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R95 **Russian Economy in 2022. Trends and outlooks. (Issue 44) /** [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, 2023. – 521 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 44th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 5 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

Reviewer:
Spartak A.N., Doctor of sciences (economics), Corresponding Member of RAS, Professor, Director of JSC VNIKI, honored scientist

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Nadezhda Volovik

Russia's foreign trade in 2022[2]

3.7.1. The state of the world economy and the global trade

In late 2021 and early 2022, the global recovery from the pandemic was expected to continue in 2022 and 2023, supported by continued progress in vaccination, favorable macroeconomic policies in major economies, and financial conditions. In December 2021, the OECD projected global GDP growth of 4.5% in 2022 and 3.2% in 2023.[3] National accounts data in early 2022 were broadly in line with this forecast, with business activity recovering quickly in most countries following a decline in the number of people infected with the Omicron strain.

2 Author: *Volovik N.P.*, Head of Foreign Economic Activity Department, Gaidar Institute; Senior Researcher at the World Trade Studies Department, IAES RANEPA.

3 OECD official website. URL: https://www.oecd.org/economic-outlook/december-2021/.

However, higher food and energy prices, supply constraints associated with the pandemic, and a rapid recovery in demand since mid-2020 have accelerated inflation in most OECD countries, especially in the United States, Latin America, and many Central and Eastern European countries.

As a result, after a rapid but uneven recovery in 2021, the global economy finds itself in the midst of multiple crises. With incomes in many major economies still below 2019 levels, growth is slowing everywhere. Cost-of-living crises are hurting most households in developed and developing countries. Damaged supply chains remain fragile in key sectors. Government budgets are under pressure from fiscal rules and highly volatile bond markets. Countries with debt problems, including more than half of low-income countries and about a third of middle-income countries are moving ever closer to default. Financial markets are turbulent as questions arise about the soundness of certain asset classes. In some countries, the economic difficulties stemming from these worsening crises are already causing social unrest that could escalate into political instability and conflict.

While the effects of the pandemic were still being felt in major economies in Q1 2022, the launch of the Russian Federation's special military operation in Ukraine has increased the level of global economic uncertainty. This conflict has exacerbated a number of problems, including rising commodity prices, which have further exacerbated global inflation. Moreover, the gradual loosening of bottlenecks in global supply chains has been compounded by the disruption of trade flows and transport logistics as a result of the conflict.

In 2022, global growth has slowed to the point where the global economy is dangerously close to slipping into recession. The main economic problem of the past year was a decade high inflation in developed economies caused by pandemic demand overstimulation and supply shocks (lockdowns, the geopolitical conflict between Russia and Ukraine, the break-up of almost 50 years of successful energy cooperation between Russia and the EU). High inflation triggered an unexpectedly rapid and synchronized tightening of monetary policy around the world in order to curb price increases, including in the largest advanced economies. While this tightening was necessary for price stability, it has contributed to a significant deterioration in global financial environment with significant effects on business activity. Given the lag between changes in monetary policy and their economic effects and the fact that real rates are expected to continue to rise, this slowdown will increase.

According to the World Bank, the global economy will grow by 2.9% in 2022.[1] Global economic growth is expected to slow to 1.7% in 2023, the third weakest pace of growth in nearly three decades, comparable only to the pandemic induced global recessions in 2020 and the global financial crisis in 2007—2009. Growth forecasts for 2023 have been downgraded for almost all advanced economies and about two-thirds of emerging and developing economies (EMDEs), and for 2024 for about half of all countries.

1 World Bank official website. URL: https://openknowledge.worldbank.org/bitstream/handle/10986/38030/GEP-January-2023.pdf

The world's three main growth engines — the US, the euro area, and China — are undergoing a period of pronounced weakness with adverse secondary effects for EMDEs countries, many of which are already struggling with deteriorating domestic conditions.

In the United States, inflation reached its highest level in decades, leading to the most aggressive monetary policy tightening in more than 40 years. Activity declined in H1 2022, while domestic demand remained weak in the second half of the year, with residential real estate investment particularly weak. Overall, growth in 2022 is estimated to have slowed to 1.9%. Economic growth in 2023 is projected to slow to 0.5%, 1.9 p.p. below previous forecasts, the weakest rate outside of official recessions since 1970.

In the euro area, activity in H1 2022 exceeded expectations, resulting in revised annual growth to 3.3%. However, activity declined substantially in the second half of the year as a result of sharp increases in energy prices and supply uncertainty, exacerbated by rising borrowing costs. Inflation reached record highs. Growth in the euro area is forecast at 0% in 2023, a downward revision of 1.9 p.p. due to continued energy supply disruptions and greater than expected monetary policy tightening. Activity is projected to decline in H1 2023 and then stabilize later in the year. Inflation is expected to decline as labor markets cool and energy prices fall.

Overall, growth in advanced economies is projected to slow from 2.5% in 2022 to 0.5% in 2023.

Economic activity in China declined markedly in 2022. COVID-19-induced restrictions, unprecedented droughts, and continued stress in the real estate sector constrained consumption, production, and investment in housing. Real estate sales, housing starts, and new home prices continued to drop, and several real estate developers defaulted on their debt obligations. Fiscal support focused on infrastructure, lower interest rates and reserve requirements, and regulatory easing measures, including cash subsidies and lower down payment requirements, only partially offset these headwinds. Overall, the Chinese economy is estimated to have slowed to 2.7% growth in 2022, 1.6 p.p. below previous forecasts. With the exception of 2020, this is the weakest growth rate for the PRC economy since the mid-1970s. In 2023, growth is also expected to be below trend, around 4.3%, although higher growth rates are possible if progress is made in solving the main accumulated problems.

Despite the expected slowdown in growth, India, Indonesia, Saudi Arabia, Thailand, and Turkey may have relatively good dynamics in 2023.

On January 30, 2023, another IMF report, "World Economic Outlook: Inflation Peaking amid Low Growth,"[1] was released. which updated the short-term forecast. World economic growth, estimated at 3.4% in 2022, is projected to decelerate to 2.9% in 2023, before rising to 3.1% in 2024. Compared to the IMF's October forecast, the 2022 estimate and 2023 forecast are higher by about 0.2 p.p., which reflects the greater-than-expected resilience of many economies. Negative

1 IMF official website. URL: https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023

growth in global GDP or global GDP per capita, which often occurs during a global recession, is not expected.

Nevertheless, global growth projected for 2023 and 2024 is below the historical (2000—2019) annual average of 3.8%. The expectation of slower growth in 2023 reflects an increase in central bank rates to combat inflation (especially in advanced economies), as well as a special military operation in Ukraine. The decline in growth rates in 2023 compared to 2022 is due to the state of affairs in developed economies: the IMF expects the US economy to grow by 1.4% this year, and the euro zone by 0.7%.

In emerging and developing economies, economic growth is estimated to bottom out in 2022. In 2024, projected growth in both groups of economies reflects a gradual recovery in business activity and lower inflation. The IMF forecasts global inflation to decline from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, still above the pre-pandemic level (2017-2019) of about 3.5%.

The IMF expects global trade growth to decline to 2.4% in 2023, despite easing supply issues, before rising to 3.4% in 2024 (*Table 20*).

