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The Foreign Trade

In a situation of slowdown of global trade growth, growth in the Russian foreign trade turnover is declining, as well. It is to be noted that though during seven months of this year trade with far abroad countries showed positive dynamics there was a recession in relations with CIS states. The Eurasian Economic Commission stepped up its activities to protect the domestic market of the Customs Union in a situation of Russia's accession to the World Trade Organization.

In September 2012, the World Trade Organization (WTO) revised downward the forecast as regards global trade growth in 2012 to 2.5% from the April forecast of 3.7%. The 2013 forecast was revised downward from 5.6% to 4.5%. From the date of the previous evaluation of the global trade development, the problems of the global economy have aggravated: economic growth in China is slowing down, the data on the rate of unemployment and manufacturing in the US is worse than expected and the debt crisis in the euro area still prevails.

Reduction of growth rates of global trade in 2012 has been caused by a drop in developed countries' imports and, as a consequence, reduction in export volumes to developing countries. On the basis of the 2012 results, the WTO expects that the volume of import of developed countries will increase by the mere 0.4%, while that of developing countries, by 5.4% (according to the April forecast growth of 1.9% and 6.2%, respectively was anticipated). The forecast as regards the volume of export was revised downward in developed countries from 2% to 1.5%, while in developing countries, from 5.6% to 3.5%.

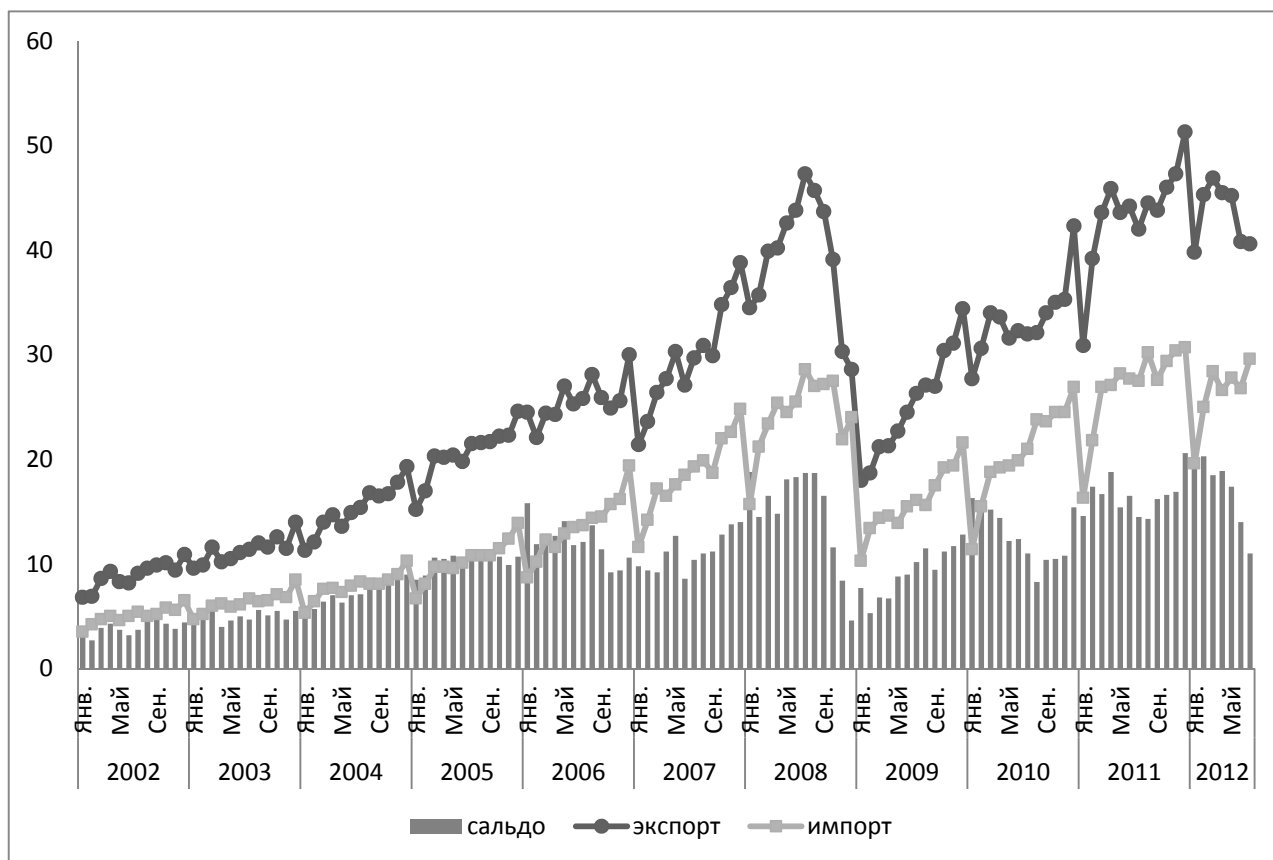
In July 2012, Russia's foreign trade turnover calculated on the basis of the methods of the balance of payments increased by 1.1% as compared to last July and amounted to \$70.2bn. The volume of the Russian export in the same period amounted to \$40.6bn which is 3.2% lower than in July 2011. In July 2012, the volume of import to the Russian Federation amounted to \$29.6bn which is 7.7% higher than the 2011 index. As a result, in July 2012 the foreign trade balance fell by 23.8% to \$11bn as compared to July 2011.

