	331.7
Including:												
Far-abroad countries	252.0	333.6	436.7	443.8	443.8	428.1	292.1	241.7	303.0	386.6	362.4	281.3
Growth rates, in % to previous year												
Quantum index	105.0	96.8	97.0	110.0	97.8	99.9	104.9	109.0	103.5	106.5	98.3	96.1
Price index	110.9	137.4	76.4	119.8	132.9	101.6	95.7	58.1	76.9	118.5	96.7	75.5

Sources: Bank of Russia, Ministry of Economic Development.

The negative dynamic of exports is primarily due to price collapse in energy commodities coupled with a reduction in world demand for goods and services in the wake of an economic recession in the trading partner countries. A certain role was also played by restrictions on their production as a result of the OPEC+ deal, which provided for a cut in crude oil production by 9.7 mbpd in May-June 2020.

The combination of these factors led to a 37.5% drop in Russia's exports of fuel and energy products in 2020 compared to 2019. This is primarily due to a reduction in contract prices for the main commodities of Russian export – crude oil and natural gas - and the reduction in their deliveries volume overseas. In 2020, according to the Federal Customs Service (FCS), the value of crude oil exports contracted by 40.8% compared to 2019, and natural gas - by 39.66%. In volume terms, crude oil exports decreased by 11.4% and natural gas by 9.7% than in the previous year, as crude oil was cheaper by 33.2% and natural gas - by 33.1%. In volume terms, exports of petrochemicals virtually remained at the 2019 level, while exports of motor gasoline went up by 12.4% and diesel fuel - by 3.3%.

The primary consumers of Russian crude oil are China, Netherlands, Republic of Korea, Germany, and the USA and of Russian natural gas – Japan, Republic of Korea, Taiwan (PRC), Belgium, and China.

The proportion of these commodities in the overall structure of Russian exports has dramatically shrunk on the back of a collapse in fuel and energy commodities exports. If in 2019 it stood at 62.1% then in 2020 – 49.6%. Accordingly, the proportion of non-resource and non-energy exports in the overall Russian export

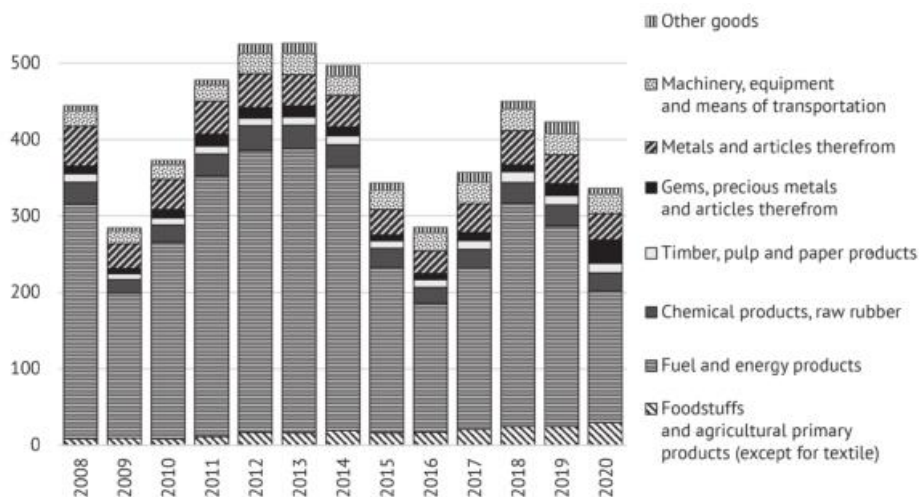


Fig. 33. Goods-wise dynamic of Russian exports (USD bn)

Source: FCS

volume increased by more than 10 p.p. relative to that in 2019 amounting to 48% (in 2019 – 36.4%). Compared to 2019 in 2020, the share of exports of foodstuffs and agricultural primary products went up from 5.9 to 8.8%, of chemical products - from 3.0 to 3.7%, of gems, precious metals and articles therefrom - from 3.6 to 9.0%, of metals and articles therefrom - from 8.9 to 10.4%, machinery, equipment and means of transportation - from 6.6 to 7.4% (Fig. 33).

In 2020, Russia’s exports dropped year-on-year virtually across all expanded commodity items minus “Food products and agricultural and agricultural primary products (except for textile)” (up by 19.2%), “Textile, textile products and footwear” (up by 6.5%) and “Gems, precious metals and articles therefrom” (up by around 2-fold).