Table 20

Growth rates of world GDP and world trade (growth rates, in% on the previous year

	2014	2015	2016	2017	2018	2019	2020	2021	Estimate	Forecast	
									2022	2023	2024
World GDP	3.6	3.5	3.3	3.8	3.6	2.8	-3.1	6.0	3.4	2.9	3.1
Developed economies	2.1	2.3	1.7	2.5	2.3	1.7	-4.5	5.2	2.7	1.2	1.4
USA	2.5	2.9	1.6	2.4	2.9	2.2	-3.4	5.7	2.0	1.4	1.0
Euro zone	1.4	2.1	1.9	2.5	1.9	1.3	-6.4	5.2	3.5	0.7	1.6
Germany	2.2	1.5	2.2	2.5	1.5	0.6	-4.6	2.6	1.9	0.9	1.4
France	1.0	1.0	1.1	2.3	1.7	1.5	-8.0	6.8	2.6	0.7	1.6
Great Britain	2.9	2.3	1.8	1.7	1.4	1.5	-9.4	7.4	4.1	-0.6	0.9
Emerging and developing economies	4.6	4.0	4.3	4.7	4.5	3.7	-2.0	3.7	3.9	4.0	4.2
Russia	0.6	-3.7	-0.2	1.5	2.3	1.3	-2.7	4.7	-2.2	0.3	2.1
Developing countries in Asia	6.8	6.6	6.4	6.5	6.4	5.5	-0.9	7.2	4.3	5.3	5.2
China	7.3	6.6	6.7	6.9	6.6	6.1	2.3	8.1	3.0	5.2	4.5
India	7.3	7.6	7.1	6.7	6.8	4.2	-7.3	8.7	6.8	6.1	6.8
Latin America and the Caribbean	1.3	0.0	-0.9	1.3	1.0	0.0	-6.9	6.9	3.9	1.8	2.1
Brazil	0.1	-3.8	-3.6	1.4	1.1	1.1	-3.9	4.6	3.1	1.2	1.5
Mexico	2.1	2.5	2.3	2.2	2.0	–0.3	-8.1	4.8	3.1	1.7	1.6
World trade in goods and services	3.3	2.6	2.2	5.2	3.9	0.9	-8.2	10.4	5.4	2.4	3.4

Source: IMF official website World Economic Outlook. URL: https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023

According to the WTO,[1] the global merchandise trade grew by 9.7% in 2021, following a 5.2% decline in 2020. In 221, the trade growth was significantly higher than the average growth rate (2.7%) for 2010—2019 (the period between the global financial crisis and the beginning of the pandemic). In value terms, trade in goods showed even greater growth, rising 26% (to $22.46 bn) in 2021 after falling 7% (to $17.76 bn) in 2020. More significant growth in value than in volume terms is explained by the growth of export and import prices by an average of 15.4%.

Despite the start of the SWO and the subsequent sanctions imposed on the Russian Federation, as well as the ongoing quarantine in China, especially affecting Shanghai, world trade showed resilience in H1 2022. Perception has emerged that other difficulties that have hampered the movement of goods around the world since 2020 were gradually easing: freight rates began to decline in Q4 2021 and disruptions in international supply chains and logistics decreased after they peaked in late 2021.

According to the latest Global Trade Report, released by UNCTAD[2] on December 13, 2022, global trade hit a record $32 trillion last year, but the slowdown that began in the second half of last year is expected to worsen in 2023 as geopolitical tensions and tight financial conditions continue. Despite the SWO in Ukraine and the lingering effects of the pandemic, trade in both goods and services grew strongly in 2022. Trade in goods increased 10% from the previous year to an estimated $25 trillion, due in part to higher energy prices. Trade in services rose 15% to a record $7 trillion.

But according to UNCTAD, slowing growth in H2 2022 points to expectations of tighter conditions in 2023. Forecasts of economic growth for 2023 are being revised downward due to high energy prices, rising interest rates, persistent inflation in many economies, and the negative global economic impact of the special military operation in Ukraine. Continued tightening of financial conditions is expected to further increase pressure on highly indebted governments, increasing vulnerabilities and negatively impacting investment and international trade flows.

Despite the slowdown in the growth of the value of world trade, the physical volume of trade continued to grow during 2022, indicating the sustainability of global demand. Part of the decline in the value of international trade in H2 2022 is due to the drop in commodity prices.

Uncertainty about supply chain formation remains high. Mitigation strategies, including supplier diversification, reorientation, close and friendly cooperation, will have an impact on global trade patterns this year.

According to the WTO Merchandise Trade Barometer released March 1, 2023,[3] global merchandise trade growth lost momentum in Q4 2022 and is likely to remain weak in Q1 2023. The current Barometer value continues to point to

1 WTO official website. World Trade Statistical Review 2022. URL: https://www.wto.org/english/res_e/booksp_e/wtsr_2022_e.pdf

2 UNCTAD official website. URL: https://unctad.org/news/global-trade-set-hit-record-32-trillion-2022-outlook-increasingly-gloomy-2023

3 WTO official website. URL: https://www.wto.org/english/news_e/news23_e/wtoi_01mar23_e.htm

weakening trade growth in physical terms - it is now 92.2 points on a 100-point scale, down from 96.2 points in November of last year. All constituent Barometer indexes fell below trend except for the auto index (105.8), which was supported by stronger sales and production numbers in the U.S., Europe and Japan than the decline in those numbers in China. The export orders index (97.4) remains below trend but is rising, giving hope for a possible rise in the near future. Meanwhile, the indexes for shipping containers (89.3), air freight (87.8), electronics trade (84.9) and commodities (92.0) remain below trend and continue to decline, suggesting that the weakening trade is broad-based and affects many sectors.

3.7.2. Terms of Russian foreign trade: price trend for the main goods of Russian exports and imports

In 2022, the World Bank's energy price index was 154.6%, up 64.7% from 2021. All components of the index (coal, crude oil, natural gas) saw price increases.

Following a steady growth in H1 2022, in June the price of crude oil hit its maximum value since April 2012 (Brent — $120.08/bbl, WTI — $114.59/bbl), after which oil started to fall in price. In September 2022, prices were on average 25% lower than their June highs. The fall in prices reflects a combination of factors: the slowdown in global growth and growing fears of an impending global recession, continued restrictions due to COVID-19 in China and significant release of crude oil from the strategic reserves of some countries. Oil prices recovered partially in October (Brent to $93/bbl and WTI to $87.26/bbl) as OPEC+ members agreed to cut production by 2 mn bpd.

Concerns about the global economy slowdown amid tightening financial conditions, exacerbated by ambiguous signals from China's COVID-19 policy, continued to put pressure on crude oil prices, which reached their lowest level in a year in December. Nevertheless, prices in December 2022 exceeded the prices formed in December 2021. Thus, the Brent oil rose in a year by 8.9%, WTI — by 7%.

A barrel of Urals crude oil in December 2022 was worth $50.47, which is 30.6% lower than in December 2021 ($72.71/bbl). At the end of 2022, the average Urals crude oil price was $76.09/bbl. In 2021, the average price of Urals oil was at the level of $69/bbl. Thus, in 2022, the average annual oil price for the year increased markedly — by 10.3%.

Natural gas prices were volatile throughout the year. After reaching record highs in Q3 2022, prices began to decline. While the natural gas market is becoming increasingly global, there remain significant regional price differences due to different supply dynamics. European natural gas reached a record high of $70/MMBTU in August 2022 as some European countries sought to rebuild their storage capacity and offset declining gas supplies from Russia. EU storage was over 90% full at the beginning of October, pushing prices down to $45/MMBTU, and consumers reduced consumption in response to higher prices and warmer-than-normal weather. Contract prices in Japan rose to a record high of $23.73/MMBTU in September, well below European prices. Natural gas prices in the United States rose to $8.8/MMBTU in August the highest level since 2008, due to strong domestic demand and record LNG exports, but fell to $5.28/MMBTU in November.

Natural gas markets have been largely driven by developments in Europe, leading to major changes in trade patterns. Pipeline exports of natural gas from Russia to Europe plummeted, leading Europe to turn to the LNG market as its main alternative (as well as some additional pipeline flows from the North Sea and North Africa).

Overall, for 2022, natural gas prices in Europe surged 2.9 times compared to 2021, in the United States by 66.9%, and in Japan by 78.1%.

Coal prices held high throughout 2022. After reaching a record high of $330/t in July, prices began to decline. Coal markets were greatly influenced by high natural gas prices, which prompted many countries to switch from natural gas to coal in power generation, a marked turnaround from the trend toward decommissioning of coal-fired power plants. In 2022, Australian coal prices were, on average, 2.5 times higher than in 2021; South African coal prices were 2.4 times higher.

The European Union’s August 2022 ban on Russian coal imports altered trade flows, with Europe importing more coal from Colombia, South Africa, the United States and even Australia. Meanwhile, Russia diverted cargoes that would normally go to the European Union to other countries, including India and Turkey. These diversions resulted in significantly longer transport distances and thus higher transportation costs because coal is bulky and expensive to transport.

The WB price index for non-energy commodities in 2022 was 10.6% higher than in 2021. Among the four major components of this index, there was an increase in prices for agricultural products and fertilizers — by 13.3% and 62.6%, respectively, while metals and precious metals fell in price by 1.2% and 2.4%, respectively (*Fig. 24*).

The World Bank’s metals and minerals price index for Q3 2022 took steep dive by 20% from the previous quarter and was 31% below its March peak in September.

