

FOREIGN TRADE IN APRIL 2013

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A complicated global economic situation has a negative effect on development of the foreign economic sphere of the Russian Federation. Early in 2013, worsening of the trade balance of the Russian Federation was observed: with reduction of export supplies import has increased. The member-states of the Customs Union keep introducing antidumping duties against goods from China.

In the regular IMF Report – The World Trade Prospects¹ – published in April 2013, the 2013 GDP growth forecast was reduced for the fourth time. In the report published in July 2012, the IMF forecasted that index at the level of 3.9%, while in October 2012, at the level of 3.6%. In January 2013, the IMF revised the forecast downward to 3.5%. In the new version of the report, in 2013 global GDP growth is expected at the level of 3.3%. Higher global economic growth is prevented by the debt crisis in Europe. It is expected that the economy of the euro area will decrease by 0.3% (a 0.1% decrease in the previous forecast); in 2014 growth of 1.1% is forecasted.

In the short-term prospect, the IMF is concerned about the high level of the public debt of the developed countries, including the US and Japan. Growth estimate of the US economy has been reduced from 2.1% to 1.9% and from 3.1% to 3% in 2013 and 2014, respectively.

Credit for the positive dynamics of the global economy, is still owned to developing countries, particularly, China. However, the forecast of economic growth in China was revised downward from 8.1 % to 8% and from 8.5 % to 8.2% in 2013 and 2014, respectively.

The forecast of Russia's economic growth rates was adjusted from 3.7% to 3.4% though last autumn the IMF estimated Russia's GDP growth rates at the level of 3.8%. The downward revision of the forecast was justified by a halt in growth in oil prices and slowdown of the domestic demand due to the above factor.

It is to be noted that the Ministry of Economic Development of the Russian Federation revised downward Russian GDP growth rates forecast more radically from 3.6% to 2.4%. According to the Ministry of Economic Development of the Russian Federation, such an adjustment of the forecast was justified, in particular, by slowdown of growth rates of investments in capital assets and decrease in the retail trade turnover from 5.6% to 4.3%. It is to be noted that the forecast of the average annual price on Ural oil was revised upward from \$97 a barrel to \$105a barrel.

According to the data of the World Trade Organization², in 2012 the world trade in goods showed the most sluggish growth in the past 30 years having increased by the mere 2%. In September 2012, the WTO forecasted that the growth rates of the world trade would amount to 2.5% in 2012. Such a difference can be explained by the fact that in the second half of 2012 the indices of developed countries got worse: they managed to increase their export by the mere 1% with a 0.1% reduction of import. The forecast of global trade growth in 2013 was revised downward to 3.3% as compared to 4.5% expected last September.

In 2014, WTO experts expect growth of up to 5% in global trade provided that the developed countries increase export and import by 1.4%, while developing countries (including the CIS states), by 5.3% and 5.9%, respectively.

On the basis of the results of 2012, in the rating of the leading commodity exporters, including EU countries, the Russian Federation was rated the 8th. In 2011, Russia was one place down. In the rating of the leading importers, the Russian Federation moved upwards from the 17th place in 2011 to the 16th place in 2012.

In February 2013, the Russian foreign trade turnover calculated on the basis of the methods of the balance of payments amounted to \$67.9bn which is 3.1% lower than the index of 2012. A decrease took place due to reduction of export which amounted to \$41.9bn which is 7.2% lower

1 <http://www.imf.org/external/russian/pubs/ft/weo/2013/01/pdf/texttr.pdf>

2 http://www.wto.org/english/news_e/pres13_e/pr688_e.htm

than in February 2012. It is to be noted that import showed positive dynamics having increased by 4.3% to \$26bn as compared to February 2012. As a result, in February 2013 the export surplus amounted to \$15.9bn which is 21.3% lower than the index of the previous year.

In February 2013, global markets prices on all the commodities of the Russian export grew insignificantly as compared to January 2013, however, as compared to February 2012 a decrease in prices was registered.