Since 2015, Russian exports of food products exhibit positive momentum. In 2020, grain exports spiked by 29% to \$10.019 bn, fat-and-oil products – up by 20% to \$4.707 bn., food and food-processing industry products – up by 14% to \$4.154 bn. Exports of meat and dairy products surged by 41% - to \$1.146 bn.

Cereals are the main export item in commodity line food products and agricultural products, their proportion accounted for 33.8% of the total exports of Russian foodstuffs in 2020. Export volume of cereals rose by 12.6% to 31.4 mn tons driven by wheat - up by 7.5%, barley up by 37.8%, and corn - up by 43.6%. Russia’s shipments of grain go to more than 120 countries. The main export destinations for Russian grain are Turkey with 19.4% of the total grain exports, Egypt with 16.1%, Bangladesh with 6.6%, and Iran with 6.1%.

It should be noted that grain exports increased in the wake of effective temporary quota put in place by Decree No. 385 of March 31, 2020 of the Government of the Russian Federation. A quota was imposed to limit exports

of wheat, meslin, rye, barley, and corn to 7 mn tons to countries outside of the Eurasian Economic Union was imposed for the period from April 1 until June 30, 2020. Due to the fact that on April 26, the non-tariff-rate grain export quota was taken up, grain export to countries outside of the EAEU was suspended until July 1, 2020. The restrictive measure paved way to steady prices on grain and secure domestic needs in grain and products therefrom.

In 2019, Russia reported a bumper vegetable oil crop of around 23 mn tons. On the back of accumulated stocks, for the first nine months last year, exports of fat-and-oil products increased by 16.6% in volume terms - up to \$3.98 mn tons worth \$2.9 bn. Sunflower oil, safflower seed or cottonseed oil and fractions thereof (70.7% of the total exports of this commodity line), soya oil and fractions thereof (13.1%), rapeseed oil or mustard-seed oil and fractions thereof (9.7%), and margarine (3.5%) account for the major share of the total volume of exports for this segment. China remains the main buyer and for the first nine months, and in the previous year ramped up imports of Russian fat-and-oil products 2-fold – up to \$779.3 bn with sunflower oil accounting for nearly half. Turkey and India are among the top three buyers of fat-and-oil products.

Meat export from Russia for the first nine months of 2020 exhibited a significant growth – meat and by-products of 242.6 mn tons worth \$632.2 bn were delivered to foreign markets, which is up 79% compared to the same period last year in value terms and up by 65.9% in volume terms. Russian exports of poultry meat increased by 65.8% worth \$326.1 mn, pork meat – 2.6-fold worth \$183.7 mn, frozen beef – up 2.8-fold worth \$42.8 mn.

The top fine buyers of Russian meat include China, which in 2020 purchased products in Russia worth \$235 mn, which is 3.9 time more than in 2019. In second place is Vietnam, which increased purchases by 3.8 times to \$92 mn. Ukraine takes the third place, having purchased Russian meat for \$80 mn (up by 14%). Exports to Hong Kong increased 2.1 times to \$47 mn, and to Kazakhstan up by 48% to \$35 mn.

Russian poultry meat exports increased primarily due to opening of the Chinese market. China purchases half of Russian poultry meat exports. For the first nine months in the previous year mainland China accounts for 45% of deliveries in volume terms and with Hong-Kong – 54%. The Rosselkhoznadzor has been working to ensure access of poultry products to the Chinese market since 2014. In late 2018, both parties signed a Protocol on mutual deliveries of frozen poultry to the markets of both countries. The list of approved establishments for delivery of their products to the PRC was expanding gradually. In early 2019, China officially confirmed deliveries of poultry meat from 23 Russian and by late 2020, 40 Russian establishments and 15 cold storages got an approval to export poultry meat and products thereof to the Peoples Republic of China.

For the last 10 years, positive trends have been observed in Russian exports of textile, textile products and footwear (minus 2015). In 2019, export of products in this segment was worth \$1.35 bn which is 3.7 times more than that in 2010. The share of textile, textile products and footwear in the overall volume of Russian

exports is small, but it consistently grows: if in 2010, it came to merely 0.09% of the total Russian exports, then in 2019 – 0.32%, and in 2020 – 0.44%.

