

THE FOREIGN TRADE IN AUGUST 2014

N.Volovik

In August 2014, the Russian foreign trade volume decreased. Western sanctions against Russia and Russia' counter-sanctions have resulted in a considerable drop in export of goods to Russia.

In August 2014, the Russian foreign trade volume calculated on the basis of the methods of the balance of payments amounted to \$66.0bn which is 7.3% lower than the respective index of 2013. In August 2014, export amounted to \$40.9bn having decreased by 3.7% as compared to August 2013. The import fell by 11.5% to \$25.1bn. As a result, the trade balance surplus increased: in August 2014 it amounted to \$15.8bn which is 13.4% higher than in August 2013.

Having achieved the 15-month maximum – \$111.87 a barrel – in June 2014, the Brent oil price started to fall due to growth in supply and decrease in demand on the global market. In August, the Brent oil price depreciated for two months running due to slow economic growth in China and Europe and excessive supply. So, production of oil in the US rose to the 28-month maximum. Libya increased oil production from 100,000 barrels a day in the beginning of the year to 612,000 barrels a day in August. Iraq keeps exporting record-high volumes of oil despite hostilities with Islamists in the north of the country, while the northern province of Kurdistan supplies oil via Turkey despite the protests of Baghdad.

It is to be noted that the OPEC revised downward the forecast of demand on its oil in 2014 and subsequent years, having stated that with preservation of the current volume of oil production by the cartel in 2015 there would be a surplus of over 1m barrels on the market.

On September 5, 2014, for the first time in the past 14 months the Brent oil price fell below \$100 a bar-

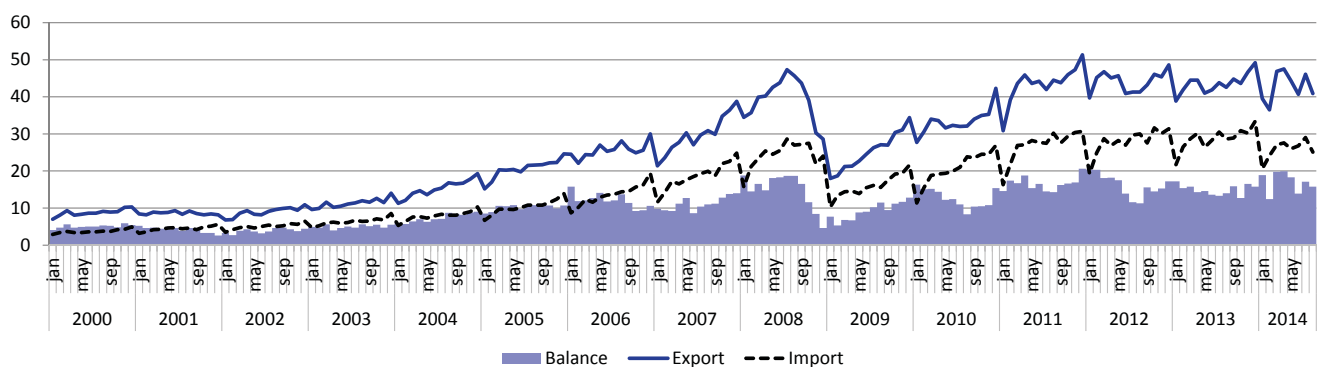
rel and kept going further down. On October 20, 2014, the Brent oil price depreciated to \$84.42 a barrel, that is, the minimum level since November 2010. The OPEC countries will discuss the limitation on production – 30m barrels a day – at the meeting on November 27, 2014, however, there is no agreement between the OPEC member-states to reduce production in order to support oil prices.

In August 2014, the average Urals oil price fell by 9% as compared to August 2013 and amounted to \$101.09 a barrel (\$111.11 a barrel a year before).

In January–August 2014, the average Urals oil price was formed in the amount of \$106.28 a barrel which is 1% lower than that in the same period of 2013.

According to the monitoring of oil prices carried out by the Ministry of Finance of the Russian Federation from September 15 till October 14, 2014, the average Urals oil price amounted to \$669.8 a ton. As a result, from November 1, 2014 the export duty on crude oil will amount to \$316.7 a ton which is 8.1% lower than in October (\$344.7 a ton). In November, the duty on petrol is set in the amount of \$285 a ton against \$310.2 a ton in October, while that on diesel fuel, at the amount of \$205.8 a ton (\$224 a ton in October). In November, the duty on other oil products is set at the amount of \$209 a ton against \$227.5 a ton a month earlier.