According to the data of the Central Bank of the Russian Federation, in January-July 2012 Russia's foreign trade turnover amounted to \$487.9bn -- which is 5.0% higher than the index of the last year -- including \$304,0bn worth of export (growth of 5.2%) and \$183.8bn worth of import (growth of 4.7%). The export surplus remained positive and amounted to \$120.2bn (in January-July 2011 it was \$113.3bn).

Growth in foreign trade turnover took place as a result of expansion of trade relations with far abroad countries; during seven months of this year the trade turnover with those countries increased by 6.2%, while that with CIS countries fell by 1.4% due to a reduction of 5.7% in import supplies.

In July 2012, though the foreign trade situation remained favorable, it became much worse as compared to last July (in July 2012 Russia's trade conditions index fell to 102.2 against 125.8 in July 2011). In July 2012, the index of trade conditions with far abroad countries amounted to 100.2 (in July 2011 it was 128.1), while that of trade conditions with CIS countries,

to 115.1 (in July 2011 it was 112.9).



Source: The Central Bank of the Russian Federation.

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Jan. May Sep.

Balance Export Import

Fig. 1. The main indices of the Russian foreign trade, billion \$

The dynamics of export is still dependent on fluctuations on the global commodities markets.

In July 2012, prices on Brent oil fluctuated in the range of \$96.82–\$107.76 a barrel, while in August 2012, in the range of \$106.05–\$116.2 a barrel.

On the basis of the results of the meeting on September 12-13, 2012, the US Federal Reserve System (FRS) announced its plans to buy-out government bonds with a 10-year maturity or US Treasuries within the frameworks of the QE3 quantitative mitigation program. The regulator left the base interest rate unchanged at the level of 0%–0.25%. The FRS will buy-out \$40bn worth of mortgage securities a month starting from October. In September, the buy-out volume will amount to \$23bn.

The quantitative mitigation resulted in growth in oil prices: on September 15 Brent oil prices rose to \$116.92 a barrel which is the maximum level since May 2012. However, that effect happened to be short-lived. As early as September 19, oil prices went down to \$108.07 a barrel after the regular data on growth in the US oil and oil products reserves was made public. The negative effect on trading was caused by rumors that Saudi Arabia was going to increase production of oil.

In July 2012, Urals oil price on the global market amounted to \$102.6 a barrel which is 9.8% higher than in June 2012; as compared to July 2011 the price fell by 11.0%. In January-July 2012, the price on Urals oil amounted to \$110.6 a barrel which is 1.3% higher than in the respective period of 2011.

According to the monitoring of the Ministry of Finance of the Russian Federation, from August 15 till September 14 the average price on Urals oil amounted to \$113.98 a barrel. As a result, from October 1, 2012 the export duty on crude oil will grow by 6.4%, that is, from \$393.8 a ton in September 2012 to \$418.9 a ton (Resolution No. 954 of September 22, 2012 of the Government of the Russian Federation). From October 1, 2012, the single export duty rate on light and dark oil products, except for petroleum, calculated on the 60/66/90 method will amount to \$276.4 a ton against \$259.9 a ton in September. It is to be noted that in October the duty on petroleum preserved at the level of 90% of the oil duty will amount to \$377 a ton (\$354.4 a ton in September 2012).

In July 2012, global prices on non-ferrous metals on the London Metal Exchange (LME) were at a rather low level. Slowdown of the global economy has a negative effect on the balance between the global supply and demand of metals in physical terms. Seasonal factors do not support prices, either. In addition to that, metal quotations are falling due to large stock reserves at LME.