In order to stabilize the situation induced by the spread of COVID-19 virus and the lack of personal protective equipment (PPE), the Eurasian Economic Commission collegium decided on March 24 to put in place a temporary ban on exporting personal protective equipment, protective agents and disinfectants, products for medical use and materials from the customs territory of the Eurasian Economic Union (cotton wool, gauze fabric, bandages, masks, half-masks, face respirators, respirators, filters for personal respiratory protective equipment, protective glasses, disinfectants, protective overshoes, certain types of clothing and related accessories, and gloves), and despite this fact exports of textile, textile products and footwear increased by 6.5% in 2020 compared to 2019.

Footwear remains the top product in this segment. In 2020, it accounted for 16.1% of the total exports value of textile, leather and foot-wear industries. Footwear exports dropped by 11.4% compared to 2019.

Growth in Russian exports of textile products and manufacture of clothes was driven by accelerated dynamic and increased share of “Other finished textile products; footwear and preowned textile products” (10.9% in overall exports of textile, textile products and footwear) which shipments surged by 40.1% - up to \$162 mn, “Articles of clothing and accessories used with the, minus machine and hand-made knitwear” (18.1% share) – increase by 13.8% - to \$269 mn, “Items of clothing and accessories used with them, machine and hand-made knitwear” (17.6% share) – up by 20.8% - to \$261 mn.

The main countries that purchase the above mentioned products from Russia are Belorussia (32%), Kazakhstan (29%), Ukraine (8%), Italy (8%), and Poland (3%).

The Bank of Russia suspended purchases of precious metals on the domestic market from April 1, 2020. It should be noted that the BoR decision to suspend purchases of gold synchronized with the onset of quarantine which led to disruptions of deliveries of gold abroad due to restrictions of air transport in early April 2020. However, soon a special air service was organized for precious metals.

According to the Federal Customs Service (FCS) data, Russian gold exports came to 42.6 tons worth \$2.3 bn (exports increase 14 times in volume terms compared to April 2019), in May – 23.8 tons worth 1.3 bn (7 times more than in May 2019), in June – 24.6 tons worth 1.3 bn (4 times more than in June 2019). Over 2020, Russia’s gold exports amounted to 320 tons up 2.6-fold above the 2019 level and up by 3.2-fold in value terms. In 2019, Russia’s gold exports were worth \$5.76 bn and in 2020 – worth \$18.54 bn.

Great Britain is the main purchaser, for the first 9 months of 2020 Great Britain purchased from Russia 193.1 tons of gold worth \$11.1 bn. As a result, Russian exports to Great Britain went up 2-fold – to \$15.9 bn in January-September 2020 compared to the same period of the previous year.

According to data released by REC, ¹ in 2020, Russian non-resource non-energy exports (NRE) was worth \$161.3 bn up by 3.5% than in 2019 and nearly 3.5 times

1 URL: https://www.exportcenter.ru/press_center/news/v-2020-godu-eksport-rossiyskikh-nesyrevykh-neenergeticheskikh-tovarov-prevysil-161-mlrd-dollarov-eto/

more than in 2000 when NRE totaled \$46 bn. Main drivers of the NRE exports in 2020 were precious metals and agro-industrial complex products. In 2020, the NRE exports minus gold exports would have totaled \$142.77 bn against \$149.34 a year earlier, i.e. the index dipped by 4.4%. From 2021 onwards, the export of gold will not be considered a non-resource non-energy export item, since gold is not a tradable commodity in classical terms – it is traded by financial institutions, the influence of market environment on the volumes of transactions is very high while common systemic measures of export support are not applicable in this case.

The pattern of dynamic of imports

For the recent months as a whole, Russian import dynamic reflects changes in both Russian and world economy. Decrease in Russian imports commenced in March 2020 down by 2.3% against March 2019 at the peak of ruble's depreciation. The Asia-Pacific Economic Cooperation (APEC) member-states have contributed most to the reduction in Russian imports with China at the forefront by being the first to put in place restrictive measures to combat coronavirus. In April, imports decline rates accelerated to 19.9% in annual terms - up to 13.2% month-on-month due to the fact that the toughest containment measures imposed to face coronavirus in various countries were most effective during that month. From June 2020, as economies commenced to open, there was a gradual rebound in Russian imports. For example, imports rose by 10.8% month-on-month, in July – by 2.9%, in August – by 1.2%, in September – by 2.5%, in October – by 6.5%. At the end of the day, if in Q2 2020 against Q2 2019 imports of goods contracted by 13%, then in Q3 down by 7.9%.

