THE FOREIGN TRADE IN FEBRUARY 2014

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In February 2014, the main indices of the Russian foreign trade dropped considerably. The European Union submitted to the Secretariat of the World Trade Organization a query as regards consultations with the Russian Federation as regards measures affecting the import of live pigs, pork and pork products from the EU. The Eurasian Economic Commission started an antidumping investigation into deliveries of oil and gas steel pipes from China to markets of member-states of the Customs Union.

In the 2014 World Economic Outlook (WEO)[1] released by the IMF in April 2014, it is stated that the business activity is growing in the world. The IMF forecasts growth in the world economy from 3% in 2013 to 3.6% and 3.9% in 2014 and 2015, respectively. In the 2014–2015 period, in developed countries economic growth rates will amount to about 2.25% which is almost 1 p.p. higher than in 2013. The highest economic growth rates – at the level of about 2.75% – are expected in the US. In the euro area, growth is forecasted as well, while in countries with emerging markets and developing countries a gradual increase in GDP growth rates is expected from 4.7% in 2013 to about 5% and 5.25% in 2014 and 2015, respectively. Growing external demand on the part of developed economies will contribute to growth, while toughening of financial conditions limits expansion of the domestic demand. In China, growth will remain at the level of about 7.5% in 2014 as the authorities will seek to restrain growth in domestic lending and carry out reforms aimed at a gradual switchover to more balanced and sustained growth.

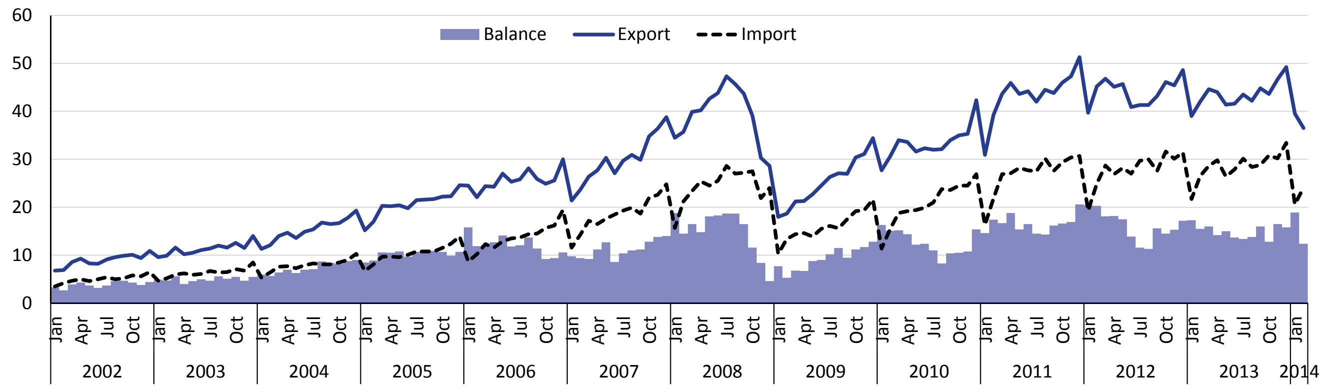
It is stated in the WEO that despite better prospects global growth is not stable so far and with prevailing old risks of economic slowdown new geopolitical risks have emerged. So, the 2014 forecast as regards Russia was adjusted to 1.3% though as early as last autumn the IMF estimated Russia's GDP growth rates at the level of 3%. The factor behind downward revision of the forecast was geopolitical tensions in relations with Ukraine.

In February 2014, the Russian foreign trade turnover calculated on the basis of the methods of the balance of payments amounted to $60.6bn which is 11.3% lower than the 2013 index. Such a dramatic drop in Russia's foreign trade turnover was not observed from October 2009. It is to be noted that there was a substantial drop in the monetary volume of both export (by 12.7% as compared to the respective index of 2013) and import (9.4%). In February 2014, as a result of advanced decrease in export the trade balance surplus amounted to $12.4bn which is 18.9% lower than the respective index of the previous year.

In February 2014, prices on virtually all the commodities of the Russian export decreased on global markets as compared to February 2013.

In February 2014, prices on Brent oil fell by 6.6% to $108.8 a barrel as compared to February 2013. On February 3, the price fell to the month's minimum level of $106.55 a barrel due to China's weak industrial indices in January 2014. China's output growth slowed

1 http://www.imf.org/external/pubs/ft/weo/2014/01/pdf/text.pdf



Source: The Central Bank of the Russian Federation.

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

down to the minimum growth rates for six months due to weakening of both foreign and domestic demand. On February 19, prices on Brent oil appreciated to the maximum level of $ 110.37 a barrel due to geopolitical risks related to hostilities in Libya and South Sudan, as well as protest rallies in Venezuela.

Late in February and early in March, another spot of tensions – Ukraine – emerged. After the President of the Russian Federation received on March 3, 2014 a permit from the Council of Federation to use troops in Ukraine, prices on Brent oil rose to the level of $111.26 a barrel which was the maximum one in the 1st quarter of 2014. However, on March 4 Brent oil prices depreciated to $109.26 a barrel. Oil prices kept falling due to a release of the weak economic data on China and a seasonal drop in oil consumption.

Early in April 2014, rebels who controlled for eight months oil seaports in the east of Libya agreed to lift a blockade of terminals. That news resulted in a drop in Brent oil prices to a five-month minimum ($103.37 a barrel) on April 2. Probably, in the near future Brent oil will be traded in a broad range of $103 a barrel to $113 a barrel under the impact of geopolitical risks on the one side and expectations of growth in oil deliveries from Libya, Iran and Iraq, on the other side.