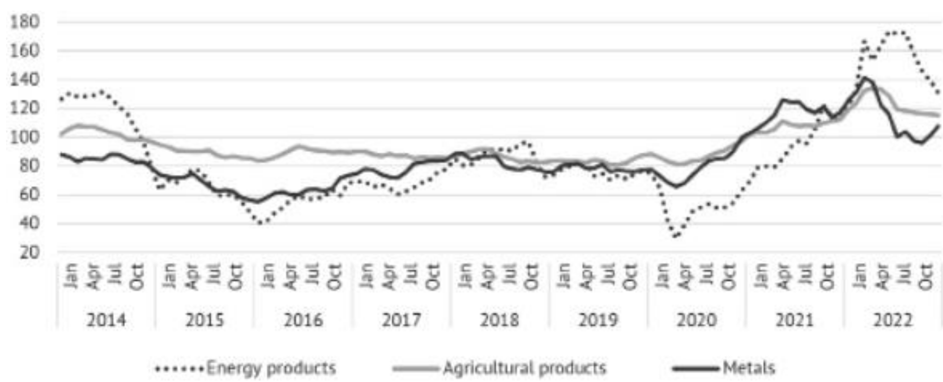

Fig. 24. World Bank commodities price indexes (2010 = 100%)

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

The decline primarily reflected deteriorating global economic activity and fears of a possible global recession. Global demand for industrial metals continued to weaken following the post-pandemic surge, while in China, the world's largest metals consumer, demand remained weak due to COVID-19-related restrictions and stress in the real estate sector.

Over the past three years, there have been significant fluctuations in aluminum and copper prices. The COVID-19 pandemic caused a severe global recession, and in the three months since January 2020, global aluminum and copper prices have fallen to a record low. This episode was followed by the strongest economic recovery and price spike in eight decades. By March 2022, inflation-adjusted prices for copper and aluminum reached their highest level in 10 years: aluminum rose to $3,498.37/t, copper to $10,230.89/t. It should be noted that in November the prices of aluminum and copper fell back from the highs by 32.8 and 21.3% respectively. Overall for 2022, aluminum was 9.4% more expensive than in 2021, while copper was 5.3% cheaper.

Nickel prices fell 24% in Q3 2022 and in September were a third below their unprecedented highs in March ($33,924.18/t). Lower demand from the stainless steel sector and strong production growth in Indonesia contributed to the drop in prices. Production of stainless steel, which accounts for more than two-thirds of refined nickel consumption, slowed markedly after a surge in 2021 due to weak demand for consumer durables, high energy prices and electricity shortages. The use of nickel in batteries also slowed, especially in China. However, nickel supplies have increased significantly, especially from Indonesia, which is rapidly expanding nickel pig iron production to produce nickel for both stainless steel and battery use. Nickel was 39.9% more expensive in 2022 than in 2021 (*Table 21*).

Table 21

Average annual world prices

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Crude oil (Brent), USD/bbl.	111.97	108.86	98.94	52.37	44.05	54.39	71.07	64.03	42.3	70.44	99.82
Natural gas (USA), USD/ MMBTU	2.75	3.72	4.37	2.61	2.49	2.96	3.16	2.57	2.01	3.85	6.37
Natural gas, European market USD/ MMBTU	11.47	11.79	10.05	6.82	4.56	5.72	7.68	4.80	3.24	16.12	40.34
Natural gas (Japan), USD/ MMBTU	16.55	15.96	16.04	10.93	7.37	8.61	10.67	10.56	8.31	10.76	18.43
Coal (Australia), USA/t	96.36	84.56	70.13	58.94	66.12	88.52	107.02	77.86	60.79	138.05	344.9

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Copper, USD/t	7962	7332.1	6863.4	5510.5	4867.9	6169.9	6529.8	6010.2	6173.8	9317.1	8822.4
Aluminum, USD/t	2023.3	1846.7	1867.4	1664.7	1604.2	1967.7	2108.5	1794.5	1704	2472.8	2705
Nickel, USD/t	17557	15032	16893	11863	9595.2	10409	13114	13914	13787	18465	25834
Iron ore, USD/t	128.50	135.36	96.95	55.85	58.42	71.76	69.75	93.85	108.9	161.71	121.3

Source: Calculated on WB data

Agricultural products began to rise in price in 2020. In Q1 2021, the WB price index for agricultural products rose more than 9% on Q4 2020, building on the momentum of the previous quarter. For 2021, prices soared by 20% and were close to a seven-year high. The price increases were driven by supply shortages in some food commodities, especially corn and soybeans, strong demand for forage commodities from China, and the depreciation of the dollar. Cereals rose the most because of production shortfalls, followed by oils and meal. Beverage prices rose modestly, while agricultural commodity prices remained generally stable as supply disruptions due to the pandemic were resolved.

Food prices continued to rise in early 2022, reaching an all-time high in April with the WB Agricultural Price Index came to 134.07%.

Larger-than-expected global supplies of food and oilseeds, a UN-brokered agreement that allowed Ukrainian grain to enter global markets, and a worsening global growth outlook contributed to a decline in agricultural commodity prices. As a result, the price index decreased by 11% in Q3 2022 relative to Q2 2022. Wheat prices fell nearly 20% from the previous quarter (while remaining 24% higher than a year ago), corn prices dropped 10%; rice prices generally remained stable. The price index for edible oils and meals fell 18% in Q3 2022. Beverage prices for the group as a whole have remained fairly stable over the past three quarters, with moderate increases in tea and coffee prices offset by declines in cocoa prices. Agricultural commodity prices declined nearly 11% over Q3 2022 following increases in cotton and natural rubber supplies.

At the end of 2022, the average value of the FAO Food Price Index (FPI) was 143.7 points — 18 points higher than in 2021. Thus, the cost of cereals reached a new high, beating the 2011 figures. Average wheat prices were 15.6% higher than in 2021, while corn prices were 24.8% higher. The FAO attributed the rise in cereal prices to “significant market disruption, increased uncertainty, higher energy and input prices, adverse weather conditions in some major supplying countries, and strong demand.” Average prices of vegetable oils, milk, meat at the end of 2022 were the highest in the history of FAO observations (since 1990), sugar prices — the highest since 2012.

The World Bank Fertilizer Price Index jumped 24% in Q1 2021 relative to Q4 2020, driven by higher phosphate and carbamide prices due to strong demand and higher raw material costs. Potash prices remained broadly unchanged, with ample supply. Prices continued to rise until April 2022, when the fertilizer price index reached its highest level since August 2008 at 254.97%, after which prices began to decline. In Q3 2022, the WB Fertilizer Price Index dropped nearly 8% from Q2 2022, while still remaining at historically high levels. The recent price decline reflects lower demand as farmers reduce fertilizer applications in the fields due to affordability issues. Overall, the WB fertilizer price index is up 62.6% for 2022 compared to 2021.

After reaching year-end highs in March 2022, precious metal prices began to decline. The World Bank Precious Metals Price Index fell 9% in Q3 2022 from the previous quarter, driven by weak investment and physical demand due to a stronger dollar, as well as higher yields due to rising interest rates. These factors outweighed the impact of increased demand for safe-haven assets related to the SMO in Ukraine and rising inflation. Silver prices were down 15% amid lower industrial demand, while gold and platinum dropped 8%. For the year as a whole, platinum fell by 11.9% and silver by 13.4%. The price of gold remained at the level of 2021.

According to the World Bank's forecast,[1] Brent crude oil prices will average $92/bbl in 2023 and then decline to $80/bbl in 2024. Despite the expected weakening, prices will remain well above their recent five-year average of $60/bbl. The forecast envisages a worsening macroeconomic prospects, offset by increased natural gas consumption in favor of oil and lower production among OPEC+ countries (including Russia). The outlook is highly uncertain, and the continuation of increased price volatility with further spikes in the short term is likely due to low levels of spare capacity and reserves, the European Union ban on Russian oil imports and potential price caps, and ongoing geopolitical events.

Natural gas and coal prices are projected by the WB to decline in 2023 and 2024, but remain at much higher levels against the 2017—2021 average. By 2024, U.S. prices for Australian coal and natural gas are still expected to be twice as high as the past five-year average, while European natural gas prices could be 4 times higher. The expected price decline in 2024 is due to lower demand for natural gas as households and industries reduce their consumption and switch to substitutes, while coal production is expected to increase significantly as China, India and major coal exporters ramp up production. Giving up natural gas could jeopardize climate change goals, given that alternative fossil fuels have higher carbon dioxide emissions.