Prospects of growth in output in China and the US supported prices on non-ferrous metals. However, late in July a six-month ban on export from Indonesia of green ore expired. It is to be reminded that the govern-



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 AUGUST OF THE RESPECTIVE YEAR

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Oil (Brent), USD/a barrel	29.9	42.8	61.9	71.7	72.1	118.3	73.06	77.18	109.9	113.3	110.96	101.92
Natural gas*, USD/1m of BTU	3.98	4.34	6.56	8.71	8.34	14.64	6.92	8.45	10.81	11.18	11.64	9.14
Copper, USD/a ton	1731.0	2835.8	3800.0	7689	7510.5	7645.6	6165.3	7284	9001.0	7515.5	7192.9	7001.8
Aluminum, USD/a ton	1457.0	1694.3	1868.0	2460	2515.2	2780	1933.8	2118.4	2379.0	1845.4	1817.6	2030.5
Nickel, USD/a ton	9365.0	13723	14894	30872	27600	18581	19642	21413	21845	15735	14315	18600

* The 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).

ment of Indonesia introduced a ban on export of green ore in January 2014 in order to increase domestic processing of minerals. Prior to the ban, Indonesia was one of the largest exporters of nickel ore, iron ore and aluminum ore. A return to the market of Indonesian suppliers slowed down a positive price trend which had just emerged in the market.

According to the data of the London Metal Exchange, in August 2014 as compared to the previous month prices on aluminum rose by 4.4%, while those on copper and nickel fell by 1.5 % and 2.5%, respectively. As compared to August 2013, prices on nickel and copper rose by 29.9% and 11.7%, respectively, while prices on copper fell by 2.7%. In January–August 2014, as compared to the respective period of 2013 aluminum and copper were traded on average 4.0% and 6.3% lower, while nickel appreciated by 9.8%.

In August 2014, for five months running the FAO food price index fell having hit the lowest level since September 2010. As compared to July, the index fell by 7.3 points and amounted to 196.7 points. It is to be noted that there was a noticeable decrease in prices on all the products on the basis of which the index is calculated, except meat. Dairy products are at the top of the list of products in respect of which depreciation of prices was observed. The index of prices on those products amounted to 200.8 points which is 25.3 points and 46.8 points lower as compared to July 2014 and August 2013, respectively. It took place as a result of growth in export in combination with a decrease in demand on import.

In January–August 2014, the foreign trade volume of the Russian Federation amounted to \$549.5bn which is 1.9% lower than the respective index of 2013. It is to be noted that the export of Russia grew by 1%, having amounted to \$342.5bn, while the import fell by 6.3% to \$207bn. In January–August 2014, the trade balance surplus of the Russian Federation amounted

to \$135.5bn which is 14.7% higher than in January–August 2013.

Insignificant growth in export took place due to an increase in supplies abroad of food products and agricultural primary products (mainly wheat), mineral products (oil products), wood and pulp and paper products and textile, textile goods and footwear. In January–August 2014, the monetary volume of export of those groups of commodities rose by 28.6%, 1.4%, 10.8% and 34.7%, respectively, as compared to January–August 2013.

As regards other groups of the expanded nomenclature of goods the export shrank as follows: chemical industry produce (a decrease of 7.9%), rawstock, furs and fur articles (38.2%) primary metals and fabricated metal articles (1.2%) and machines, equipment and transport vehicles (7%).

The import decreased over the entire expanded nomenclature of goods, except for mineral products (due to growth in the import of petrol) and precious stones, precious metals and articles in which they are used.

During the first month of a ban on the import to Russia of food from the EU states, Norway, the US, Canada and Australia, in August 2014 the import of food products from far abroad countries fell by 7.5% as compared to July 2014. The highest drop in import was observed as regards dairy products, pork and vegetables. The only product which was subject to sanctions, but showed growth in supplies in August and September was beef; it was imported from Argentina, Brazil and China. Growth in the monetary volume of the import of beef took place due to growth in prices on the global market.

