

## FOREIGN TRADE

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*In May 2013, a trend of reduction of the Russian trade surplus which started in June 2012 continued. The US, Turkey and Japan joined the claim against Russia filed by the European Union on July 2013 to the Court of the World Trade Organization. The Russian side intends to take every effort to reach an amicable settlement by means of consultations to avoid sanctions. In its turn, the Customs Union of Russia, Belarus and Kazakhstan has advised the WTO that it intends to introduce economic sanctions in respect of Ukrainian goods. From July 15, 2013, temporary restrictions have been imposed on import to Russia of finished meat and dairy products from Greece and some enterprises from Lithuania.*

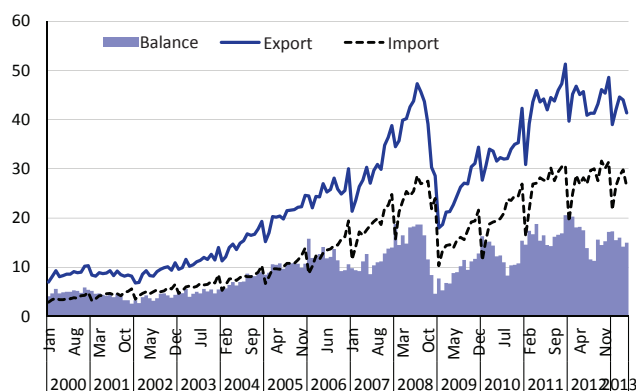
In May 2013, the Russian foreign trade turnover calculated on the basis of the methods of the balance of payments amounted to \$67.8bn which is 8.1% lower than the index of May 2012. The export fell by 8.9% to \$41.4bn, while the import, by 6.2% to \$26.4bn. From June 2012, the trend of reduction of the trade balance surplus as compared to the same period of the previous year prevailed: in May 2013 it decreased by 14% to \$15bn as compared to May 2012.

In May 2013, a decrease in export was a result of both a drop in prices on the main commodities of the Russian export and reduction of physical volumes of export supplies: in May 2013 the index of the physical volume of goods exported by Russia amounted to 97.7% on May 2012, while the index of average export prices, to 95.5%.

Import purchases decreased dramatically in physical terms: in May 2013 the index of the physical volume of import amounted to 85.3% on May 2012. It is to be noted that import prices turned out to be higher than in May 2012: the index of average prices of imported goods amounted to 100.8%.

As compared to May 2012, in May 2013 the conditions of foreign trade worsened dramatically: the index of "trade conditions" of Russia with foreign states amounted to 94.7% (in May 2012 it was 108.3%), which situation is justified to a great extent by growth in prices on imported goods and a drop in export prices.

After a dramatic drop in prices on primary goods in April, prices stabilized in May. Having hit their minimum price level by the end of April, prices on oil and non-ferrous metals started to grow early in May. A growth factor was caused by worsening of the situation in the Middle East. The above developments had an effect, particularly, on the Brent oil price which appreciated to \$105.32 a barrel on May 5 (on May 1 it cost \$99.82 a barrel). However, the main factor behind growth was continued monetary stimulation. Early in May, several central banks declared that they were easing the mon-



Source: The Central Bank of the Russian Federation.

Fig. 1. The main indices of the Russian foreign trade (billion \$)

etary policy: the Reserve Bank of Australia reduced the interest rate by 0.25 p.p. to the national record low level of 2.75%, while the Central Bank of India, by 0.25 p.p. to 7.25%. In addition to the above, the European Central Bank cut the interest rate from 0.75% to 0.5%.

The International Energy Agency's report on good prospects of development of US shale oil deposits and preservation by OPEC states of quotas at the same level had a negative effect on the global oil market.

In June, Brent oil price fluctuated in the range of \$100.5 to \$106.02 a barrel. Early in July 2013, prices on Brent oil appreciated due to geopolitical instability caused by the situation in Egypt.

In May 2013, the price on Urals oil rose by 1.2% on the previous month and amounted to \$102.3 a barrel; as compared to May 2012 it fell by 6.1%. In January–May 2013, the price on oil amounted to \$107.2 a barrel or 92.9% of the respective period of the previous year.