The outlook for natural gas supplies will depend on the severity of Europe's winter and the ability of consumers to reduce their demand. While current expectations are for a mild winter, a worse-than-expected outcome could still result in very low inventory levels by the end of the winter. Policy coordination among key importers will be vital to ensure a fair burden of high energy prices or supply disruptions. The European Union has announced several policies to address these issues, including joint gas purchases and a focus on reducing demand. Natural gas price controls have also been discussed, but this must be balanced with ensuring sufficient supply.

1 WB official website. Commodity Markets Outlook. October 2022. URL: https://openknowledge.worldbank.org/bitstream/handle/10986/38160/CMO-October-2022.pdf

With declining imports of Russian gas, Europe will face further problems in replenishing supplies. The International Energy Agency (IEA) forecasts[1] that European LNG imports will increase by 60 bcm in 2023, helped by new import terminals, including floating terminals. However, this increase is more than double the expected increase in global LNG export capacity, which will put upward pressure on prices as Europe competes with other markets, and the disruptions seen this year at some LNG importers could continue through 2023. One additional risk to natural gas exports is the potential damage to critical infrastructure from explosions at Nord Stream 1 and Nord Stream 2 pipelines in September. Future growth in natural gas consumption may also be weaker than expected, as high price volatility and lack of access to LNG may prompt some countries to reconsider its role as a reliable fuel. Partly reflecting this, the IEA cut its forecast for natural gas consumption growth by half over the next five years.

The WB forecasts that metal prices will fall by 15% in 2023 after a slight decline in 2022. Risks to the outlook are skewed to the downside and include a global recession as well as prolonged lock-ins and further deterioration of the real estate sector in China. Risks to higher prices include the possibility of further closures of energy-intensive smelters if energy prices rise more than expected. Aluminum and zinc are particularly vulnerable to fluctuations in energy prices because they are the most energy-intensive metals to process.

After rising in 2022, aluminum prices are expected to decline by 11% in 2023. Risks to the outlook include lower production due to electricity rationing, especially in Europe. On the policy side, the U.S. has announced its intention to impose additional sanctions on Russian aluminum exports, which could lead to higher prices. In the longer term, the energy transition could increase the use of aluminum, especially in electric cars, solar panels and long-distance power lines.

According to the World Bank, copper prices will fall another 16% in 2023 after slumping in 2022. In the long term, copper would benefit from increased production of electric vehicles (which consume 2.5—4 times more copper than gasoline-powered cars), renewable energy production (more copper-intensive than conventional power plants), and wiring for associated grid infrastructure and recharging.

Nickel prices, after rising in 2022, are projected by the WB to fall by 16% in 2023. The long-term risk is that demand for nickel, and subsequent prices, could decline as non-nickel alternatives for batteries, such as lithium-iron-phosphate (LFP), which increasingly dominate the electric vehicle market in China, are developed. Other battery makers are also exploring LFP or other technologies such as sodium-ion.

After rising in 2022, agricultural commodity prices are expected to fall by nearly 5% in 2023 before stabilizing in 2024 as supplies of most food commodities increase owing to higher yields. Despite the expected decline, most prices will remain at historically high levels.

1 IEA official website. World Energy Outlook. URL: https://iea.blob.core.windows.net/assets/830fe099-5530-48f2-a7c1-11f35d510983/WorldEnergyOutlook2022.pdf

There are many risks to the price outlook for agricultural commodities. They include the likelihood of higher-than-expected commodity prices or energy supply disruptions, adverse weather conditions (including an intensification of La Niña for the third consecutive year), and restrictive trade policies.

After a significant increase in 2022, the fertilizer price index is projected to fall by 12% in 2023 as supply disruptions gradually subside. Upside risks to the outlook include higher raw material costs, additional sanctions against Belarus and Russia, and expanded export restrictions from China.

Because of expectations of historically high interest rates and concerns about the possibility of a global recession affecting industrial activity, the WB forecasts that the precious metals price index will fall another 4% in 2023 after falling in 2022.

3.7.3. Main indicators of the Russian foreign trade

According to the Central Bank of Russia,[1] in 2022, the foreign trade turnover of the Russian Federation amounted to $973.9 bn, which is 4.7% higher than in 2021. The foreign trade balance amounted to $282.3 bn which is 66% higher than in 2021.

While the physical volumes of goods exported abroad decreased due to the growth in prices for energy carriers, the value volumes of export increased considerably. In 2022, export of goods and services from Russia amounted to $628.1 bn, thus exceeding the relevant index of the preceding year by 14.2% ($550.0 bn in 2021). It is worth noting, the negative dynamics of the increase in the value of exports of goods and services during the year: while in Q1 2022 as compared to Q1 2021 it increased by 60.5%, in Q2 — by 27.6%, in Q3 — by only 4%, and in Q4 it dropped by 15.4%. This was due to a decrease in the annual growth rate of world prices for many commodities. In addition, the physical volume of energy exports declined, mainly due to the stoppage of gas transportation via Nord Stream 1 and Nord Stream 2 pipelines, as well as due to the growing effect of restrictions imposed by unfriendly states on the supply of Russian goods to the world market.

Russia’s imports of goods and services in 2022 stood at $345.8 bn, down by 9.0% from $379.9 bn in 2021. After a 23.4% decline in imports in Q2 2022 compared to Q2 2021, the situation has stabilized since mid-July. In Q3 the decrease slowed down to 12.5%, and in Q4 — to 9.1%. The improvement of the dynamics of imports was promoted by the formation of new logistic routes and expansion of the list of goods allowed for parallel imports from August. By weight of goods, there is a stable growth of 18% per month on average, by their statistical value — by 20%. Thus, in August 383,000 tons of various goods were imported via parallel import and since the beginning of this regime — more than 1.3 mn tons. The ruble’s appreciation also contributed to the increase in imports.

In 2022, current account surplus of the balance of payments of the Russian Federation amounted to $227.4 bn, which is by 85.9% higher than in 2021 ($122.3 bn). A record-breaking increase in the surplus of the balance of goods and

1 CBR official website. URL: https://cbr.ru/statistics/?CF.Search=&CF.TagId=183&CF.Date.Time=Any&CF.Date.DateFrom=&CF.Date.DateTo=

services as a result of growth in the value of export of goods due to favorable price situation with a decrease in the value of imports played a decisive role in expansion of the surplus of the current account of the balance of payments.

Russia's foreign trade surplus in goods and services soared by 66% to $282.3 bn in 2022 from $170.1 bn in 2021.

Thus, in 2022, due to changes in the geography of supplies and high world prices for energy resources, Russian exports managed to significantly exceed the 2021 volume. By the end of 2022, the volume of imported goods slowed down owing to the reorientation of the supplier market to other countries and the expansion of the list of goods of parallel imports.

On March 13, 2023, the Federal Customs Service of Russia partially resumed publication of customs foreign trade statistics. According to the FCS, Russia's foreign trade turnover in goods in 2022 stood at $850.5 bn, an increase of 8.1% compared to 2021. Exports for 2022 amounted to $591.46 bn, which was 19.9% higher than in 2021. Imports for the previous year amounted to $259.083 bn, which was 11.7% lower than in 2021 (*Fig. 25*). Thus, last year's trade surplus reached a record $332.377 bn.

The value of export of mineral products in 2022 exceeded the level of 2021 by 40.8%, foodstuffs and agricultural raw materials — by 14.8%, chemical products — by 10.9%, textiles, textile products and footwear — by 8.5%, metals and their products — by 2.3%. The value of exports of wood and paper products decreased by 16.7%, precious metals — by 41.4%, machinery, equipment and transport vehicles — by 20.5% (*Fig. 26*).

In 2022, there was a decline in the value of imports across almost the entire expanded commodity classification. Thus, import of mineral products dropped by 6%, timber and pulp and paper products — by 6.9%, textiles, textile products and footwear — by 7.3%, metals and metal products — by 10.2%, machinery, equipment and transport vehicles — by 18.4% (*Fig. 27*).

