

RUSSIA'S TRADING PARTNERS: 100 YEARS AFTER A. Pakhomov

During the Soviet period, Russia's 1913 statistics were used as a reference point against which the achievements of the planned-administrative economy of the USSR were evaluated. However, the demise of the Soviet system has made this approach to the economic history of Russia rather obsolete and dysfunctional. As nature abhors a vacuum, economic historians have rapidly begun a quest for new approaches to that issue. In recent years, a number of studies have focused on analyzing the possible alternative routes for Imperial Russia's economic development in the early 20th century¹. It can be said with confidence that only a thorough analysis of Russia's economic development over long stretches of time can make it possible to identify the key stages and the turning points of her economic history, and to carry out relevant international comparative studies.

From a practical point of view, the dynamics of the geographical distribution of Russia's foreign trade is a very promising research direction. In 1913, the list of 12 largest trading partners of Imperial Russia comprised Germany, the United Kingdom, the Netherlands, France, Finland, China, Persia, Austria-Hungary, the USA, Italy, Belgium and Turkey, which accounted for more than 80% of her goods turnover (Table 1)².

It is noteworthy that today, 100 years after (!), 9 countries of the 1913 list remain Russia's largest trading partners in the far abroad (Persia, Austria-Hungary and Belgium having left their ranks) (Table 2)³. The countries dropped from the ranks of Russia's major trading partners, were replaced, in the 2013 list, by Japan, South Korea and Poland (in 1913, Poland was part of the Russian Empire's customs territory). However, as a rule, a country's long-term economic development implies qualitative changes in the foreign trade sector of its economy and, correspondingly, a diversification of the geographical distribution of that country's foreign trade.

1 See, for example, S.V. Smirnov, *Dinamika promyshlennogo proizvodstva i ekonomicheskii tsikl v SSSR i Rossii, 1861-2012* [The Dynamics of Industrial Production and the Economic Cycle in the USSR and Russia, 1861-2012]. Preprint. Moscow: ID VShE [Higher School of Economics Publishing House], 2012; the electronic resource *Dinamika ekonomicheskogo i sotsial'nogo razvitiya Rossii v XIX – nachale XX veka* [The Dynamics of Russia's Economic and Social Development in the 19th and Early 20th Centuries]. Moscow: The History Department of the M.V. Lomonosov Moscow State University, 2010-2011 (project manager – L.I. Borodkin).

2 Estimates are based on data contained in *Vneshnyaya torgovlya SSSR. Statisticheskii sbornik. 1918–1966* [The Foreign Trade of the USSR. Statistical Data Collection. 1918–1966]. Moscow: *Mezhdunarodnye otnosheniya* [International Relations]. 1967. P. 233. Summary statistics on Russia's foreign trade in 1909–1913 confirm the representivity of these data.

3 For more details, see the Federal Customs Service of Russia's data for the corresponding years.

It should be pointed out that taken together, the Austro-Hungarian Empire's successor states accounted for 5% of the Russia's foreign trade turnover, which puts them in 5th position among the far-abroad trading partners of Russia.

As far as the current Russo-Iranian commercial and economic relations are concerned, it should be noted that they are heavily impacted by a number of political factors, including the international sanctions imposed on Iran, as well as by the lack of a reliable transportation and logistics infrastructure, caused by the disintegration of the USSR⁴. The removal of these obstacles could certainly improve Iran's ranking among the largest trading partners of Russia. It would be very helpful in this regard if a number of large-scale contracts (including the postponed ones) were implemented – for example, contracts in the field of power engineering, including nuclear power engineering, contracts to develop new North-South transport corridors, contracts for supply of defense and dual-purpose products, etc.⁵

The existing situation in the field of Russia's foreign trade can be viewed either as stable or as a beaten path effect depending on one's views as to what the future might bring. In many respects, this situation has resulted from the inflexible geographical distribution of Russia's foreign trade, determined by the entrenched (and frequently mono-cultural) sectoral makeup of her export and import transactions. On the whole, the root cause of this situation is the level of development of the Russian economy and its key branches.

4 Thus, over the past five years, Iran has slipped from 25th to almost 60th position among the far-abroad trading partners of Russia, mainly due to a politically motivated freeze imposed on Russo-Iranian bilateral relations.

5 The existence of this trend has been confirmed by the January 2014 Russo-Iranian negotiations designed to restore, in the nearest future, the previous volume of trade between the two countries.

Table 1

**IMPERIAL RUSSIA'S MAIN TRADING PARTNERS
IN 2013 (MILLIONS OF RUBLES*)**

No	Country	Exports	Imports	Turnover	Share (%) of goods turnover
1	Germany	355.7	512.1	867.8	38.2
2	United Kingdom	210.0	135.7	345.7	15.2
3	The Netherlands	139.1	16.8	155.9	6.9
4	France	79.1	44.7	132.8	5.9
5	Finland	43.3	40.0	83.3	3.7
6	China	22.6	59.3	81.9	3.6
7	Iran (Persia)	45.3	34.2	79.5	3.5
8	Austria-Hungary	51.2	28.0	79.2	3.5
9	USA	11.1	62.0	73.1	3.2
10	Italy	57.8	13.2	71.0	3.1
11	Belgium	50.7	7.0	57.7	2.6
12	Turkey	28.0	14.5	42.5	1.9
	Total	1,192	1,078	2,270	100

* According to experts, one Russian ruble in 1913 had the purchasing power of about 900 Russian rubles in 2012.

Source: *Vneshnyaya trgovlya SSSR. Statisticheskii sbornik. 1918-1966* [The Foreign Trade of the USSR. Statistical Data Collection. 1918-1966]. Moscow, 1967. P. 233.

