

FOREIGN TRADE IN JUNE 2013

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In June 2013, the Russian foreign trade key indicators saw an insignificant growth on a year-on-year basis. Growth in exports was determined by increase in physical volumes of exports against falling export prices, whereas growth in imports was governed by increase in import prices against contracting physical volumes of imports. On September 1, 2013, updates and amendments were made to the common customs tariff of the Customs Union as part of Russia's obligations to the WTO.

In June 2013, Russia's foreign trade turnover, measured through the balance of payments methodology, amounted to \$69.5bn, having increased by 2.5% vs. the value shown in 2012. In addition, both export and import supplies saw insignificant growth. In June 2013, exports increased by 1.8% against June 2012 and amounted to \$41.6bn, imports grew up by 3.6% to \$27.9bn. Though Russia's foreign trade balance was positive (\$13.7bn) in June 2013, its value declined by 1.7% against the previous year.

Terms of foreign trade deteriorated considerably in June 2013 as compared to June 2012. The terms of trade index of Russia with foreign countries showed 91.4 points (against 103.8 points in June 2012), which was basically governed by higher growth rates of prices of imported goods. In in H1 2013, the terms of trade index of Russia with other countries showed 94.9 points (against 107.8 points in H1 2012).

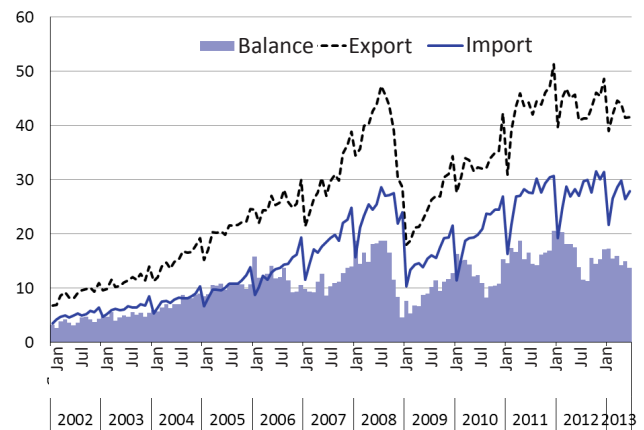
In June 2013, the price of Brent crude oil increased by 7.9% to \$103.11 per barrel against June 2012. In general, however, in H1 2013 the price appeared to be 5.1% less than in H1 2012.

In July 2013, the price of Brent crude oil was fluctuating within a range of \$102.97 and \$109.19 per barrel.

At the end of August 2013, prices in global markets began to grow in response to higher concerns about oil supplies from the Middle East facing a threat of potential US military operation against Syria.

The price of Urals crude oil increased by 0.6% in June 2013 against the previous month, having reached \$102.9 per barrel. The price of Urals crude oil increased 10.1% against June 2012. During January over June 2013, the price of Urals crude oil declined by 4.9% against 2012, having reached \$106.5 per barrel.

Average price of monitoring of Urals crude oil amounted to \$801.8 per ton in the period of July 15 thru August 14, 2013. As a result, crude export duty increased from \$379.8 per ton in August 2013 to \$400.7 per ton c September 1, 2013. A preferential rate of crude export duty for Eastern Siberia oil fields, two LUKOIL's oil fields in the Caspian Sea, as well as



Source: Central Bank of Russia.

Fig. 1. Russia's basic foreign trade indicators (billions of US dollars)

Gazprom's Prirazlom oil field amounted to \$196.5 per ton from September 1, 2013 against \$180.8 per ton in the preceding month. A preferential duty on high-viscosity oil approved at a rate of 10% of the general crude export duty increased up to \$40 per ton from September 1, 2013 from \$37.9 per ton in August. The export duty unified rate on light and dark oil products, other than gasolines were set \$264.4 per ton from September 1, 2013 against \$250.6 per ton in the previous month. Furthermore, the gasoline duty, which was retained at a level of 90% of the crude export duty, increased up to \$360.6 per ton in September 2013 from \$341.8 per ton in the previous month.