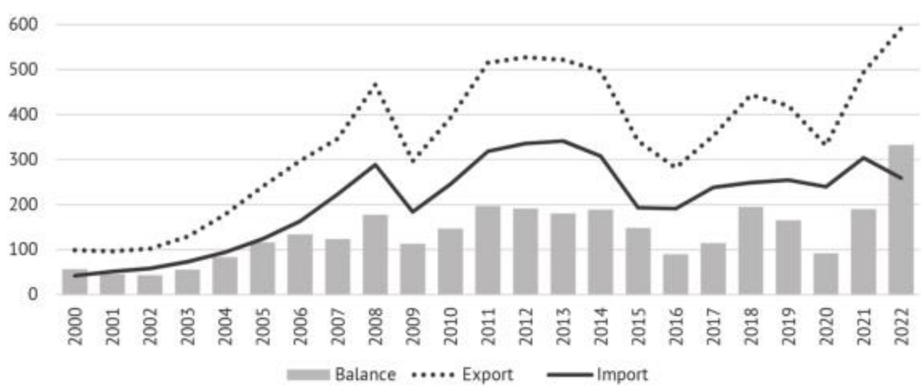

Fig. 25. Main indicators of Russian foreign trade in goods, USD bn

Sources: RCB official website, FCS of Russia.

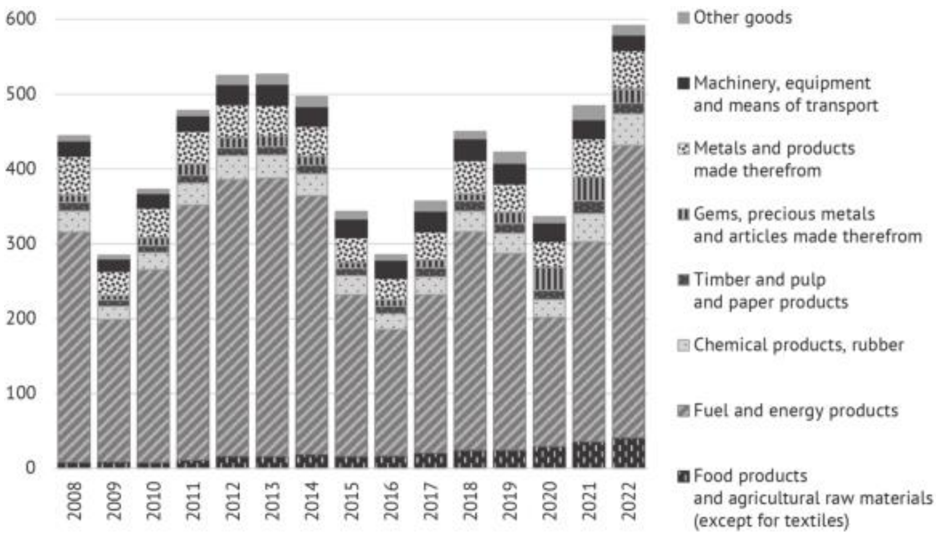

Fig. 26. Goods-wise dynamic of Russian exports, USD bn

Source: FCS.

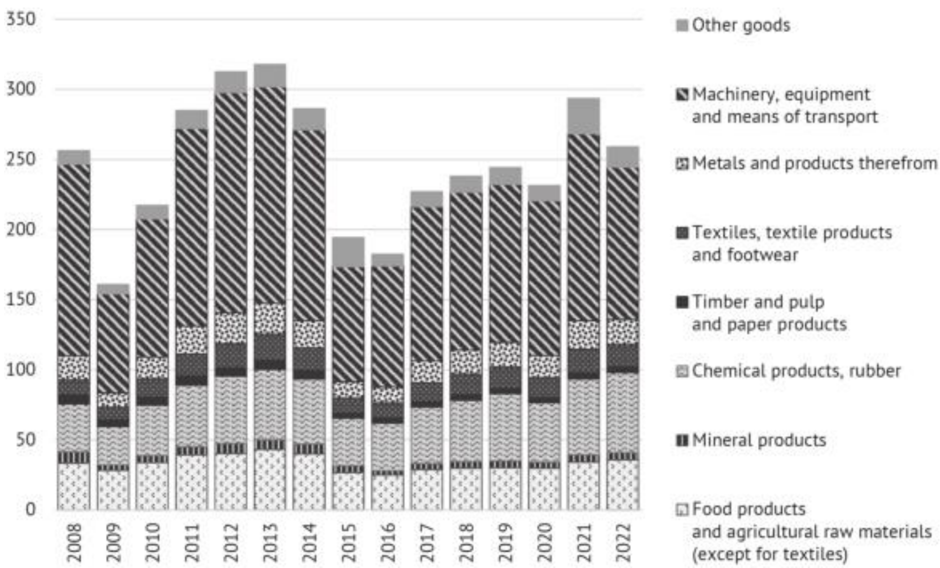

Fig. 27. Goods-wise dynamic of Russian imports, USD bn

Source: FCS.

3.7.4. Regional pattern of Russian foreign trade

Sanctions imposed by unfriendly states have dealt a heavy blow to logistics and foreign trade of the Russian Federation. Ten years ago, the EU countries accounted for 54% of Russian foreign trade. After the imposition of sanctions in 2014, this share gradually contracted and reached 35.9% in 2021.

EU trade with Russia suffered even more after the start of SMO, when the EU imposed restrictions on imports and exports of certain goods. The effect of these measures was especially noticeable in the last months of last year. On a seasonally adjusted basis, both exports and imports fell well below pre-SMO levels. Between February 2022 and December 2022, the value of Russian supplies to the EU slumped by 51%, and Russia's share of EU imports fell from 9.5% to 4.3%. Over the same period, Russia's share of total EU exports fell from 4.0% to 2.0%.[1]

The EU trade deficit with Russia peaked at €18.2 bn in March 2022 and then gradually declined to €6.0 bn in December 2022. The value of Russian exports plummeted by 53%: from €21.8 bn in March 2022 to €10.3 bn in December 2022.

As other trading partners gradually replaced Russia, Russia's share of EU imports of key commodities declined with the most significant declines being seen in coal, natural gas, fertilizers, petroleum products, and ferrous metallurgy. In particular, the biggest nosedive was recorded for Russian coal, the share of which fell from 45% in 2021 to 22% in 2022, natural gas (from 36% to 21%), fertilizers (from 29% to 22%), heating oil (from 28% to 21%) and ferrous metallurgy products (from 16 to 10%).

Nevertheless, the trade turnover between Russia and the EU in 2022 reached a maximum for 8 years, having increased by 2.3% to €258.6 bn. The EU's trade deficit with Russia reached a record €148.2 bn, twice as high as in 2021.

Supplies of goods from Russia to the EU in 2022 increased by 25% and reached €203.4 bn (€230 mn less than the historical maximum of 2012). Imports of mineral products increased by 41%, nickel and its products by 45.1%, aluminum and its products by 22.1%, copper and its products by 8.8%, other non-precious metals by 90.1%, fertilizers by 45.1%, oilseeds and fruits by 14.9%. At the same time, the volume of supplies of ferrous metals to the EU decreased due to the EU ban on imports of steel and iron products from Russia. Imports of alloyed steel to the EU from Russia almost ceased in May. Volume of supplies of timber and timber products dropped significantly in the context of EU restrictions and Russia's ban on exports of timber to a number of countries.

Imports of goods from the EU into Russia fell by 38.1% to €55.2 bn, the lowest since 2005. The contraction in imports of European goods into Russia made the largest contribution to the reduction of Russian imports. According to the International Trade Centre[2] (ITC), imports of means of land transport, except for railway or tramway rolling stock and their parts and accessories into Russian territory from the EU declined for 11 months of 2022 as compared to the same period of 2021 by 75.7%, nuclear reactors, boilers, equipment and mechanical

1 Eurostat official website. URL: https://ec.europa.eu/eurostat/en/web/products-eurostat-news/w/ddn-20230303-1
2 Trade Map – Bilateral trade between European Union (EU 27) and Russian Federation.

devices — by 53.4%, electrical machinery and equipment — by 64.3%, optical instruments and apparatus — by 31.3%, plastics and articles thereof — by 43.4%, alcoholic and non-alcoholic beverages — by 13.3%.