By year's end, imports dynamic improved, the decrease in imports of goods decelerated in Q4 2020 to 2.9%. Moreover, purchases of goods from far-abroad countries increased by 3.3% in December compared to December 2019, despite a decline by 14% in the real effective exchange rate of the ruble, a slowdown in business activity in Russia, and new restrictions triggered by the pandemic (*Table 35*). In December 2020, goods import growth from far-abroad countries was boosted mostly by chemical (+11.5%) and engineering products (+6.7%). Imports of chemical industry products went up on the back of pharmaceutical products purchases by 32.3%, polymers and India rubber by 8.8% in December 2020 compared to the corresponding month of the previous year.

In the segment of engineering, products purchase of ships and floating crafts increased 5.7-fold, instruments and optical devices - by 9.9%, electrical equipment - by 6.6%, mechanical equipment – by 5.9%, and vehicles for land transportation – by 0.8%.

In the commodity structure of imports, the largest proportion was still accounted for by purchases of machinery and equipment, the share of which in the total volume of imports in 2020 was 47.6% against 46.1% in 2019 (*Fig. 34*). Imports of machinery and equipment into the Russian Federation declined by 2.2% in 2020 compared to 2019. There was a notable reduction in imports of railroad locomotives and tram motor coaches (-22.38%), vehicles for land

transportation (-29.96%), ships, boats and floating crafts (-23.31%). Imports of inorganic chemicals shrank by 20.96%, pharmaceutical products – by 17.66%, and fertilizers – by 17.62%.

Table 35

Russian imports dynamic (USD bn)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Imports, USD bn	183.9	245.7	318.6	335.8	341.3	307.9	193.0	191.5	238.1	249.1	254.6	239.7
Including:												
To far-abroad countries	162.7	213.2	273.8	288.4	295.0	271.9	170.6	170.8	212.8	222.5	226.7	214.4
Growth rates, in % on previous month												
Quantum index	130.1	127.1	113.5	63.3	135.4	122.2	105.1	97.8	96.6	99.3	103.6	92.0
Price index	105.5	107.6	117.8	99.1	101.6	109.1	97.3	102.5	99.8	102.1	97.2	96.5

Sources: Bank of Russia, Ministry of Economic Development.

The second important group in the commodity structure of Russian imports remains the chemical products (8.3% in 2020). Purchases of these products abroad declined by 11.3% in 2020. Food products and agricultural primary products (except for textile) are ranked third in Russian imports pattern. In 2020, these products account for 12.8% against 12.3% in 2019. In 2020, imports of

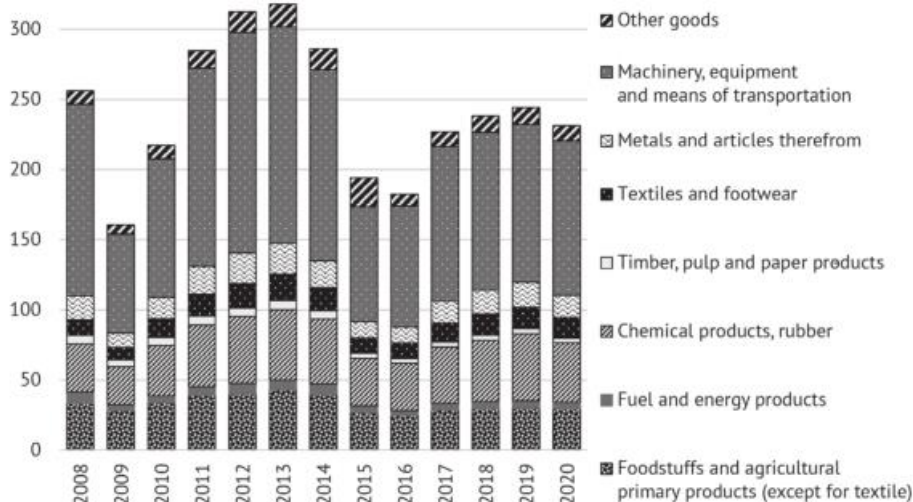


Fig. 34. Goods-wise dynamic of Russian imports (USD bn)

Source: FCS.

food products decreased by 0.8% in value terms and remained at the last year level in volume terms. According to data released by FCS, purchases of milk and cream rose by 21.8%, butter – by 14.3%, cheeses and cottage cheese – by 11.7%. However, the import volumes of sunflower oil dipped by 53.7%, fresh and frozen meat – down by 30.4%, fresh and frozen fish – down by 9.5%, and citrus fruits – down by 8.0%.