The global non-ferrous metal market saw basically falling prices in June 2013, having hit new lowest by the end of the month. This market has been facing a downtrend since February 2013. The downtrend has been supported by lower than anticipated growth rates in the economic development of China which has a considerable share in the actual demand for raw materials. According to the London Metal Exchange, in June 2013 prices of aluminum dropped by 3.6%, copper by 5.6%, nickel by 13.7% as compared to June

Table 1

MONTHLY AVERAGE GLOBAL PRICES IN JUNE IN 2003-2013

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Brent crude oil, USD per barrel	27.06	35.2	53.9	68.3	70.13	135.2	65.7	75.36	113.76	95.59	103.11
Natural gas (Europe), USD/1 million BTU	4.05	4.01	5.91	8.29	8.03	12.63	7.95	7.74	10.26	11.49	11.92
Gasoline, USD per gallon	0.858	1.228	1.499	2.107	2.213	3.435	1.90	2.08	3.13	3.18	–
Copper, USD per ton	1703	2669	3524	7198	7469	8263	5014	6499	9067.0	7423	7000.2
Aluminum, USD per ton	1410	1676	1731	2477	2672	2957	1570	1931	2558.0	1890.0	1814.5
Nickel, USD per ton	8761	13322	16160	20755	41407	22556	14960	19378	22421	16549	14280

Source: calculations were made based on the data provided by the London Metal Exchange (London, UK), the Intercontinental exchange (London), the World Bank.

2012. Prices of aluminum dropped by 0.8%, nickel by 4.6%, copper by 3.1% as compared to May 2013. In H1 2013 aluminum was sold 7.7% cheaper, copper (6.8%), nickel (12.4%) than in H1 2012.

In June 2013, the FAO food price index decreased by 1.5% against May 2013 to 210.1 points. Average prices of all commodity lines in the index were lower than the values they showed in May 2013. The biggest fall was registered in the 'dairy products' commodity line.

Russia's export in H1 2013 amounted to \$252.5bn, having declined 4.1% year-on-year, including non-CIS countries (\$217.0bn) (a decline of 2.6%), CIS countries (\$35.5bn) (a decline of 12.3%).

Reduction in Russia's exports in H1 2013 vs. H1 2012 was governed by decrease in average prices of exported Russian products which stood at 96.6%, whereas the index of physical volume of production stood at 102.6%.

The 'food products and agricultural raw materials' commodity line saw the lowest decline in export: exports of products of this commodity declined by 19.6% through decline in physical volumes with an insignificant growth in prices. Export of metals and articles made therefrom contracted by 14.7% through reduction in prices and physical volumes of export supplies. Reduction in prices resulted in decrease of exports of products manufactured by the fuel-and-energy sector and chemical industry. Insignificant growth in physical volumes of supplies of these products failed to compensate for slide in prices.

Russia's import amounted to \$160.9bn in H1 2013, having increased 3.7% year-on-year, including import from non-CIS countries (\$137.9bn) (a growth of 4.3%), from CIS countries (\$23bn) (a growth of 0.6%). The growth in import was governed by increased import prices against contraction in physical volumes of goods imported to the territory of the Russian Federation.

Procurement of textile fabrics, textile goods and footwear increased most of all (by 9.4%), chemical industry products (by 7.5%), metals and articles made therefrom (by 7.0%).

The share of consumer and investment goods in total import volume contracted through increase in the share of intermediate goods in Q2 2013 against Q2 2012.

Table 2

THE SHARE OF CONSUMER, INTERMEDIATE, INVESTMENT GOODS IN TOTAL IMPORT VOLUME IN THE RUSSIAN FEDERATION (%)

	Goods		
	consumer	investment	intermediate
2012			
I quarter	40.2	23.0	36.8
II quarter	38.0	25.1	36.9
III quarter	37.8	25.1	37.1
IV quarter	36.9	26.1	37.0
Year	38.1	24.9	37.0
2013			
I quarter	38.4	23.2	38.4
II quarter	36.4	24.7	38.9

Source: Federal Service of State Statistics (Rosstat).