The average price of monitoring of oil prices in the period from June 15 to July 14, 2013 amounted to \$105.05 a barrel or \$766.9 a ton. So, from August 1, 2013 the export duty on oil rose to \$379.8 a ton.

In July, it amounted to \$369.2 a ton. From August 1, 2013, the privileged rate on oil of Eastern Siberia, Caspian Sea deposits and the Prirazlomnoe deposit will amount to \$180.8 a ton against \$172.9 a ton in July. From August 1, the duty on light and dark oil products will amount to \$250.6 a ton. From July 1, it was set at the level of \$ 243.6 a ton. On the basis of the ratio of 0.9, from August 1 the duty on export of petrol will be raised to \$341.8 a ton from \$332.2 a ton in July. In August, the duty on condensed gas will be reduced to \$40.5 a ton; in July it was at the level of \$45.2 a ton.

In May 2013, global prices on nonferrous metals kept falling which situation was largely justified by weak macroeconomic indices in Western Europe, the US and China. According to the data of the London Metals Exchange, in May as compared to May 2012 prices on aluminum, copper and nickel fell by 8.5%, 8.7% and 12.2%, respectively. As compared to April 2013, prices on aluminum and nickel fell by 1.4% and 4.4%, respectively, while prices on copper rose by 0.2%. In January–May 2013, as compared to the respective period of the previous year aluminum, copper and nickel depreciated by 8.4%, 7.0% and 12.1%, respectively.

Prices on gas showed positive dynamics as compared to the previous year. According to the data of the World Bank, in May 2013 prices on natural gas in Europe increased by 5.6% and decreased by 4.6% as compared to May 2012 and April 2013, respectively.

In May 2013, the FAO food price index exceeded by 10 points the index of May 2012, but fell slightly as compared to the index of April 2013: from 215.8 points to 215.2 points. A decrease in May took place due to a drop in prices on dairy products and sugar; the above drop was virtually compensated completely by growth in prices on crops. Prices on butter and meat remained virtually unchanged.

According to the data of the Bank of Russia, in January–May 2013 the Russian foreign trade turno-

ver amounted to \$343.9bn which is 1.9% lower than the respective index of 2012. The export fell by 5.2% to \$210.9bn, while import rose by 3.8% to \$133bn. In January–May 2013, the positive surplus of the trade balance of the Russian Federation amounted to \$77.9bn which is 17.3% lower than the respective index of 2012.

Export supplies decreased over the entire expanded nomenclature of goods, except for wood and pulp and paper products whose export rose by 0.1% due to expansion of physical volumes, as well as machines, equipment and means of transportation whose export increased by 5%.

In January–May 2013, the most dramatic drop in export took place as regards the *food products and agricultural primary products* item (-19.3%) and the *metals and products made of metals* item (-14.3%). The export of oil, oil products and fertilizers was 9%, 4.9% and 14.4% lower, respectively, than within 5 months of 2013.

As regards the import of goods to Russia, slight growth was registered over the entire nomenclature of goods. So, import of food products and agricultural primary products rose by 5.9%, while that of chemical produce, by 8.2%. The import of metals and products made of metals and textile, textile products and footwear increased by 5.2% and 8.8%, respectively.

Import supplies of leather footwear and knitted and textile clothes increased by 5.3% and 103.8% (in monetary terms), respectively, while those of cotton cloth, by 108.5% (in physical terms). It is to be noted that within five months of 2013 production of footwear decreased by 2.1% on the same period of 2012, while that of knitted goods and cotton cloth, by 5.7% and 2.2%, respectively. As a result, the share of import goods on the domestic market has increased.