The US deprived Russia of a number of trade privileges: the general system of preferences (GSP) stops working in respect of Russia from October 3, 2014. The system of GSP measures was adopted in 1964 in order to render assistance to developing countries. The GSP

**THE IMPORT OF FOOD PRODUCTS TO THE RF FROM FAR ABROAD COUNTRIES IN 2014
(% OF THE RESPECTIVE PERIOD OF 2013)**

	January	February	March	April	May	June	July	August	September
Food products and primary products for production thereof	103.3	100.9	102.4	93.0	99.8	99.6	100.3	92.5	92,4
including:									
Meat and by-products	81.2	70.2	67.7	60.3	70.5	83.2	102.3	88.9	75,6
including: beef	46.7	81.2	82.3	73.5	69.6	91.3	105.8	146.9	119,1
pork	123.2	65.9	62.5	46.5	64.0	70.0	119.9	55.4	42,0
poultry meat	65.6	97.1	70.3	81.7	129.3	141.0	99.4	61.1	46,5
Fish and water invertebrates	104.8	106.9	100.5	92.2	106.6	93.0	110.3	69.9	87,4
including: frozen fish	96.2	107.8	116.1	92.2	103.5	95.4	125.0	95.8	108,4
Fish fillet	103.1	131.0	87.4	105.2	115.8	67.2	112.9	83.9	93,6
Dairy products	121.9	140.9	128.3	117.0	114.5	96.4	95.6	42.8	24,8
Vegetables	102.6	113.3	128.0	111.1	118.3	132.9	125.4	56.0	48,5
Fruits and nuts	90.1	86.8	90.5	91.1	92.8	98.2	95.0	89.1	88,9

Source: The Federal Customs Service of the Russian Federation.

includes an aggregate of norms regulating provision to developing countries of tariff preferences on the part of developed countries. The GSP grants US trade partners the right to supply duty-free a wide range of goods. A year ago, Russia's 425 trade items enjoyed those preferences.

In the letter of the US President to the Congress, the abolishment of trade privileges for the Russian Federation is explained by the fact that "in economic terms Russia is developed enough to manage without privileges meant for developing countries". From now on, customs duties will be imposed on export of Russian goods to the US on a common basis.

On October 20, 2014, the US Department of Commerce announced termination of the agreement on supply of hot-rolled steel articles from Russia.

It is to be reminded that on July 12, 1999 Russia had to sign with the US the Agreement on Trade in Some Types of Steel Products from the Russian Federation approved by Resolution No.1261 of November 14, 1999 of the Government of the Russian Federation. According to the above agreement, issuing of export licenses was carried out by the Ministry of Economic Development of the Russian Federation within the export limits determined by the US Department of Commerce.

Simultaneously, the Agreement on Suspension of Anti-Dumping Investigation in Respect of Some Types of Hot-Roll Flat Carbon Steel Products from the Russian Federation was concluded. The agreement permitted Russian steel companies to avoid high anti-dumping duties on hot-rolled steel. Instead of duties,

the US imposed then a quota and the lower limit of prices.

Earlier this year, steel-making companies Nucor Corp, U.S. Steel Corp, ArcelorMittal USA LLC and other complained to the US Department of Commerce that the 1999 agreement on limitation of trade in steel did not control supplies from Russia at anti-dumping prices; as a result, in the first six months of 2014 sheet products export to the US increased 15 times over as compared to the respective period of 2013.

By its letter, the US Department of Commerce notified Russia about termination of the Agreement in 60 days and informed that "after termination of the Agreement provisions of the US Law on Anti-Dumping Duty would be applied". As a result, an anti-dumping duty of 73.59% will be introduced in respect of Severstal, a Russian company, while in respect of the Magnitogorsky Integrated Iron-and-Steel Works and the Novolipetsk Integrated Iron-and-Steel Works, a duty of up to 184.56%.

The idea of termination of the Agreement on Suspension of Antidumping Investigations is completely within the logic of toughening of the US position on Russia after growth in tensions between the two countries over the situation in Ukraine; as a result of the above the US has already cancelled trade privileges for Russia.

In January–August 2014, the share of the US in the foreign trade volume of the Russian Federation increased to 3.8% against 3.2% in January–August 2013. It happened due to a 29.4% growth in Russian import from the US and a 0.8% growth in Russian export to the US. ●