Table 2

RUSSIA'S MAIN TRADING PARTNERS IN THE FAR-ABROAD IN 2013* (BILLIONS OF USD)

No	Country	Exports	Imports	Turnover	Share (%) of goods turnover
1	China	48.0	32.0	80.0	10.5
2	Netherlands	64.1	5.3	69.4	9.1
3	Germany	33.2	33.6	67.8	8.9
4	Italy	35.6	13.0	48.6	6.4
5	Japan	17.7	12.5	30.2	4.0
6	Turkey	22.8	6.5	29.3	3.8
7	USA	10.4	14.8	25.2	3.3
8	Poland	17.5	7.6	25.1	3.3
9	South Korea	13.6	9.3	22.9	3.0
10	United Kingdom	14.8	7.3	22.1	2.9
11	France	8.5	11.7	20.2	2.7
12	Finland	12.2	4.9	17.1	2.2
	Total	476.5	287.1	763.6	100

* data for the first 11 months of 2013.

Source: *Vneshnyaya trgovlya Rossiiskoi Federatsii po osnovnym stranam i gruppam stran za yanvar'-noyabr' 2013* [The Foreign Trade of the Russian Federation by Major Country and Group of Countries in January–November 2013], Federal Customs Service of Russia.

Thus, in 1913, agricultural products and raw materials accounted for over 55% of the Russian Empire's aggregate exports. Russia's main export good was grain (11 million tons), which accounted for one third of her total exports. Russia's main import goods were foodstuffs (including so-called colonial goods) and agricultural raw materials (21% of total imports); and textile products and raw materials for textiles (primarily cotton), which accounted for 18.3% of total imports. Machinery and equipment imports ranked 3rd, accounting for 16.6% of Russia's

total imports¹. It is noteworthy that 100 years later, Russian exports were still dominated by two types of goods (accounting for about 54% of Russia's total exports) – this time, by oil (33%) and petroleum products (21%), while her imports were dominated by machinery and equipment (accounting for 48.5% of Russia's total imports)².

1 *Vneshnyaya trgovlya SSSR. Statisticheskii sbornik. 1918–1966* [The Foreign Trade of the USSR. Statistical Data Collection. 1918–1966]. Moscow, 1967. Pp. 236–237.

2 Data released by the Federal Customs Service of Russia.

A thorough analysis indicates that, at present, the composition of Russia's main trading partners is determined not only by the general commercial and political situation and specific economic conditions or by any commercially important business interests, however crucial for forming and developing bilateral relations they might be (on the basis of the traditional principles of mutual complementarity or interdependence of national economies). The sectoral makeup of Russia's foreign trade also depends on a number of other noneconomic factors that facilitate or impede her commercial and economic relations with one or other state. The most important of these factors are geographical proximity¹, socio-cultural commonalities and the recently emerged aspect of interaction in the field of technology. All these trends are typical of Russia's trade with far-abroad and CIS countries.

Such an approach is necessitated by the fact that at present, the insufficient quality of Russia's non-economic sphere, including the quality of her trade policy, the structure of her export and import operations, the quality of state support to businesses, and the quality of Russia's transportation and logistics systems, is still being determined by the traditional factors typical of the Russian Empire². As a result, the technological aspect is always put on the back burner, thus making it possible to say that, as far as the introduction of innovations into foreign trade is concerned, Russia has remained notably dependent on developed countries.

At present, more than half of Russia's main trading partners (and even two-thirds, if CIS countries are to be taken into account) fall into the category of so-called neighbor or coastal states. On the whole, this reflects not only these countries' geographical proximity

1 Geographical proximity (a distance of up to 1 thousand kilometers from the state border) implies, first of all, the existence of favorable conditions for reducing transportation costs, one of the main components of all commercial contracts and major economic projects.

2 It is not by chance that the main source of statistical data for that period is entitled *Obzor vneshney trgovli Rossii po Evropeiskoi i Aziatskoi granitsam* [An Overview of Russia's Foreign Trade across Her European and Asian Borders]. It was published on an annual basis by the Customs Revenue Collection Department of the Ministry of Finance.

to Russia but also their social commonality therewith³. From this point of view, social and cultural commonality can be interpreted as a sum total of historical, linguistic, ethnographic and political factors facilitating international trade.

Bearing in mind the ongoing globalization of business and international trade relations, Russian businesses should consistently solidify their positions on the rapidly developing new markets (such as China, India, ASEAN countries, etc.) characterized by robust and, most importantly, sustainable economic growth, as well as by domestic demand rising at an accelerated rate. In recent years, Russia's foreign trade has seen an ever increasing upward trend towards Asian markets. Regrettably, the main factor behind the intensification of this trend has been a traditional increase in Russia's export of raw energy materials.

However, most Russian businesses have so far treated emerging markets with caution because of the political and commercial risks associated with them. In order to minimize these risks it would be advisable for the State to provide targeted assistance to businesses engaged in various activities overseas, in accordance with the specific situation in one or other country or region.

Eventually, the geographical diversification and general optimization of Russia's foreign economic relations will contribute to reducing the risks associated with constant changes in the global market situation and the corresponding rearrangement of international economic relations. Therefore, further improvement of the foreign trade sector of Russia's economy and further broadening of the geographic scope of her exports and imports will stimulate an increase in the efficiency of the whole foreign trade sector of Russia's economy, and will also greatly facilitate the implementation of the top-priority tasks of her social and economic development. ●

3 One should also bear in mind the age-long traditions, the stability of inter-state economic links and the longevity of the business contacts maintained by the entrepreneurial communities of the neighbor states. The sum total of such phenomena may be understood as a formal manifestation of the social commonality factor.