

## FOREIGN TRADE IN SEPTEMBER 2013

N.Volovik

*The WTO has revised downward the forecast of growth in the global trade volume. In January–July 2013, the foreign trade turnover of the Russian Federation decreased due to a drop in export supplies. From October 2, 2013, Rosselkhoznadzor introduced temporary restrictions on supplies to Russia of animal origin products from 10 Brazilian factories.*

In September 2013, the World Trade Organization (WTO) revised downward the forecast<sup>1</sup> of growth in the volume of the global trade goods in 2013 and 2014 as compared to forecasts made in April: in 2013 a 2.5% growth is expected as compared to a 3.3% growth of the April forecast. In 2014, global trade growth will speed up to 4.5% (earlier a 5% growth was expected), but is still below the average index in the past 20 years, that is, 5.4%. The WTO changed its forecasts mainly due to the state of the European economy. In the 2<sup>nd</sup> quarter of 2013, its recovery was expected, however, the dynamics was rather weak. In accordance with the estimate published by Eurostat, in the 2<sup>nd</sup> quarter of 2013 as compared to the previous quarter GDP grew by 0.3% and 0.4% in the euro zone (EA17) and EC-27, respectively. In the 1<sup>st</sup> quarter of 2013, growth rates were -0.2% and -0.1%, respectively. In April, Pascal Lamy, the WTO Director-General warned that the risks stemming from the euro area may become a major factor behind a downward revision of global trade growth forecasts.

A certain role in a drop in growth rates of the global trade was played by protectionism which assumes ever new forms. Despite repeated statements of G20 states on importance of free trade, the number of trade re-

strictions increases with every day. Introduction of such restrictions is justified by the need to protect national industry, large enterprises, employment of the population and people's incomes and preserve competitive advantages. In the past six months, 109 protectionist measures (the ones which did not contradict the norms of the WTO) were initiated; the above measures concern 0.4% of the global trade import<sup>2</sup>.

In July 2013, Russia's foreign trade turnover calculated on the basis of methods of the balance of payments increased by 3.4% as compared to July 2012 and amounted to \$73.6bn. Within that period, the volume of the Russian export amounted to \$43.5bn which value exceeded by 5.5% the similar index of the previous year. In July 2013, the volume of import to the Russian Federation amounted to \$30.1bn which is 1.5% more than in July 2012. As a result, in July 2013 the trade balance surplus increased by 15.6% to \$13.3bn as compared to July 2013.

In July 2013, on markets of energy carriers no violent fluctuations of prices were observed because they were under effect of alternate factors. Rumors that the US Federal Reserve would cut the stimulus program from \$85bn to \$65bn a month as early as September

1 [http://www.wto.org/english/news\\_e/pres13\\_e/pr694\\_e.htm](http://www.wto.org/english/news_e/pres13_e/pr694_e.htm)

2 REPORT ON G-20 TRADE MEASURES (MID-OCTOBER 2012 TO MID-MAY 2013), 17 June 2013.

Table 1

## GROWTH RATES OF THE GLOBAL TRADE AND GDP, % OF THE PREVIOUS YEAR

	2009	2010	2011	2012	2013 (forecast)	2014 (forecast)
Total volume of global trade	-12.5	13.8	5.4	2.3	2.5	4.5
Export						
Developed countries	-15.2	13.3	5.1	1.1	1.5	2.8
Developing countries and the CIS	-7.8	15.0	5.9	3.8	3.6	6.3
Import						
Developed countries	-14.3	10.7	3.2	0.0	-0.1	3.2
Developing countries and the CIS	-10.6	18.2	8.1	4.9	5.8	6.2
GDP	-2.4	3.8	2.4	2.0	2.0	2.6
Developed countries	-3.8	2.7	1.5	1.2	1.2	1.9
Developing countries and the CIS	2.1	7.4	5.5	4.7	4.5	4.9

Source: on the basis of the data of the WTO Secretariat.

and bring it to an end completely in the 2<sup>nd</sup> quarter of 2014 prevented prices from going upward. However, escalation of the civil war in Syria and political crisis in Egypt prompted growth in prices.