In February 2014, prices on Urals oil fell by 6.1% as compared to February 2013 and amounted to $107.4 a barrel. Within the first two months of 2014, prices on Urals oil fell by 5.5% to $106.9 a barrel as compared to the respective period of 2013.

According to the oil price monitoring, in the period of from March 15, 2014 till April 14, 2014 the average Urals oil price amounted to $770.5 a ton. According to the information of April 16, 2014 of the Ministry of Economic Development of the Russian Federation on Possible Customs Duties on Oil and Individual Categories of Goods Produced out of Oil in the Period of from May 1 till May 31, 2014, in May the rate of duty on crude oil will be reduced to $376.1 a ton against $387 a ton which was in effect a month earlier. A privileged rate is being reduced from $190.8 a ton to $182.4 a ton. The rate on superviscous oil will amount to $37.6 (against $38.7 in April). The rate on light and medium distillates will be reduced from $255.4 a ton to $248.2 a ton. In May, the duty on the export of petrol will amount to $338.4 a ton ($348.3 a ton in April).

In February 2014, prices on aluminum, copper and nickel fell by 17.5%, 11.3% and 19.7%, respectively, as compared to February 2013.

Under the impact of weather factors and higher demand, in February 2014 the FAO food price index showed the sharpest swing ever since the mid-2012: its average value amounted to 208.1 points which is 5.5 points higher than in the previous month. Such growth in index was justified by growth in prices of all the groups of primary commodities on which basis the Index is formed; the exception is meat which prices fell somewhat. From the day of publication of the index for the previous month, the highest growth in prices was on sugar (+6.2%), oils (+4.9%), grain (+3.6%) and dairy products (+2.9%).

In February 2014, a reduction of the Russian export as compared to February 2013 took place over the main positions of the expanded commodity nomenclature. There was a decrease in export of fuel and energy complex (14.5%), the chemical industry (10%), metals and metal products (16.7%) and machines, equipment and transportation vehicles (28.4%). There was growth in export of food (35.6%), wood and pulp and paper products (15.2%), textile and textile products (39.8%) and precious stones and metals (43.7%).

There was a decrease in import purchases by all the positions of the expanded commodity nomenclature, except for food products and agricultural primary products whose import rose by 0.3%.

Table 1

MONTHLY AVERAGE GLOBAL PRICES IN FEBRUARY OF THE RESPECTIVE YEAR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Oil (Brent), USD/barrel	30.9	44.8	59.7	58.26	92.66	43.87	73.8	104.1	119.7	116.5	108.81
Natural gas*, USD/1m BTU	3.89	5.49	7.95	8.56	10.84	11.04	8.8	9.36	11.12	11.77	11.3
Copper, USD/ton	2759.0	3254	4982	5671.1	7887.7	3314.7	6899	9867.6	8441.5	8060.9	7149.2
Aluminum, USD/ton	1685.6	1883	2455	2759.14	2776.9	1330.2	2061	2508.2	2207.9	2053.6	1695.2
Nickel, USD/ton	15178.3	15350	14979	41154.5	27955.5	10409	19141	28252	20393.7	17690	14203.6

* The market of Europe, average contractual 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).

On April 8, 2014, the European Union submitted to the Secretariat of the World Trade Organization a query as regards consultations with the Russian Federation on measures affecting the import of live pigs, pork and pork products from the EU.

It is to be reminded that the ban on import to the territory of the Russian Federation of hog farming products from all the EU countries was introduced on January 30, 2014 due to the outbreak of African pig plague (APP) in the territory of the EU. From April 7, 2014, the ban on all the types of ready-made meat products from Poland and Lithuania became effective.

Such a ban has produced a serious impact the financial position of the European hog farming. According to the data of the European Commission, in 2013 the volume of the export of live pigs and pork from the European Union to Russia amounted to euro 1.4bn. The Russian ban has resulted in a dramatic surplus production in Europe with oversupply on the market and depreciation of prices on pork. The EU believes that the complete ban on the export of pork from the EU to Russia is in conflict with the WTO's rules and a disproportionate one.

According to the WTO's rules, participants in the dispute have 60 days for consultations on amicable settlement of the issue. If they fail to reach a consensus, the plaintiff is given the right to ask for formation of a special expert group on settlement of the dispute within the frameworks of the WTO.

At present, the WTO has received the EU's claim to Russia as regards payment of the utilization charge.

On March 31, 2014, the Eurasian Economic Commission (EEC) published the Notification on the Start of Antidumping Investigation into Supply of Oil and Gas Steel Pipes from China to the Territory of Member-States of the Customs Union (CU)[1]. The peak of import of Chinese oil and gas pipes to member-states of the CU fell on January-September 2013 when deliveries from China increased by 156% as compared to the respective period of 2012, while the share of the Chinese produce in the import virtually doubled and amounted to 55.4% against 28.2% in 2010. The main Chinese importers of oil and gas pipes to the CU member-states are TPCO company and Hengyang Valin company which – by calculations of the EEC – supplied products at the dumping margin of 20% and 22%, respectively. In 2013, the above companies sold pipes to the EU member-states at prices which were 24.5% lower than the 2012 level which situation, according to claimants, "resulted in aggravation of price competition". Russian manufacturers' cost-effectiveness of sales of oil and gas pipes virtually decreased by threefold, while their profit, by 62.8%.

The evidence provided by the claimants constituted grounds for passing of a decision on the start of an antidumping investigation into supply of Chinese-made seamless steel pipes (used in drilling and operation of oil and gas wells) which are imported into the territory of the Customs Union.

1 http://www.eurasiancommission.org/ru/act/trade/podm/notice/Lists/List/Attachments/50/notice_initiation_octg.pdf