At the beginning of 2020, purchases of petrochemicals, primarily motor gasoline, increased notably. For the first five months of 2020, import volumes of motor gasoline surged 85-fold compared to the same period of 2019. In this situation, the RF Government was forced to ban the supply of foreign fuels due to the fact that the latter were cheaper than motor gasoline and diesel fuel produced at home. By the Decree No. 732 of May 22, 2020, the RF Government temporarily suspended fuel import into the territory of the Russian Federation. The list of banned fuels comprised motor gasoline, diesel fuel, marine fuel and gasoils. The measure adopted for purposes of energy security paved the way for stabilization of the situation on the domestic market. In particular, the temporary ban on import of petrochemicals avoided the situation of mid-May 2020 when Belorussia bolstered motor gasoline sales to Russia hundreds of times. The ban was effective until October 1, 2020.

The geographic pattern of the Russian foreign trade

In the geographic pattern of Russian foreign trade, the trend continues to increase the APEC’s share in Russian foreign trade turnover: in 2020 it rose to 33.8% against 31.8% in 2019. That said, the share of the CIS displayed an uptick from 12.2% to 12.9%. The share of the EU went on decreasing from 41.6% to 38.5% in 2020 (Fig. 35).

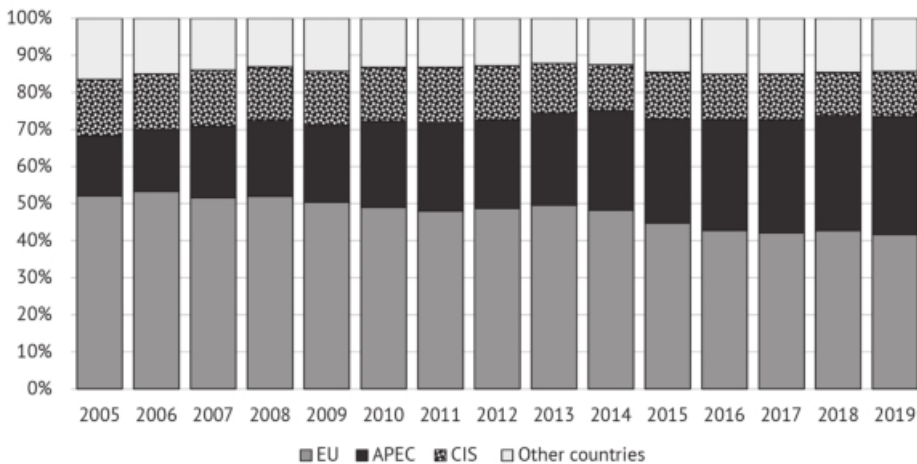


Fig. 35. Geographic pattern of Russian foreign trade (%)

Source: The Federal Customs Service of the Russian Federation.

The European Union is still the main trade partner of the Russian Federation, although in 2020, the Russian foreign trade turnover with the EU countries shrank by 21.3% with Russian exports and Russian imports falling in value terms by 27.9% and 7.4%, respectively. The collapse of the Russian export volumes was primarily due to a slump in prices of energy resources.

Russia's trade turnover with APEC member-states shrank by 9.7% mainly because of a drop in Russia's exports by 16% and imports by 2.7%. Having said that, trade turnover with Vietnam hiked by 15.2%, with Hong Kong – by 84.7%, and with New Zealand – by 31.7%.

Increase in turnover with Turkmenistan (up by 39.6%) and Uzbekistan (up by 15.6%) failed to offset a reduction in turnover with other CIS states. As a result, Russian foreign trade turnover with the Commonwealth of Independent states contracted by 9.8%.