New rates of import customs duties, which were approved by the Council of the Eurasian Economic Commission on July 2, 2013, Decision No. 45, as part of Russia's obligations to the WTO, took effect on September 1, 2013. Duty rates were lowered for about 5100 tariff lines, almost a half of the Customs Union Unified Customs Tariff. Duty rates saw an insignificant reduction as per each specific line within a range of 1 to 3 percentage points. Import duties increased for an insignificant number of commodity lines.

The reduction covered basically food products, including fish, exotic fruits, confectioneries, raw ma-

materials for production of juices. Duties on equipment (washing machines, tractors), as well as tropical oils, a few types of fabrics and clothing were reduced too.

For instance, rates of import customs duties were reduced from 10% to 8–9% for certain types of products of commodity lines 0302, 0303 (fresh, refrigerated, and frozen fish), 0304 (fish meat). Duty rates on the products in the commodity line 0402 (milk and cream with sweeteners) saw a reduction from 20–25% to 18.3–22.5%, from 15% to 13.3% on the products in the commodity line 0407 (eggs). However, the duty rate on dairy fats and butters, dairy spreads (0405), certain sorts of cheese and cottage cheese (0406) increased from 15.0%, but at least 0.5 euro per kilo to 22.5%, but at least 0.45 euro per kilo, i.e. the ad valorem rate increased to the level of obligations, because it was lower until September 1, 2013.

The combination rate was replaced with the ad valorem rate for a series of commodity lines. For instance, a combination rate of 10.0%, but at least 3.0 euro per kilo, was imposed on 'articles of textile fabric clothing and other articles of clothing'. An ad valorem duty of 18.3% on import of these products took effect on September 1, 2013.

Orderly reduction of customs duties will continue until 2018, as provided for by periods in transition for different categories of goods.

The Council of the Eurasian Economic Commission issued its decision (No. 42) on July 2, 2013, which extended the effect of higher rates of import duties on dairy butter, dairy spreads, other milk fats and butters, young cheese and cottage cheese, which were in effect until thru August 31, 2013. They varied within a range of 17.5% to 18.3% of the customs value, but at least 0.16–0.4 euro per kilo. The original duty rate was imposed for the period of April 1, 2013 thru June 30, 2013 in order to protect dairy food manufac-

turers in the countries within the Customs Union. The ad valorem rate stood at 15% prior to the increase.

With its Decision No. 181 dd. August 27, 2013, the Council of the Eurasian Economic Commission imposed a three-year special protection duty on tableware and porcelain ware. The duty is to be in effect over the period of September 28, 2013 thru September 28, 2016.

An investigation was launched on September 3, 2012 with regard to an application submitted by *DO Promysly Verbilok (Verbilki Craftworks LLP)* and supported by *CJSC Farfor Verbilok (Verbilki Porcelaine)*, *OJSC Imperatorsky Farforovy Zavod (Royal Porcelain Works)*, *CJSC Dobrushinsky Farforovy Zavod (Dobrushinsk Porcelain Works)* and *Dulyovsky Farforovy Zavod (Dulyovo Porcelain works)*. The investigation revealed the existence of grounds for imposing a special protection measure. During the period of 2009 thru 2011 import volume increased more than 70% and then by another 15.9% in H1 2012 against H1 2011. Furthermore, porcelain ware were imported to the territory of the Customs Union from other countries at prices which were much lower than those offered by the manufacturers within the Customs Union, thereby having impaired production and sales volumes, market share of the enterprises in the Customs Union countries, and made production run at a loss.

The size of duty will be \$1479 per ton from September 29, 2013 thru September 28, 2014. Then, the special duty will be reduced to \$1035.3 per ton over a period thru September 28, 2015. The size of duty will be \$591.6 per ton over a period thru September 28, 2016.

Basically, this measure has been imposed against China and Ukraine, the principal suppliers of such products to the Customs Union markets. Moreover, China accounted for 83% of total volume over the period under review. ●