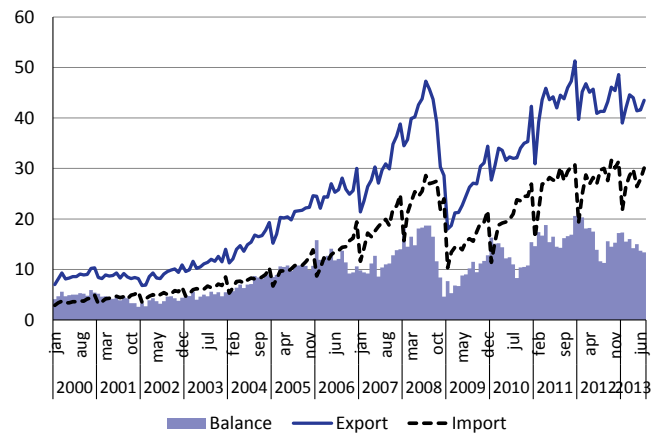
In July 2013, Brent oil prices appreciated by 4.5% and 4.4% as compared to the previous month and July 2012, respectively. The monthly average price amounted to \$107.7 a barrel.

On September 18, 2013, the US Federal Reserve made a decision not to reduce financing of the third program of quantitative easing. The above decision contributed to upward revision of forecasts for investments in primary goods. As a result, the official price of Brent oil on the electronic commodity exchange – the InterContinental Exchange Futures Europe – on the basis of the trade results on September 18, 2013 rose by \$2.41 as compared to the previous day and amounted to \$110.60 a barrel. However, after reports of growth in oil production in Libya the euphoria caused by the US Federal Reserve's decision ended up and on the basis of the trade results on September 19, 2013 oil depreciated by more than 1.6% to \$108.76 a barrel.

In July 2013, Urals oil prices rose by 5.2% as compared to the previous month and amounted to \$108.2 a barrel; as compared to July 2012 the price on oil rose by \$5.55 a barrel. In January–July 2013, the oil price amounted to \$106.8 a barrel, having dropped by 3.5% as compared to the respective period of the previous year.

According to the monitoring of the Ministry of Economic Development of the Russian Federation, from August 15, 2013 till September 14, 2013 the average Urals oil price amounted to \$827.9 a ton. As a result, from October 1, 2013 the export duty on crude oil rose to \$416.4 a ton from \$400.7 a ton in September 2013. From October 1, 2013, the single export duty rate on light and dark oil products, except for petrol, will grow to \$274.8 a ton against \$264.4 a ton a month earlier. It is to be noted that in October the duty on petrol preserved at the level of 90% of the oil duty will amount to \$374.7 a ton (\$360.6 a ton in September 2013).

Throughout the first six months of 2013, price levels of precious metals were rather adversely affected by



Source: The Central Bank of the Russian Federation  
 Fig. 1. The main indices of the Russian foreign trade, billion USD

repeated intentions voiced by the US Federal Reserve to start wrapping up of the quantitative easing program. As a result, in July 2013 the aluminum price fell to the minimum level from July 2009, while copper depreciated to the July 2010 minimum; nickel went down to the minimum value from May 2009.

According to the data of the London Metal Exchange, in July 2013 as compared to July 2012 prices on aluminum, copper and nickel fell by 5.7%, 9.2% and 15.2%, respectively. As compared to the previous month, the price on aluminum, nickel and copper fell by 2.7%, 4.0% and 1.6%, respectively. As compared to the respective period of the previous year, in January–July 2013 aluminum, copper and nickel were traded 7.4%, 7.1% and 12.7% lower, respectively.

In July 2013, the average value of the FAO food price index amounted to 205.9 points which value is 4 points and 7 points below the revised June index and the July 2012 index, respectively. A decline continues for three months running which situation is mainly justified by lower global prices on grain and soya and palm oil, as well as a drop in prices on sugar, meat and dairy products as compared to the previous month.