The largest trade partner of Russia since 2010 remains the People's Republic of China, whose proportion in Russian foreign trade turnover increased to 18.3% in 2020 against 16.7% in 2019. For two consecutive years, the Russian Federation maintained a positive trade balance, in 2020 this index again turned into a negative one for Russia (-\$5.8 bn).

4.7.4. The Russian foreign trade regulation¹

Tariff regulation

Export customs duties

In 2020, the rates of export customs duties on crude oil and petrochemicals were calculated in compliance with the methods approved by the 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.”

Table 36

**The rates of export duties on crude oil and petrochemicals
in 2019–2020 (USD per ton)**

	Crude oil	Petrochemicals	
		Light oil	Dark oil products
2019			
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

¹ The Resolution of the Government of the Russian Federation; information of the Ministry of Economic Development of the Russian Federation.

	Crude oil	Petrochemicals	
		Light oil	Dark oil products
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
2020			
January 1			
February 1	78.5	23.5	78.5
March 1	66.9	20.0	66.9
April 1	52.0	15.6	52.0
May 1	6.8	1.0	6.8
June 1	8.3	2.4	8.3
July 1	37.8	11.3	37.8
August 1	46.9	14.0	46.9
September 1	47.5	14.2	47.5
October 1	45.4	13.6	45.4
November 1	42.2	12.6	42.2
December 1	42.0	12.6	42.0

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

According to price monitoring findings for the period March 15 2020 until April 14, 2020, average price of crude oil stood at \$19 per barrel or \$138.7 per ton. According to the information released on April 15, 2020 by the Ministry of Economic Development of Russia, from April 15, 2020 until May 31, 2020 the rate of export customs duty on crude oil will decline by \$45.2 and will amount to \$6.8 per ton which is the lowest rate seen during 2000s (*Table 36*).

Import customs duties

On April 3, the Eurasian Economic Commission's Council approved a list of critical imports in order to minimize the adverse economic fallout of spreading COVID-19 coronavirus infection and prevent a shortage of socially important goods in the EAEU countries. They are granted tariff preferences in the form of exemption from import customs duties when importing to the Eurasian Economic Union States from April 1 until June 30 of this year inclusive. The list includes certain agricultural and food products (potato, onion, garlic, cabbage, carrot, pepper, rye, long-grain rice, buckwheat, juices and ready-made baby food), certain finished pharmaceutical products and medical goods (endoscopes, contactless thermometers, disposable pipettes and mobile disinfectant units). Besides, the expanded list of goods used for manufacturing medicines as well as medical products (it includes thermal bags, films for sealing bottles and medical freezers), the import of which was duty-free from March 16 until September 30, 2020 subject to confirmation of their intended purpose.

The Decree of the Government of the Russian Federation No. 545 of April 18, 2020 simplifies and promotes free import of medical goods for combating

the COVID-19 coronavirus. The list of goods comprises COVID-19 test kits, lung ventilators, medical masks, and protective equipment. From March 16 until September 30, the import of these goods was duty free on condition that they are intended for free transfer to health care institutions. The intended use of goods must be confirmed by a special document. Previously it was issued by executive bodies of regional state authorities. The Decree authorizes the Ministry of Industry and Trade and the Ministry of Healthcare to promote the issue of necessary documentation.

In order to reduce export volumes and contain price growth on sunflower, raps and products therefrom the Decree No. 2065 of the Government of the Russian Federation of December 10, 2020 “On Amending the Rates of Export Customs Tariffs on Goods Exported from the Russian Federation beyond the States that are Parties to Agreements on the Customs Union” establishes an export tariff of 30% but not less than €165 per ton of sunflower seeds and rapeseeds to be in effect from January 9 until June 30, 2021. The decision applies to products exported from Russia beyond the Customs Union. Previously, export tariff on sunflower seeds and rapeseeds was 6.5% but no less than €11.4 per ton.

Tariff rate quotas

By Decree No. 385 of March 31, 2020 of the Government of the Russian Federation, a quota was imposed to limit exports of wheat, rye, barley and corn to 7 mn tons to the countries outside of the Eurasian Economic Union imposed for the period from April 1 to June 30, 2020. The Ministry of Agriculture of the Russian Federation was authorized to release information in real time on taking up the quota and submit the information to the Federal Customs Service of the Russian Federation.