The People's Republic of China is the Russian Federation's largest trading partner. In 2021, the trade turnover between the countries soared by 30% and reached the mark of $145 bn. In 2022, according to Chinese customs data, the trade turnover hit a record point of $190.27 bn, which was 29.3% higher than the same indicator of the previous year. Chinese exports of goods to Russia rose 12.8%, to $76.1 bn and imports from Russia rose 43.4% to $114.1 bn. Both countries want to reach the goal of $200 bn by 2024.

Russia has more than doubled its LNG exports to China in 2022 as part of the drive to diversify its energy imports. According to Gazprom, Russia's largest gas producer, Russian natural gas imports to China via the Power of Siberia pipeline surged by at least 50 percent in 2022. Russia's crude oil imports to China rose by 10% year on year in the first 11 months to nearly 80 mn tons.

China accounts for about 20% of Russia's trade turnover. In 2022, this share went up markedly due to the reduction in trade relations with Western countries.

According to OPEC forecasts, by 2030, two countries, China and India, will account for a quarter of global oil demand. Consequently, these countries will continue to increase their energy purchases from the Russian Federation. Given this and the growth of parallel imports in Russia, we should expect a further increase in Russian trade with China.

If we compare April-November 2022, when sanctions and restrictions began to take full effect, with the same period in 2021, we can note the complete collapse of Russian trade with the United States and Great Britain. Imports to Russia from the United States collapsed sevenfold, and from Great Britain fivefold (in fact, all financial, investment, and trade transactions with these countries were terminated).

As a result, India entered the top 10 of Russia's largest trading partners, replacing the United States. In 2022, the foreign trade turnover between Russia and India increased rapidly, exceeding the same indicator in 2021 by 3.7 times. The growth in trade turnover was due to a significant increase in the supply of Russian goods to India, while the supply of Indian goods to Russia declined. According to India's Ministry of Commerce and Industry,[1] India's imports of goods from Russia went up 4.8 times in 2022, as compared with 2021, while India's exports of goods to Russia dropped by 12%. The main factor behind India's import growth is a sharp increase in Russian oil supplies. According to Vortexa, Russia became India's largest oil supplier in October 2022, overtaking the traditional leaders Saudi Arabia and Iraq. In October, Russia supplied India with 946,000 bpd, or 22% of India's total crude oil imports. Iraq accounted for 20.5% and Saudi Arabia for 16%.

As a result, India's negative trade balance went up 7.5 times in 2022 compared with the previous year. Indian authorities intend to increase their exports to Russia to almost $10 bn in the coming months. However, some Indian companies

1 Ministry of Commerce and Industry of India official website. URL: https://tradestat.commerce.gov.in/meidb/default.asp

are wary of exporting to Russia because of possible sanctions from the West, lack of clarity on payments and problems with insurance.

In a difficult geopolitical environment, the development of trade relations between Russia and Turkey gets a special impetus. In 2021, trade turnover between these countries amounted to $34.7 bn, i.e. reached a fairly high level if compared to previous years. Especially compared to 2016 and 2017, when trade turnover dropped significantly during the cooling of relations between our countries. During that period, it fell to less than $25 bn. In 2022, the foreign trade turnover between the countries almost doubled (up to $68.2 bn) compared to 2021. Import of Russian goods into Turkey more than doubled — from $28.96 bn to $58.86 bn, import of Turkish goods into Russia soared by 62% — from $5.77 bn to $9.35 bn.

There are several reasons why Turkey is currently one of the most favorable partners for Russia. Firstly, Turkey does not support anti-Russian sanctions. Secondly, this country is a convenient partner in terms of logistics.

Thirdly, Turkey is ready to replace brands, which have left the Russian market. A promising area is Turkish fast food, which is now actively aiming at Russia. The Turkish brands LK burger and LK pizza, Arabica Coffee House, the Turkish chain Gagawa, specializing in chicken meat dishes and others are seriously considering the possibility of developing their chains in Russia.

Turkish textile and clothing brands are also taking a close look at the Russian market. In Turkey there is an association called the Union of United Brands, which comprises 554 Turkish brands, of which only 32 are represented in Russia, i.e. less than 6%.

Fourthly, the development of Turkish production on Russian territory is promising. Representatives of this sphere of business understand that they can now occupy a good niche: since supplies between Russia and many Western countries are disrupted, it is possible to localize production here. Especially since Turkey currently has a high inflation rate: the lira is falling, and, of course, in this environment a large Russian market with a lower inflation rate than in Turkey is attractive (in 2021, 28.7%).

Another promising area of cooperation is the increase in export flows of Russian goods to Turkey. Today, Turkish B2B-marketplace TurkishExporter, which is the largest electronic trading platform in Turkey (more than 2 million users, 180 thousand companies, annual traffic of 7.3 million visits) offers Russian companies extensive opportunities and mechanisms for quick selection of partner, distributor or buyer of Russian products with a view to the Turkish and nearby markets. The platform was originally created to raise export sales of Turkish companies, but today this trading platform is being developed as an opportunity for companies from all over the world to find a relevant partner in a number of markets, including Turkey.

Traditionally, enhanced cooperation between the countries in the construction market continues. This includes both the direct activity of Turkish companies as contractors and the supply of construction materials. In 2021, Turkish construction companies implemented projects worth around $85 bn in Russia. Turkey is likely to intensify its activity in this area. Turkey will also play an increasing role in the supply of household appliances, paper products and household chemicals.

Russia remains a leading exporter not only of energy, but also of other goods, from fertilizers and asbestos and from nuclear reactors to wheat. International automakers still depend on palladium and rhodium from Russia to produce catalytic converters. French nuclear power plants depend on Russian uranium, and Belgium cannot give up its diamond trade with Russia. Therefore, many countries have not only failed to give up trade with Russia, but have also increased their foreign trade turnover (*Table 22*).

Table 22

Main changes in regional pattern of Russian foreign trade

	Change in the average monthly volume of Russian foreign trade after the start of the SMO compared to the average for the previous 5 years, %
India	410
Turkey	298
Brazil	206
Belgium	181
PRC	164
Spain	157
Netherlands	132
Japan	113
Germany	97
South Korea	83
USA	65
Sweden	24
Great Britain	21

Source: The New York Times. Russian Trade Boomed After Invading Ukraine, Providing Ample War Funds. URL: https://www.nytimes.com/interactive/2022/10/30/business/economy/russia-trade-ukraine-war.html

3.7.5. Regulation of Russian foreign trade[1]

In the context of growing geopolitical and economic tensions, Russian foreign trade has got into dire straits. Many production and logistics chains related to export-import and financial transactions, as well as interaction with foreign companies that have announced winding up of their activities in Russia, have been disrupted. Business is looking for new opportunities, and the task of the Russian government is to take support measures to adapt to the new environment in these conditions.

Tariff regulation

Export customs duties

In 2022, the rates of export duties on crude oil and petroleum products were calculated in accordance with the methodology approved by Resolution No. 276

1 Materials from the information and legal portal GARANT.RU were used to prepare this section.

of the Government of the Russian Federation of March 29, 2013 “On calculation of the rates of export customs duties on crude oil and certain categories of goods derived from oil” (*Table 23*).

Table 23

Export duty rates on crude oil and petroleum products in 2020–2021, USD/t

	Crude oil	Petroleum products	
		Light oil products	Dark oil products
2021			
January 1	38.7	11.6	38.7
February 1	43.8	13.1	43.8
March 1	49.6	14.8	49.6
April 1	57.6	17.2	57.6
May 1	54.9	16.4	54.9
June 1	58.8	17.6	58.8
July 1	61.5	18.4	61.5
August 1	67.8	20.3	67.8
September 1	64.6	19.3	64.6
October 1	62.8	18.8	62.8
November 1	71.2	21.3	71.2
December 1	77.5	23.2	77.5
2022			
January 1	46.7	14.0	46.7
February 1	47.7	14.3	47.7
March 1	58.3	17.4	58.3
April 1	61.2	18.3	61.2
May 1	49.6	14.8	49.6
June 1	44.8	13.4	44.8
July 1	55.2	16.5	55.2
August 1	53.0	15.9	53.0
September 1	52.0	15.6	52.0
October 1	44.4	13.3	44.4
November 1	42.7	12.8	42.7
December 1	43.3	12.9	43.3

Sources: RF Government Decree, information of the RF Ministry of Economic Development.