In July 2012, global prices on non-ferrous metals depreciated largely as compared to the same period of 2011. As compared to July 2011, prices on aluminium, copper and nickel fell by 25.7%, 21.4% and 32.4%, respectively. In January-July 2012, aluminium, copper and nickel were traded 19.6%, 15.0% and 28.7% lower, respectively, as compared to the same period of 2011.

TABLE I

Average monthly prices in July of the respective year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Oil (Brent), USD a barrel.	25.7	28.25	38.2	56.4	72.5	75.09	139.23	65.74	75.6	116.46	103.14
Natural gas*, USD/1 million BTU	2.95	4.04	4.28	6.42	8.585	8.13	14.37	6.67	8.04	10.99	11.13
Petroleum, USD/gallon	0.804	0.896	1,306	1,601	2,271	2,182	3,313	1,771	2.06	3.13	3.18
Copper, USD/a ton	1589.0	1730.3	2813.0	3614.0	7712	7962.7	8415.3	5215.5	6735.3	9650.5	7584.3
Aluminium, USD/a ton	1338.4	1434.9	1710.0	1779.0	2513	2730.7	3071.2	1668	1988.3	2525.4	1876.3
Nickel, USD/a ton	7143.1	8790.6	15038	14581	26585	33373	20160	15985	19518	23848	16128

* Market of Europe, average contractual price, franco border.

Source: calculated on the basis of the data of the London Metal Exchange and the Intercontinental Oil Exchange (London).

After a three months' decline, in July 2012 the FAO food price index rose by 6% gaining another 12 points from this June. Sharp growth in the Index was mainly justified by growth in prices on grain and sugar. In July 2012, the crops price index amounted to 260 points having appreciated by 17% or 38 points as compared to the June index. Also, in July the sugar price index grew sharply by 12% or 34 points from June to amount to the record-high level of 324 points. Such high growth which put an end to slow depreciation of prices from this March was justified by off-season rains in Brazil – the largest sugar exporter -- which situation complicated harvesting of sugar cane in July. Global prices on meat and dairy products changed insignificantly.

In a situation of accession of the Russian Federation to the World Trade Organization, an important component of regulation of foreign trade of the Customs Union became application of instruments of domestic market protection -- such as special protective antidumping and mitigation measures -- against an unfavorable effect of foreign competition. In international trade practice, those instruments are used for effective neutralization of damage to industry from dumping, subsidized or increased import of goods from abroad.

From May 2012, the authorities to carry out antidumping and special protective investigations were transferred from national authorities of the Customs Union-member states to the Department of Protection of the Domestic Market of the Eurasian Economic Commission (EEC). Before that, the above authorities were carried out by the Ministry of Industry and Trade. During a few months, the Department carried out and accomplished two investigations in respect of import deliveries to the Customs Union of polymer rolled metal and cast-iron baths. As a result, antidumping duties and annual quotas have been imposed on those products.

Due to expiry of the term of the antidumping measure in September 2012, a repeated antidumping investigation was started in respect of antifriction bearings (except for needle ones) which were produced in China and brought to the single customs territory of the Customs Union. In accordance with the decision of June 22, 2011 of the Commission of the Customs Union, antidumping duties in the amount of 31.3% and 41.5% of the customs value were introduced for OOO Podshipnik i Kachenia Usi and other manufacturers, respectively. The above measure will be in effect till January 20, 2013.

Following antidumping investigations, EEC started to adopt a format of protective investigations: on July 6, 2012 a special protective investigation in respect of import of grain harvesters to the single customs territory of the Customs Union on the basis of the application submitted by OOO Kombainovy Zavod Rostselmash and OAO Proizvodstvennoe Obyedinenie Krasnoyarsky Zavod Kombainov was begun. The application was supported by RUP Gomelsky Zavod Selskokhozyastvennogo Mashinostroeniya (Gomselmash) and OAO Lidagroprommash. The applicants and enterprises which supported the above application account for 95.9% of the production volume of grain harvesters in the Customs Union.

In September 2012, a special protective investigation in respect of import of porcelain tableware and kitchenware to the single customs territory of the Customs Union was started. In the 2009-2011 period, applicant-enterprises and enterprises which supported the application (ZAO Farfor Verbilok,

OAO Imperatorsky Farforovy Zavod, ZAO Dobrushsky Farforovy Zavod and PK Dulevsky Farforovy Zavod) accounted on average for 81.1% of the production volume of porcelain tableware and kitchenware in the single customs territory of the Customs Union.