

THE FOREIGN TRADE IN MARCH 2014

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In March 2014, Russia's foreign trade turnover calculated on the basis of methods of the balance of payments amounted to \$74bn which is 1.1% higher than the 2013 index. However, in general in the 1st quarter of 2014 the last year's trend of reduction of the Russian foreign trade turnover prevailed. The export has fallen due to a drop in contract prices with insignificant growth in physical volumes. On the contrary, the import has decreased due to reduction of physical volumes with weak growth in contract prices. It is to be noted that an advanced reduction of import is observed and as a result there is growth in the trade balance surplus. The European Union has started a new trade dispute with the Russian Federation within the frameworks of the World Trade Organization calling for a cancellation of the antidumping duties – introduced in 2013 – on import of German and Italian light commercial vehicles.

In March 2014, Russia's foreign trade turnover calculated on the basis of the methods of the balance of payments amounted to \$74bn which is 1.1% higher than the respective index of 2013. Growth took place due to a 5.4% increase in the Russian export of goods to \$46.9bn as compared to March 2013 with a 5.7% reduction in the import of goods to the Russian Federation to \$27.1bn. Such dynamics of export and import justified growth in the foreign trade surplus which grew by 25% in March 2014 as compared to the same period of 2013 (from \$15.8bn to \$19.7bn).

In the 1st quarter of 2014, the situation on global commodity markets was worse than a year ago which was justified by weak economic growth rates of developed countries, as well as worsening of China's economic indices.

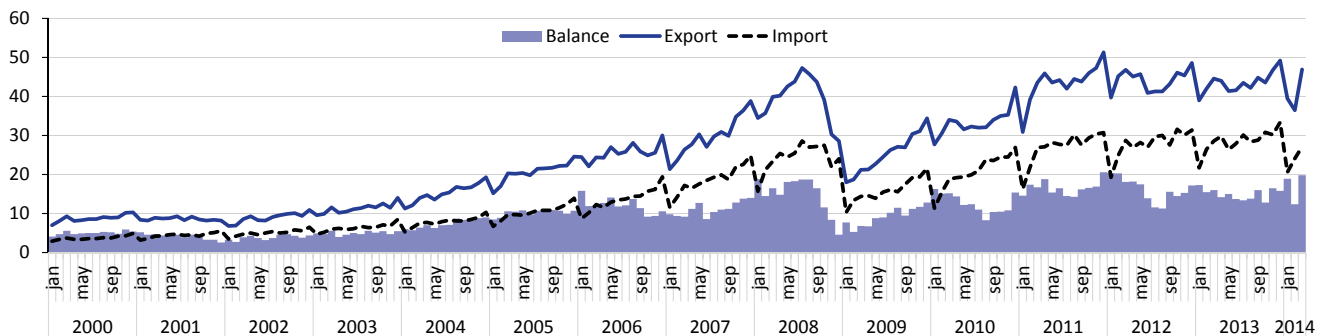
In March 2014, the range of fluctuations on the global oil market was insignificant: on March 3, 2014 the Brent oil prices exceeded for the first time since the beginning of the year the level of \$111 a barrel as a reaction to uncertainty about developments in Ukraine: there were concerns that in case of introduction of troop in Ukraine oil supplies from Russia to Europe may be disrupted or suspended. On March 20, af-

ter the report of the US Federal Reserve on reduction of the assets buy-out volume from \$65bn to \$55bn a month the Brent oil price fell to the month's minimum value of \$105.73 a barrel. The monthly average price was formed at the level of \$107.4 a barrel which is 1.7% lower than the index of March 2013.

On April 2, 2014, the Brent oil price fell to the five-month minimum of \$103.37 a barrel due to a report that Libyan rebels agreed to lift a blockade of Libyan oil terminals and the market expected opening of Libya's largest oil ports in a matter of days. However, election of the new president prevented further talks on return of oil terminals in the East of the country. The leader of Libyan rebels which took hold of oil ports declared that they did not recognize the new government and the agreement which was reached earlier on renewal of operation of seaports could be annulled. So, substantial growth in oil deliveries from Libya is postponed for an indefinite period of time.

So, continued hostilities in Ukraine and a standoff in Libya support oil prices: after April 8 the Brent oil price has not fallen below \$106 a barrel.

In March 2014, the Urals oil price fell by 0.7% as compared to the previous month and amounted to



Source: The Central Bank of the Russian Federation.

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

Table 1

MONTHLY AVERAGE GLOBAL PRICES IN MARCH OF THE RESPECTIVE YEAR

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Oil (Brent), USD/a ton	24.1	29.1	33.6	53.7	60.9	62.05	102.3	47.42	79.8	114.44	124.93	109.2	107.4
Natural gas*, USD/thousand m3	2.97	3.74	3.86	5.52	7.99	8.37	11.04	10.9	8.93	9.37	11.97	11.87	10.88
Copper, USD/a ton	1605	1681.6	3018.0	3254.4	5103	6452.5	8421.9	3749.8	7462.8	9530.7	8470.8	7645.6	6650
Aluminum, USD/a ton	1403.2	1393.1	1660.0	1988.6	2429	2761.7	2986.8	1335.8	2205.6	2552.6	2184.2	1909.6	1705.4
Nickel, USD/a ton	6503.3	8402.4	13730	16190	14897	46324.8	31005.7	9696.4	22461.3	26811.7	18660.8	16724.9	15678

* Market of Europe, average contract 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).

\$106.7 a barrel, that is, remained at the level of March 2013. In the 1st quarter of 2013, the Urals oil price amounted to \$106.8 a barrel or 96.3% against the respective period of the previous year.