The Decree of the RF Government of March 31, 2022 No. 532 has established that the rate of the export duty on sunflower meal exported from the Russian Federation outside the territory of the EAEU is calculated in accordance with the established Statute on the calculation and application of the rate. The Regulation determines the formula for calculating the export duty on sunflower meal. The rate of the export duty is calculated by the Ministry of Agriculture of the Russian Federation. The Regulation entered into force on May 1, 2022 and was in force up to August 31, 2022.

The Decree of the Government of the Russian Federation of March 31, 2022 No. 531 has introduced changes to the Decree of the Government of the Russian Federation of November 27, 2021 No. 2068 “On rates of export customs duties on goods exported from the Russian Federation outside the customs territory of the EAEU” in respect of other flax seeds. For the period from May 1 through August 31, 2022 a temporary combined export duty rate of 20% but not less than \$100 per 1,000 kg was set.

Decree of the RF Government No. 2188 of November 30, 2022 has amended Decree of the RF Government No. 2068 of November 27, 2021 “On rates of export customs duties on goods exported from the Russian Federation outside the customs territory of the EAEU”. According to the amendments, temporary zero rates of the export customs duty are set for mineral fertilizers, goods of the given group in pills or in similar forms, or in packages with the gross weight not exceeding 10 kg. The tariff will be valid up to December 31, 2023 provided that the customs value per ton of these types of fertilizers when exported outside the EAEU does not exceed the amount equivalent to \$450. If the said level of customs value is exceeded, the export customs value rate is applied at the rate of 23.5% of the difference between the customs value and \$450. The Resolution entered into force on January 1, 2023.

Import customs duties

Decision of the EEC Council of March 17, 2022 No. 37 amended the decision of the Customs Union Commission of November 27, 2009 No. 130 “On the common customs-tariff regulation of the EAEU” in terms of the establishment of tariff benefits for the payment of import customs duties on several goods within the counter-sanctions.

The lists of goods which are subject to exemption from payment of import customs duty up to September 30, 2022 when they are placed under the procedure of release for domestic consumption were established. These are food products and goods used in their production; goods used for the production and sale of food products; goods used for the production of pharmaceutical products; goods used for the production of electronic products; goods used for the development of digital technology; goods used for the production of light industry products; goods used for the production of metallurgical products; goods used in the construction industry, as well as goods used in the transportation sector.

The tariff concession is granted subject to the submission to the customs authority of the EAEU member state of confirmation of the intended use of the imported goods issued by the authorized body of the member state and containing information on the classification, quantity, value of such goods, as well as on the organizations that are importing. The decision entered into force on March 28, 2022.

Decision of the EEC Council of April 05, 2022 No. 46 and Decision of the EEC Board of April 12, 2022 No. 63 introduced an additional list of goods for which temporary zero rates of import duties and tariff benefits (more than 900 items). The decisions entered into force on April 25, 2022.

Decision of the EEC Board No. 25 of February 15, 2022 sets a zero rate of import customs duties on certain types of wood pulp semi-bleached or bleached of deciduous species from June 1, 2022 up to May 31, 2023.

Decision of the EEC Council No. 34 from March 17, 2022 a zero rate of import customs duty is established for a period up to April 30, 2023 for apricot puree, pear puree and peach puree. The temporary zero rate of import customs duty will be applied to aniline and its salts, fabrics from synthetic fibers up to April 30, 2025.

Decision of the EEC Board of March 15, 2022 No. 41 set the rate of import customs duty CCT EAEU for industrial fatty alcohol at 0% of the customs value from the date of entry into force of this decision up to March 31, 2025.

Decision of the EEC Board of March 15, 2022 No. 42 established rates of import duties on waste and scrap precious metals at 0% of the customs value from the date of entry into force of this decision up to December 31, 2025.

The list of goods in respect of which temporary zero rates of import customs duties are established was approved by Decision of the EEC Council No. 46 of April 05, 2022. Temporary zero customs duty rates have been agreed for 537 items of critical imports. Those are, in particular, certain types of organic chemical compounds and products of inorganic chemistry, certain types of parts for machinery, equipment and mechanisms, certain types of leguminous crops and certain types of paper and cardboard.

RF Government Decree No. 956 of May 27, 2022 included new items in the list of manufacturing equipment, the import of which is exempt from VAT if it does not have analogues in Russia, previously approved by RF Government Decree No. 372 of April 30, 2009. The list includes a complex of equipment for the manufacturing of large-scale reinforced concrete modules for housing construction and a line of equipment for the production of MDF boards.

Decision of the EEC Board No.116 of August 16, 2022 specified import duty rates for certain types of components for electric hand tools at the rate of 0% of the customs value for the period from July 1, 2022 up to June 30, 2023. Corresponding amendments have been made to the Single Customs Tariff of the Eurasian Economic Union (EAEU).

Decision of the EEC Board No. 135 of September 28, 2022 determines the rates of import customs duties of the ETT EAEU for certain types of goods. Inulin, fish oil, sugar-free cocoa powder, vitamin mixtures for balanced nutrition, refractory clay, detergents and cleaners, refractory cements, etc. are included in the list of zero rates - a total of 110 items.

EEC Board Decision No. 154 of October 25, 2022 established that a zero import customs value rate will be applied to certain types of food products and pushbuttons from October 1, 2022 up to March 31, 2023.

Tariff quotas

Decree of the Government of the Russian Federation of March 16, 2022 No. 380 establishes that annually will be determined the maximum volume of export of certain types of timber to the countries — members of the Eurasian Economic

Union (EAEU). The size of quotas for the export of timber in 2022 to Armenia, Belarus, Kazakhstan and Kyrgyzstan is set. The procedure for calculating the quotas for 2023 and subsequent years was also established. Export licenses are issued by the Ministry of Economic Development. It is determined that the export of timber from the territory of the Russian Federation is carried out only by rail to Belarus, Kazakhstan and Kyrgyzstan and to Armenia — by road transport only through "Upper Lars". Control over the volumes of timber exported will be carried out through the USAIS for timber accounting.

RF Government Decree No. 670 of April 15, 2022 amended Government Decree No. 1910 of November 03, 2021. According to the amendments, current export quotas for Russian producers of mineral fertilizers were temporarily raised by almost 700,000 tons. Thus, the quota for export of nitrogenous fertilizers has been increased by 231,000 tons, amounting to about 5.7 mn tons. The export quota for compound fertilizers was increased by 466,000 tons to 5.6 mn tons.

Decree of the Government of the Russian Federation of May 28, 2022 No. 972 from June 1, 2022 to July 31, 2022 tariff quota for export outside the Russian Federation to the states that are not members of EAEU, scrap and waste of ferrous metals exported in line with the customs export procedure in the total volume 540,000 tons.

Decree of July 31, 2022 extended the quota for exports of scrap and waste of ferrous metals outside the EAEU. From July 31 to the end of the year, the quota is equal to 1,350,000 tons. When exporting metals within the quota, the duty is 5% (minimum €100 per 1 ton), and when exceeding the quota — 5% (but minimum €290 per 1 ton). Until July 31, there was a quota of 540 thousand tons.

RF Government Decree No. 1392 of August 06, 2022 a quantitative restriction on export of liquid, granulated and clod lump sulfur in the amount of 1.1 mn tons was introduced from August 10 up to December 31, 2022.

Decision of the EEC Board No. 117 of August 16, 2022 sets the volume of tariff quotas for 2023 in relation to certain types of goods originating from the Republic of Serbia and imported into the territory of the EAEU member states in line with the Agreement between the EAEU and Serbia of October 25, 2019.

Decree of the RF Government of August18, 2022 No. 1434 established from September 3 up to December 3, 2022 a quantitative restriction on export of recycled paper and paperboard (waste paper and paperboard) that are essential to the domestic market of the Russian Federation outside the territory of Russia to countries, which are not members of the EAEU, when placing them under the customs export procedure in the amount of 30,000 tons.

Decision of the EEC Board of August 23, 2022 No. 119 established tariff quotas for some types of meat products and milk for 2023. For all countries, except for Armenia, the quotas remained at last year's level. It is established that the tariff quotas apply to agricultural products imported into the customs territory of the EAEU placed under the customs procedure of release for domestic consumption except for products originating in and imported from CIS member states.