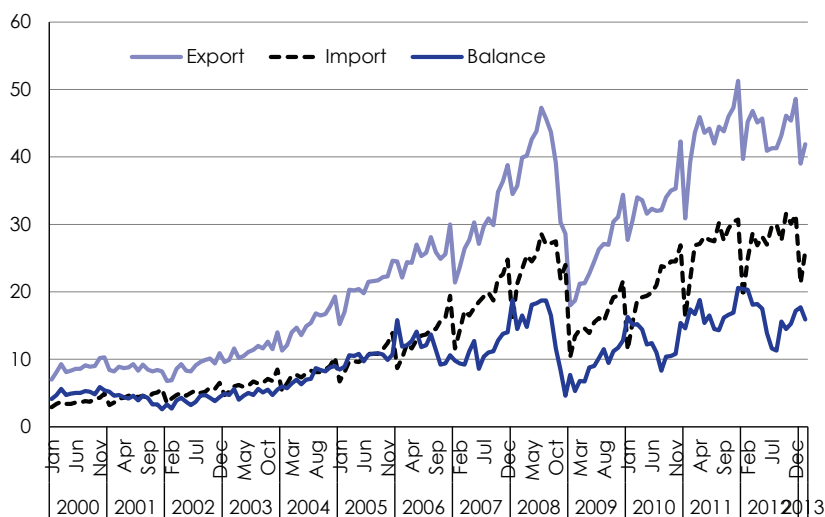
In February 2013, Brent oil prices increased by 3.1% as compared to January 2013, but as compared to February 2012 they fell by 2,7%.

It is to be noted that on February 9, 2013 the ten-month maximum – \$118.92 a barrel – was achieved and then a downtrend of prices took place.

In February 2013, Urals oil prices increased by 2.4% to amount to \$114.4 a barrel as compared to the previous month, but as compared to February 2012 the prices fell by 3.8%.

According to the monitoring of oil prices in the period of from March 15, 2013 till April 14, 2013, the average Urals price amounted to \$104.7 a barrel. In accordance with Resolution No.276 of March, 29, 2013 of the Government of the Russian Federation, from May 1, 2013 the export customs duty rate on crude oil will be reduced from \$401.5 a ton in April 2013 to \$378.4 a ton. From May 1, the reduced export duty for a number of deposits of Eastern Siberia and the Northern Caspian Sea will be reduced from \$197.1 a ton to \$179.8 a ton. The unified rate of the export duty on oil products will amount to \$249.7 a ton, against \$265 a ton in April 2013. The export duty on gasoline preserved at the level of 90% of the oil duty fell to \$340.6 a ton against \$361.4 a ton in April. In April, oil prices kept falling and on April 15, 2013 the Brent oil prices fell below \$100 a barrel for the first time since July 2012.

Early in 2013, the situation on the market of the main non-ferrous metals changed for the worse, too. In February 2013, prices on aluminum, copper and nickel fell by 4.5%, 7% and 13.3%, respectively as compared to February 2012.



Source: The Central Bank of the Russian Federation.

Fig. 1. The main indices of Russian foreign trade (billion USD)

Table 1

MONTHLY AVERAGE GLOBAL PRICES IN FEBRUARY OF THE RESPECTIVE YEAR

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------|---------|---------|-------|-------|---------|---------|--------|-------|--------|---------|--------|
| Oil (Brent), USD/a barrel | 32.1 | 30.9 | 44.8 | 59.7 | 58.26 | 92.66 | 43.87 | 73.8 | 104.1 | 119.7 | 116.5 |
| Natural gas*, USD/1m BTU | 3.67 | 3.89 | 5.49 | 7.95 | 8.56 | 10.84 | 11.04 | 8.8 | 9.36 | 11.12 | 11.77 |
| Gasoline, USD/a gallon | 1,045 | 1,045 | 1.37 | 1,734 | 1,662 | 2.48 | 1,262 | 2.16 | 2.70 | 3.14 | 2.79 |
| Copper, USD/a ton | 1705.9 | 2759.0 | 3254 | 4982 | 5671.1 | 7887.7 | 3314.7 | 6899 | 9867.6 | 8441.5 | 8060.9 |
| Aluminum, USD/a ton | 1428.04 | 1685.6 | 1883 | 2455 | 2759.14 | 2776.9 | 1330.2 | 2061 | 2508.2 | 2207.9 | 2053.6 |
| Nickel, USD/a ton | 8619.64 | 15178.3 | 15350 | 14979 | 41154.5 | 27955.5 | 10409 | 19141 | 28252 | 20393.7 | 17690 |

* The market of Europe, average contract price, Franco-border.

Source: calculated on the basis of the data of the London Metal Exchange (London, the UK) and the Intercontinental Oil Exchange (London).

According to the data of the UN Food and Agricultural organization (FAO), in February 2013 the average value of the FAO index of food prices amounted to 210 points and did not change much as compared to the value registered in January, however, it fell by five points as compared the respective period of last year. From November 2012, the average value of the Index has been fluctuating within a narrow band from 210 points to 212 points, as growth in prices on dairy products and vegetable oil and fats was largely compensated by a drop in prices on grain and sugar. Within the above period, prices on meat remained stable. In February, growth in prices on dairy products, as well as vegetable oil and fats was registered, while prices on grain and sugar kept falling.