On July 9, 2013, the European Union filed a claim against Russia to the WTO Court as regards a utilization duty on cars. The European Union expected

Table 1

## MONTHLY AVERAGE GLOBAL PRICES IN MAY OF THE RESPECTIVE YEAR

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Oil (Brent), USD/a barrel	25.21	25.34	37.9	47.8	68.68	67.64	119.4	58.63	76.99	114.5	110.5	103,03
Natural gas*, USD/1m BTU	2.83	4.04	3.95	5.89	8.28	7.98	12.38	8.09	7.27	10.3	11.64	12,29
Copper, USD/a ton	1596.2	1667.5	2720.0	3254.0	8022.0	7682.2	83825	4568.6	6837.7	8927.05	7955.64	7249,4
Aluminum, USD/a ton	1344.3	1397.6	1615.7	1746.0	2852.0	2797.4	2902.9	1460.5	2040.53	2592.18	2007.63	1832,02
Nickel, USD/a ton	6764.0	8351.9	11068	16930.0	21038	52179.1	25735	12635	22008.2	24210	17068.2	14948

\* Market of Europe, average contractual price, Franco-border.

Source: The World Bank.

that the conflict situation around the utilization duty would be resolved before July 1 2013 with adoption of such amendments to the Law on Industrial and Consumer Waste as make equal the conditions of charging the duty from domestic and foreign manufacturers, however, the above amendments failed to be approved by that time as the State Duma went on summer holidays. Now, the dispute between the EU and Russia will continue within the frameworks of the WTO procedures.

On July 18, 2013, it became known that the US joined the dispute around the Russian utilization duty. On July 22, the delegation of Turkey to the WTO advised Russia and the European Union of its intention to join the above consultations. Turkey justified its intention by the fact that the utilization duty had an adverse effect on the Turkish export to Russia. On July 24, Japan informed the WTO Secretariat of its request to hold consultations with the Russian Federation as regards measures related to the utilization duty on cars.

According to the WTO rules, participants in the dispute are granted 60 days for reaching a so-called amicable settlement, that is, to solve the problem in the course of consultations. Upon the expiry of the above period, the plaintiff has the right to demand that an arbitral group is formed. Vladimir Chizhov, Permanent Representative of the Russian Federation at the WTO said that Russia would take every effort to reach an amicable agreement with the EU as regards the EU's claim by means of consultations in order to avoid sanctions.

In its turn, the Customs Union of Russia, Belarus and Kazakhstan advised the World Trade Organization that it intended to introduce economic sanctions in respect of Ukrainian goods.

From April 13, 2013, in order to protect domestic manufacturers in Ukraine a three-year special duty was introduced on import of cars with the engine volume of 1–1.5l (6.46%) and 1.5–2.2l (12.95%) with the base duty rate of 10%. The above measure caused protests of a number of countries, particularly, the

EU, the US and Japan. It is to be noted that Turkey has already decided to apply retaliatory sanctions: from July 12, 2013 it was granted the right to introduce an additional duty in the amount of 23% on the import of walnuts from Ukraine which measure was justified by Turkey's intention to make up for the loss of \$6.11bn caused by worsening of opportunities for the Turkish export to Ukraine.

Representatives of the Customs Union said that the loss incurred by Russia from introduction of the Ukrainian duties amounts to \$36.1m a year. To compensate the damage, Russia is going to suspend a number of concessions for Ukraine on which it agreed within the frameworks of accession to the WTO. As a result, customs duties on the import of Ukrainian sugar, cacao, chocolate, coal and thermo polished glass will be increased.

The decision of the Russian authorities is to be confirmed by the Eurasian Economic Commission -- the main executive body of the Customs Union. The date of the planned introduction of higher duties is not yet known.

In the course of inspection by experts of Rosselkhozadzor of enterprises producing finished meat and dairy products in Greece, violations of veterinary and sanitary requirements and norms of the Customs Union and Russia were found. In particular, instances of utilization of primary products – produced by enterprises which had no right to export its produce to the member-states of the Customs Union – for production of finished meat and dairy products were detected. Due to the above, from July 15, 2013 temporary limitations on import to Russia of finished meat and dairy products from Greece were introduced.

Also, from July 15, 2013, on the basis of the results of the inspection of enterprises and the veterinary system in Lithuania that was carried out in May Rosselkhozadzor introduced a ban on supplies of meat and finished food products from three Lithuanian enterprises to the Russian Federation. The ban is applied to pork, beef and finished meat products. ●