By Decree No. 2096 of December 14, 2020 the Government of the Russian Federation introduced amendments in the rates of export customs duties approved by Decree No. 754 of August 30, 2013 of the Government of the Russian Federation. According to introduced amendments, the version comprises a list of rates of export customs duties on wheat, rye, barley, and corn. The amendments establish a zero-tariff rate on exporting rye, barley, and corn within the tariff-rate quota, while the in-quota export tariff on wheat will be €25 per ton and the out-of-quota export tariff of 50% but no less than €100 per ton will apply from February 15 until June 30, 2021.

Non-tariff regulation

On November 18, 2020, the WTO released its report on the G20’s¹ trade measures implemented by the G20 countries between mid-May to mid-October 2020.

During that period, there was a notable slowdown in the number and coverage of trade-restrictive and trade-facilitating measures on goods. The trade coverage of “regular” import-facilitating measures introduced by G20 are estimated at \$36.8 bn compared to \$735.9 bn in the previous period. The main sectors for which

1 URL: https://www.wto.org/english/news_e/news20_e/trdev_18nov20_e.htm

trade-facilitating measures were introduced were electrical equipment and parts, machinery and mechanical appliances, and pharmaceutical products. The volume of trade affected by import-restrictive measures imposed by the G20 countries is worth \$ 42.9 billion (for the period from September 2019 to May 2020 – \$ 417.5 billion). The main sectors affected by the new restrictions were mineral fuels and oils, machinery and mechanical devices, vehicles and parts thereof. The sharp decline in the volume of world trade, which is covered by “regular” facilitating and restrictive measures, is primarily owing to a decrease in trade turnover and a shift in the attention of governments to the fight against the pandemic. In addition, in recent years, a significant part of restrictive measures comprised mutual increase in duties introduced by the United States and China, there were no major new developments in this particular context during the reviewed period. At the same time, the coverage of trade in goods related to combating COVID-19 since the pandemic outbreak is estimated at \$ 155 billion. Of the 133 trade measures taken for these products, 63% were trade-facilitating and 37% were trade-restrictive measures. By mid-October, three out of every ten such restrictive measures had been lifted.

According to the WTO secretariat, with due regard for the measures introduced since 2009 and still in force, a total of 10.4% of the G20 countries’ imports are subject to restrictions, which is equivalent to \$1.5 trillion (a year ago, this index was 8.8% and \$1.3 trillion). The main restrictive measures are tariff increases, import bans, and stringent import procedures.

Protectionism against Russian goods is escalating every year. According to the data presented in the Register of Restrictive Measures¹, as of December 1, 2020, 203 restrictive measures were identified that cut down access of Russian goods to the markets of foreign countries. This is primarily the introduction of anti-dumping duties, which account for 25.1% of the total number of measures introduced, 16.3% were for sanitary and phytosanitary measures (SPS measures), 11.3% - for special protective duties (*Table 37*).

At present, 33 investigations are being conducted in respect of Russian goods, including 2 countervailing, 11 antidumping, 16 special protective ones, and 4 for national security reasons, 14 revisions of antidumping measures and a revision of a special protective measure, as well as 2 agreements on the suspension of anti-dumping investigations in the United States (in respect of uranium products and thick-gauge plate).

In line with the” sanctions “ policy pursued by the European Union, the United States, Japan, Ukraine, Switzerland, Norway, Australia, Iceland, Liechtenstein, Montenegro and Albania, these countries have imposed a ban on the import of goods originating from the Republic of Crimea and Sebastopol. In addition, “sanction” restrictions in relation to the events in Crimea and eastern Ukraine were imposed on a number of Russian organizations and individuals by the European Union, the United States, Canada, Japan, Ukraine, Switzerland, Norway, Australia, New Zealand, Iceland, Liechtenstein, Montenegro and Albania.

¹ URL: <http://www.ved.gov.ru/mbd/information/database/>

Table 37

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

Restrictive measure	2014	2015	2016	2017	2018	2019	2020
Antidumping duty	40	39	40	43	48	50	51
Special protective duty	9	15	17	13	21	26	23
Compensatory duty	-	1	1	1	1	1	1
TBT measures	9	9	10	15	14	17	17
SFS measures	3	7	11	17	31	38	33
SPS measures	2	3	3	3	6	4	4
Quotas (including tariff quotas)	5	4	5	7	5	4	3
Discriminating excises	4	3	4	6	8	9	12
Bans on imports	5	5	5	8	7	7	8
Threats to introduce measures	25	24	29	30	29	36	51
Other non-tariff measures	102	110	125	143	170	192	203

Source: Restrictive Measures Register as of December of corresponding year.