In February 2013, the export-reduction trend consolidated. If in November 2012 Russian export decreased as compared to the respective month of the previous year by 1.7% and in December 2012 and January 2013, by 4.2% and 1.6%, respectively, in February 2013 it fell by 7.2%. It is to be noted that a decrease in export took place over the entire expanded nomenclature of goods. The largest reduction was observed in export supplies of precious stones and precious metals and goods made of them (a decrease of 23.7%), as well as metals and metal products (17.2%). The export of fuel and energy commodities fell by 7.8% due to a decrease in oil prices and physical volumes of export of oil. The monetary volume of export of natural gas decreased as well due to a reduction of physical volumes with insignificant growth in prices. The export of machines and equipment fell by 5.3%, while that of food products, by 7.5%.

Growth in export supplies was observed over the three groups of commodities whose share in the total volume of Russian export amounted to 8%. So, export of chemical produce and natural rubber increased by 3.6%; the export of raw skin, fur skins and products made of it grew by 69.6% and that of wood and pulp and paper products rose by 0.7%.

As regards the import, the trend of slow growth in import volumes continues. In February 2013, Russian import increased by 4.3% as compared to February 2012. Insignificant growth in import was observed virtually over the entire expanded nomenclature of goods, except for machines, equipment and means of transportation which import decreased by 2.7% as compared to February 2012.

Having become a full member of the World Trade Organization, the Russian Federation together with member-states of the Customs Union (CU) continues to adopt different instruments of the trade policy, particularly, the practice of application of antidumping duties to protect the domestic market.

Before April 2013, seven antidumping duties – introduced on the initiative of Russian companies – were in effect to protect enterprises of the Customs Union. The main goods in respect of which antidumping investigation in the Customs Union took place included metals and products made of them. In addition to the above, one antidumping measure was aimed against the Ukrainian export of synthetic fiber. The states against which antidumping measures were aimed at were China and Ukraine. In April 2013, another two antidumping duties were introduced against import of products from China.

By Resolution No.64 of April 9, 2013 of the Board of the Eurasian Economic Commission it was decided to introduce for the period till January 25, 2018 included an antidumping duty of 51.87% of the customs value of cast-iron enameled bath tubs imported from China. The decision will become effective on May 26, 2013. Prior to completion of the antidumping investigation, a preliminary antidumping duty was introduced in respect of Chinese cast-iron bath tubes on January 26, 2013. After the investigation was completed, the antidumping duty was introduced for the period of five years. The antidumping investigation showed that in 2011 in supplying of cast-iron enameled bath tubs from China and importing them to the Customs Union from other countries the dumping margin amounted to 51.87%. In the 2009-2011 period, the import of cast-iron enameled bath tubs from China to the countries of the Customs Union increased by 48.4%; it is to be noted that Chinese supplies accounted for 82% in the total volume of import of those goods. With preservation of the volume of consumption of cast-iron bath tubs in 2011 at the level of 2009, the output volume and sales volume of enterprises in the countries of the Customs Union fell by 16.8% and 26%, respectively, while commodity stocks increased by 50%. It is to be noted that the share of goods produced by enterprises of that industry in the Customs Union fell by 15.2% on the domestic market against growth in import from China at dumping prices.

By Resolution No. 65 of April 9, 2013 of the Board of the Eurasian Economic Commission it was decided to introduce an antidumping duty of 19.5% in respect of hard-wrought, seamless tubes made

of stainless steel brought to the territory of the Customs Union. The antidumping measure in question will be in effect for five years. The antidumping investigation was started by the Ministry of Industry and Trade of the Russian Federation on November 25, 2011 on the basis of application submitted by OAO Chelyabinsky Truboprokatny Zavod, OAO Pervouralsky Novotrubny Zavod, OAO Sinarsky Trubny Zavod and OOO TMK-INOKS. As member-states of the Customs Union delegated authorities related to carrying out of antidumping, special protection and compensation investigations to the supranational level, the above investigation was assigned to the Eurasian Economic Commission.

The investigation showed that in the 2008–2010 period the share of import from China in the total volume of import of seamless stainless steel tubes to the Customs union was growing steadily and amounted to 78.8 % in 2010. In the second half of 2010, that index rose to 81.3%, while in the first half of 2011 it amounted to 63.2%. In 2010, the weighted average price on such tubes from China fell by 15.2% as compared to 2008. The single dumping margin for all the exporters and/or manufacturers of seamless stainless steel tubes from China amounted to 19.15%. In the 2008–2010 period, with a 48.2% growth in consumption of stainless steel in the Customs Union output volumes at enterprises of the Customs Union fell by 9.1%. Due to dramatic growth in import of such tubes from China at dumping prices, the share of the CU produce on the domestic market fell by 12 p.p., while that of the Chinese import rose by 31.6 p.p.

In conditions of tough dumping price competition on the part of the increased dumping import from China, a decision was taken to introduce antidumping duties. ●