Import bans and restrictions

Executive Order of the President of Russia No. 100 of March 08, 2022 established additional anti-sanctions measures. Until December 31, 2022, a ban was imposed on the export outside the Russian Federation and (or) the import into the Russian Federation of products and (or) raw materials according to the lists determined by the Government of the Russian Federation. Restrictions are also imposed on the export and (or) import of products and raw materials in accordance with the lists established by the Government of the Russian Federation. The Executive Order was signed in addition to the measures provided for by the Executive Orders of February 28 "On application of special economic measures in connection with unfriendly acts of the USA and foreign states and international organizations joining them" and of March 1 "On additional provisional economic measures aimed at ensuring financial stability of the Russian Federation".

Decree of the Government of the Russian Federation No. 302 of March 06, 2022 introduced a temporary ban on the export of foreign medical devices from the country, which were delivered from the states that joined the sanctions and were in importers' warehouses or underwent customs procedures. The temporary ban also applies to goods that had been placed under customs procedures prior to the entry into force of this Decree and the actual export of which was to be carried out after the entry into force of this Decree. The Decree entered into force from the date of its official publication and shall be valid until December 31, 2022.

A temporary ban on the export of goods from the Russian Federation in accordance with the established list was introduced by RF Government Decree No. 311 of March 09, 2022 up to December 31, 2022. The list of goods prohibited for export includes, in particular, pharmaceutical products, ordinary drill pipes, cooperage products, ferrous metal compressed or liquefied gas tanks, hand tools, replaceable work tools for hand tools with mechanical drive, nuclear reactors, steam boilers, dish washers, hoists and elevators, fork-lift trucks, etc. The list of countries for which there is a ban on export is specified. Earlier this list was established by Edict of the Government of the Russian Federation No. 430-r of March 05, 2022.

Within the framework of the RF President Executive Order of March 08, 2022 No. 100 "On application of special economic measures in the sphere of foreign economic activity in order to ensure security of the Russian Federation", a temporary ban on export of certain types of timber from the Russian Federation to foreign countries and territories was introduced by RF Government Decree of March 09, 2022 No. 313 till December 31, 2022. A list of foreign states and territories in respect of which the export ban is introduced has been determined. The list of certain types of goods in respect of which a temporary export ban is introduced has also been approved.

RF Government Decree No. 361 of March 15, 2022 introduced a temporary ban on the export of white sugar and raw cane sugar from the Russian Federation to third countries amid high demand and rising prices for the product. The restriction was in effect until August 31. At the same time, preferential import of sugar into the EEU countries was extended in summer until the end of October 2022.

RF Government Decree No. 362 of March 14, 2022 placed a temporary ban on export of wheat, meslin, rye, barley and corn from the Russian Federation, including to the countries of the EAEU, from March 15 up to June 30, 2022. Having said that, according to the Decree of March 31, export of the above crops to the EAEU countries was already permitted by order of the Agriculture Ministry.

Under RF Government Decree No. 529 of March 31, 2022 a temporary ban on export of rapeseed and sunflower seeds from the Russian Federation was introduced from April 1 up to August 31, 2022. There are cases where temporary ban does not apply, for example, when seeds are exported to the EAEU states, Abkhazia, South Ossetia, DNR and LNR; for goods exported by individuals for personal use, etc.

RF Government Decree of June 30, 2022 No.1171 “On temporary ban on export of rice and rice groats from the Russian Federation and on amendments into some acts of the Government of the Russian Federation” and RF Government Decree of June 30, 2022 No.1169 “On temporary ban on export of amino acids from the Russian Federation” restricted export of feed amino acids, rice and rice groats from July 1 up to December 31, 2022. Restrictions on export of rice and rice grits do not apply to export to the countries of the Eurasian Economic Union and within the frameworks of international intergovernmental agreements, and restrictions on export of feed amino acids will not affect the Eurasian Economic Union, Abkhazia, South Ossetia, DNR and LNR. The measures are aimed to ensure food security of the country, as well as to maintain price stability. In addition, the restriction on the export of feed amino acids will support livestock breeding and processing industries.

RF Government Decree No. 1580 of September 08, 2022 imposed a temporary ban on export of rapeseed from September 9, 2022 up to February 28, 2023 in connection with growth of global demand on this type of products due to growth of prices. Exports to EAEU member states and countries with which an intergovernmental agreement was signed were allowed.

RF Government Decree No. 1519 of August 31, 2022 imposed a temporary ban on the export from the Russian Federation of waste and scrap containing precious metals or metals plated with precious metals, other waste and scrap containing precious metal or compounds of precious metals used primarily for the extraction of precious metals, and waste and scrap of electrical and electronic products used primarily for the extraction of precious metals, which are essential for the domestic market of Russia.

In August 2014, Executive Order of the Presidential of Russia No. 560 of August 06, 2014 “On certain special economic measures aimed to ensure security of the Russian Federation” imposed a ban on import of certain types of agricultural products, raw materials and food products from the countries that imposed anti-Russian sanctions. Certain products, agricultural products and raw materials — beef, pork, fish, most vegetables, sausages, cheese, etc. are restricted for import into Russia (RF Government Decree No. 778 of August 07, 2014). As the sanctions imposed by foreign countries persisted, the Russian Federation extended its retaliatory measures as well. Executive Order of the President of the Russian

Federation of September 20, 2021 No. 534 “About extension of action of some special economic measures for safety of the Russian Federation” prolonged food embargo for the period from January 1 till December 31, 2022.

RF Government Decree No. 1843 of October 17, 2022 amended the List of agricultural products, raw materials and food products banned for import into the Russian Federation, approved by Decree of the Government of the Russian Federation No. 778 of August 07, 2014, and the Rules for destruction of products banned for import from the USA, Canada, Australia, Norway and EU countries, approved by Decree of the Government of the Russian Federation No. 774 of July 31, 2015.

In order to implement Executive Order of the President No. 725 of October 11, 2022 “On prolongation of certain special economic measures in order to ensure security of the Russian Federation” the Government of the Russian Federation prolongs the validity of these Decrees until December 31, 2023.

RF Government Decree of March 29, 2022 No. 506 stipulates that on proposals of federal executive bodies the Ministry of Industry and Trade of Russia is instructed to approve lists of goods (groups of goods), in respect of which the provisions of subparagraph 6 Art. 1359 and Art. 1487 of the Civil Code of the Russian Federation, provided the said goods (groups of goods) are put into circulation outside the territory of the Russian Federation by the right holders (patent holders), as well as with their consent.

In early May, the Ministry of Industry and Trade approved the list of goods subject to parallel imports. It includes more than 50 categories of goods, including cars (Volkswagen, Skoda, BMW, Toyota, etc.), electronics (Apple, Samsung, Sony, etc.), household appliances (Siemens, Dyson, etc.) and game consoles (Xbox and PlayStation).

The list will be adjusted: it can be both expanded and diminished depending on the decisions of foreign companies to work in Russia. The list is supposed to be updated quarterly or bi-monthly. Thus, with Order No. 2299 of June 03, 2022, the Russian Ministry of Industry and Trade adjusted the list of goods for parallel imports, the nomenclature for BMW and Siemens was expanded, while a number of brands that guaranteed supplies were, on the contrary, excluded.

Information of the Ministry of Industry and Trade of August 04, 2022 communicates that the list of goods for parallel imports includes reagents and consumables for equipment for cancer treatment, brands of auto parts, products of radio electronic, chemical industry and other goods. It is also reported that some brands of perfumes and cosmetics are removed from the list of exceptions due to the lack of products of these manufacturers in retail chains.

The Order of the Ministry of Industry and Trade of October 21, 2022 No. 4456 amended the list of goods in relation to which the provisions of subparagraph 6 Art. 1539 and Art. 1487 of the Civil Code, provided these products are put into circulation outside Russia by right holders, approved by the Order of the Ministry of Industry of April 19, 2022 No. 1532. This list includes certain brands of alcoholic beverages (Aberfeldy, Aerstony, Bell’s, Bulleit, Cupper Dog, Oban, Sheridan’s, Jose Cuervo, etc.).

The new version contains the 27th group of TN VED EAEU — "Mineral fuels; oil and products of their distillation; bituminous substances; mineral waxes". This group is supplemented with new commodity brands of manufacturers — in particular, such as Mitsubishi, Mobil, Shell, Mercedes, etc. New commodity brands of manufacturers of perfumes, cosmetics and other care products have been introduced. The list was also supplemented with brands of automotive spare parts, chemical industry products, toys and other goods.