According to the data of the Bank of Russia, in January–July 2013 Russia's foreign trade turnover amounted to \$487.0bn which is 0.4% below the re-

Table 2

**MONTHLY AVERAGE PRICES IN JULY OF THE RESPECTIVE MONTH**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
(Brent), USD a barrel	28.25	38.2	56.4	72.5	75.09	139.23	65.74	75.6	116.46	103.14	107.7
Natural gas*, USD/1m BTU	4.04	4.28	6.42	8,585	8.13	14.37	6.67	8.04	10.99	11.13	11.6
Copper, USD a ton	1730.3	2813.0	3614.0	7712	7962.7	8415.3	5215.5	6735.3	9650.5	7584.3	6906.6
Aluminum, USD a ton	1434.9	1710.0	1779.0	2513	2730.7	3071.2	1668	1988.3	2525.4	1876.3	1769.6
Nickel, USD a ton	8790.6	15038	14581	26585	33373	20160	15985	19518	23848	16128	13750

\* Market of Europe, average contract price, franco-border.

Source: The World Bank.

spective index of the previous year, including export (\$296.0bn) (a 2.8% decrease) and import (\$191.1bn) (a 3.4% growth). The trade balance surplus remained positive – \$104.9bn – but fell by 12.3% as compared to January–July 2012 when it amounted to \$119.6bn.

In January–July 2013, export fell over all the positions of the expanded nomenclature of goods. Export of food products and agricultural primary products decreased dramatically. The export of the above goods was 14.4% lower than in January–July 2012. So, the physical volume of export of wheat and meslin, barley, rice and sunflower seeds fell by 58.9%, 53.4%, 57.7% and 93%, respectively.

The export of fuel and energy commodities fell by 0.9%. It happened due to a decrease in export of oil (5.8%) with growth in sales abroad of oil products (5.7%) and natural gas (2.1%).

Growth in export supplies was observed with the timber and pulp and paper articles group (2.2%) and the machines, equipment and means of transportation group (5.6%). It is to be noted that due to growth in supplies to CIS states the export of light vehicles rose by 42.9%.

In January–July 2013, growth in the volume of purchases from abroad was observed over all the positions of the expanded commodity nomenclature. So, as compared to the respective period of the previous year there was growth in import of textile, textile products and footwear by 9.3%, chemical products (6.9%), metals and metal articles (6%) and food products and agricultural primary products (5.8%). The import of machines, equipment and transportation means increased by the mere 0.3%. It is to be noted that the import of light vehicles and trucks decreased by 17% and 26.6%, respectively.

From October 2, 2013, Rosselkhoznadzor introduces temporary limitations on supplies to Russia of animal origin products from 10 Brazilian meat-processing factories. The decision was taken on the basis of the outputs of inspection which was carried out from June 30, 2013 till July 14, 2013. Russian experts checked 18 meat-processing factories, two of which did not supply products earlier to the territory of the Customs Union. In the course of the inspection, a number of system violations, as well as violations at individual factories were identified which is evidence of insufficient supervision by the Brazilian veterinary service over fulfillment of veterinary and sanitary requirements and norms of the legislation of the Customs Union and the Russian Federation.

Earlier, on July 15, 2012, Rosselkhoznadzor introduced temporary restrictions in respect of six Brazilian factories on supplies of animal products and it was decided to extend the period of those restrictions. Two factories which did not supply earlier products to Russia were denied approval to export produce to the countries of the Customs Union.

It was not the first time when Russia introduced a ban on supplies of meat from Brazil. In 2007, a temporary ban was applied in respect of 14 meat-processing factories due to identification of agents of dangerous diseases, particularly, salmonellosis. From April 30, 2011 a temporary ban on supplies of animal origin products was introduced.

Brazil is a major supplier of meat to Russia. In 2012, Brazil exported to Russia 246,400 tons of frozen cattle meat (41.6% of the total volume of import of that sort of meat to the Russian Federation), 124,400 tons of pork (16.9%) and 70,300 tons of poultry meat (13.3%). ●