In April and May 2014, growth in oil prices is observed. On the basis of the results of monitoring of oil prices in the period from April 15, 2014 till May 14, 2014 the Urals oil price amounted to \$785.6 a ton (\$107.62 a barrel). As a result, in June 2014, export duties on oil and oil products will increase. The rate of duty on crude oil will increase to \$385 a ton (\$376.1 a ton in May 2014). The reduced rate is to be increased from \$182.4 a ton to \$189.2 a ton. The rate on light and medium distillates grows from \$248.2 a ton to \$254.1 a ton. The rate on diesel fuel will amount to \$250.2 a ton (\$244.4 in May). In June, the export of petrol is charged at the rate of \$346.5 a ton (\$338.4 in May).

In the past two months, the situation on the global market of nonferrous metals has not changed much. An exception is nickel whose prices appreciated both in March and April. It is to be noted that if in March prices on nickel rose by 0.73% on February, in April they increased by 10.4% as compared to March. Earlier, nickel prices depreciated more than other industrial metals.

However, according to the data of the London Metal Exchange in March 2014 as compared to March 2013 prices on all the nonferrous metals fell: aluminum (depreciation of 10.7%), copper (13%) and nickel (6.3%). In the 1st quarter of 2014 as compared to the same period of 2013, aluminum, copper and nickel were traded 14.7%, 11.2% and 15.4% cheaper.

In March 2014, the average value of the FAO food price index amounted to 212.8 points which is the highest level since May 2013. The factors behind the most substantial growth in prices in the past ten months were unfavorable weather conditions for

some crops in the US and Brazil, as well as tensions in the Black Sea region. Prices demonstrated growth as regards all the commodity groups, except for dairy products which depreciated by 2.5% for the first time in the past four months. The highest appreciation of prices was on sugar (7.9%) and grain (5.2%).

According to the data of the Central Bank of the Russian Federation, in the 1st quarter of 2014 Russia's foreign trade turnover amounted to \$194.7bn which is 3.7% lower than in the 1st quarter of 2013.

The export of goods fell by 1.8% and amounted to \$122.9bn. Reduction of the export volume took place due to a drop in average contract prices with growth in physical volumes of imported goods.

The negative dynamics of the Russian export took place due to a reduction of the monetary volume of export of fuel and energy commodities (by 3.4%), chemical produce (5.6%), metals and metal articles (5.1%) and machines, equipment and means of transportation (20.3%).

In the 1st quarter of 2014, fuel and energy commodities accounted for 72.4% of the Russian export. The physical volume of crude oil supplies abroad fell by 8.3% with average contract prices falling by 2.1%. The export of oil products in physical terms and the natural gas rose by 8.4% and 3.5%, respectively. However, contract prices on the above commodities fell as follows: oil products and natural gas were traded 1.9% and 3.7% cheaper, respectively as compared to the 1st quarter of 2013.

Export growth was observed in commodity subgroups *Wood and Pulp and Paper Articles* (18.3%) and *Food Products and Agricultural Primary Products* (31.1%). Export of food products grew due to a 5.5 fold increase in the export of wheat and meslin.

In the 1st quarter of 2014, the import of goods amounted to \$71.9bn which is 6.8% lower than the relevant index of the previous year. A drop in import

took place virtually over the entire expanded nomenclature of goods, except for food products – whose import rose by 1.1% due to growth in prices with a decrease in physical volumes – and mineral products (growth of 0.4%).

In the 1st quarter of 2014, Russia's foreign trade surplus amounted to \$51bn which is 5.6% higher than the respective index of 2013.

In the 1st quarter of 2014, in the geographic pattern of the Russian foreign trade the share of the EU countries fell to 49.7% against 49.9% in the 1st quarter of 2013. The share of APEC countries rose from 24.3% to 25.6%. It is to be noted that the share of CIS countries keeps falling: in the 1st quarter of 2014 it amounted to the mere 12.7% against 13.4% in the 1st quarter of 2013.

On May 21, 2014, the European Union submitted to the WTO Secretariat a request to hold consultations with the Russian Federation as regards antidumping duties introduced by the Eurasian Economic Commission on small-tonnage trucks from Germany and Italy.

It is to be reminded that on May 14, 2013 on the basis of the outputs of the antidumping investigation the Eurasian Economic Commission made a decision to introduce for the period of five years antidumping duties on light commercial vehicles from Germany, Italy and Turkey imported to the territory of the Customs Union. The decision became effective on June 16, 2013. The antidumping duty for all the German manufacturers

amounts to 29.6% of the customs duty, while that for Italian and Turkish manufacturers, to 23% and 11.1%, respectively. The antidumping duty is added to the current 10% rate of the customs duty.

The EU claims that the above measures are incompatible with Russia's obligations under the WTO Agreement as regards application of Article VI of GATT 1994 (the Antidumping Code). As stated in the press-release of the European Commission¹, antidumping duties "seriously impede access to the Russian market" and "the export of light commercial vehicles from Germany and Italy did not benefit from concessions made by Russia due to its accession to the WTO in 2012".

The Russian Federation believes that the EU's claims as regards antidumping duties on import of light commercial vehicles to the territory of the Customs Union are unjustified. In accordance with the WTO rules, an antidumping investigation was carried out and it revealed the existence of dumping import – which inflicts material damage to the industry of member-states of the Customs Union – from Germany, Italy and Turkey.

Russia is prepared to hold consultations which provide an opportunity for the parties involved to discuss that issue and find within 60 days an acceptable solution without further litigations. If consultations fail to resolve the dispute, the European Union may send a request for establishment of an arbitral group. ●

1 <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1083>