Domestic market protective measures

The Eurasian Economic Union regulates application of protective measures by Articles 48-50 of the Agreement of May 29, 2014 on the Eurasian Economic Union and by 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, 20 protective measures aimed at safeguarding the domestic market are in effect in the EAEU (Table 38).

Table 38

The EAEU's domestic market protective measures

No.	Goods	Type of measure TN VED EAEU	Exporter-country	Type of measure
AD-28	Aluminum strip	7606	Azerbaijan; PRC	Antidumping
AD-23	Herbicides	3808	European Union	Antidumping
AD-27	Hot-worked corrosion-resistant seamless pipes	7304	PRC	Antidumping
AD-9	Graphitized electrodes	8545	India	Antidumping
AD-18	Truck tires	4011	PRC	Antidumping
AD-17	Tracked bulldozers	8429	PRC	Antidumping
AD-14	Kitchen appliances and cutlery made from corrosion resistant steel	8211, 8215	PRC	Antidumping

No.	Goods	Type of measure TN VED EAEU	Exporter-country	Type of measure
	nickel	8708	PRC	Antidumping
AD-8	Polymer coated rolled metal products	7210, 7212, 7225	PRC	Antidumping
AD-1	Some types of steel pipes	7304, 7305, 7306	Ukraine	Antidumping
AD-21	Stainless steel pipes	7304	Ukraine	Antidumping
AD-16	Seamless pipes for drilling and operation of oil and gas wells	7304	PRC	Antidumping
	nickel	7210, 7212, 7225	PRC	Antidumping
AD-3	Rolling bearings (except needle roller bearing)	8482	PRC	Antidumping
AD-7	Forged steel rolls for rolling mills	8455	Ukraine	Antidumping
AD-13	Wire rods	7213, 7214, 7227, 7228	Ukraine	Antidumping
AD-22	Angle iron	7216, 7228	Ukraine	Antidumping
AD-19	Steel all-rolled wheels	8607	Ukraine	Antidumping
	oilcon oilcon	7202	Ukraine	Antidumping
AD-11	Cold-deformed seamless stainless steel pipes	7304	PRC; Malaysia	Antidumping

Source: URL:<http://www.eurasiancommission.org/ru/act/trade/podm/investigations/Measures.aspx>

Bans and import restrictions

International Monetary Fund and World Trade Organization have warned against imposing restrictions on export of medicine and food products because they “can be dangerously counterproductive.” The IMF and WTO have stated that such export restrictions “disrupt supply chains, depress production, and misdirect scarce, critical products and workers away from where they are most needed.”¹ However, many countries have banned export of medical products needed to combat coronavirus, from personal protective equipment to medicines and artificial lung ventilation apparatuses.

The Eurasian Economic Union member-states also put in place prohibitive measures. In order to stabilize situation triggered by the spread of the COVID-19 virus and shortage of personal protective equipment, the Eurasian Economic Commission collegium decided on March 24 to put in place a temporarily ban on exporting of personal protective equipment, protective agents and disinfectants, products for medical use and materials from the territory of the Eurasian Economic Union.

The list of goods prohibited for export from the customs territory of the Eurasian Economic Union comprises cotton wool, gauze fabric, bandages, masks, half-masks, face respirators, respirators, filters for personal respiratory protective

1 URL: https://www.wto.org/english/news_e/news20_e/igo_15apr20_e.htm

equipment, protective glasses, disinfectants, protective overshoes, certain types of clothing and related accessories, and gloves). This restrictive measure was effective until September 30, 2020.

In August 2014, Russia banned import of certain types of agricultural products, raw materials and foodstuffs from countries that had imposed anti-Russian sanctions. Meat, sausages, fish and seafood, vegetables, fruits, and dairy products were banned. As the sanctions continued, the Russian Federation extended its retaliatory measures. By the Decree No. 2054 of December 9, 2020, the Government of the Russian Federation extended the food embargo until the end of 2021. The list of countries was supplemented by the United Kingdom, since the latter will finally leave the European Union on December 31, 2020 after a one-year transition period.
