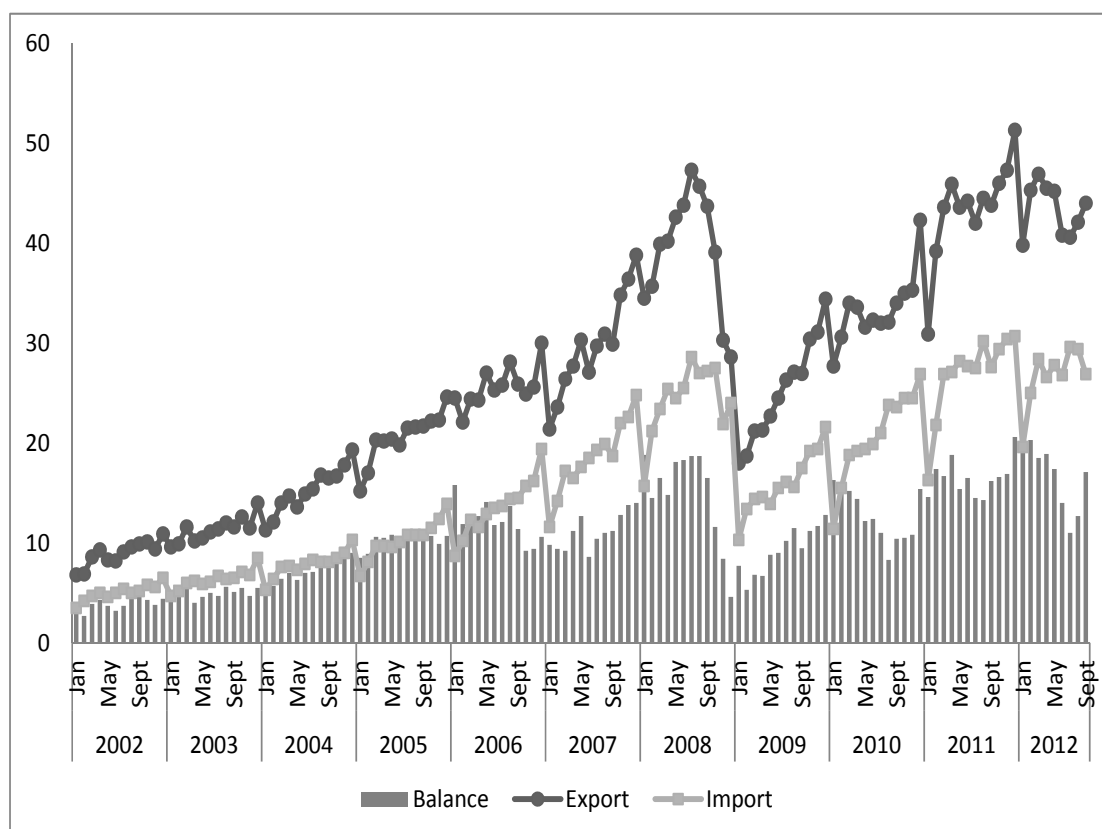


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Foreign Trade

In September 2012, mixed dynamics of the main Russian foreign trade indices was observed: insignificant growth in the export and a decrease in the import (as compared to September 2011). Russia's accession to the WTO has resulted neither in sharp import growth, nor abolishment of restrictive measures against goods from Russia.

In September 2012, mixed dynamics of the main indices of the Russian foreign trade was observed. In September 2012, the Russian foreign trade turnover calculated on the basis of the methods of the balance of payments amounted to \$70.9bn which is 0.6% lower than the same index of 2011. It is to be noted that the export of goods from Russia in September 2012 increased by 0.5% to \$44bn on September 2011. In September 2012, the import of goods to Russia as compared to the same period of 2011 decreased by 2.3% to \$26.9bn. Such dynamics of the foreign trade indices contributed to growth in export surplus which increased in September 2012 by 5.2% to \$17.1bn as compared to September 2011.



Source: The Central Bank of the Russian Federation

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

The dynamics of the export is still determined by fluctuations in the market situation which remains favorable for Russian exporters. Oil prices are still under effect of the following two factors: political tensions in the Middle East and the state of the world economy.

In September, the average price of the Brent oil amounted to \$112.95 a barrel, that is, it remained virtually at the level of September 2011. It is to be noted that on September 15, 2012 it rose to \$116.92 a barrel which is the maximum price from May 2012.

In September 2012, the price on Urals oil on the global market amounted to \$111.6 a barrel which is the mere 0.1% higher than the level of the same period of 2011. As compared to August 2012, the price on Urals oil fell by 1.4%.

The average oil price in the period of monitoring from October 15 till November 14, 2012 included, amounted to \$108.9 a barrel (from September 15 till October 14, 2012 the price on oil amounted to \$110.7 a barrel). As result, by Resolution No. 1201 of November 22, 2012 the export duty on oil in Russia was lowered to \$396.5 a ton in December 2012 from \$404.5 a ton in November 2012. In December, the preferential oil duty will amount to \$193.3 a ton against \$199.4 a ton in November. In December, the duty on oil products, except for petroleum, will amount to \$261.7 a ton against \$267.0 a ton in November. In December 2012, the protective duty on petroleum in the amount of 90% of the rate on oil – which duty was introduced by the government from May 2011 for protection of the domestic market of the Russian Federation – will amount to \$356.8 a ton against \$364.1 a ton in November.

In the second half-year of 2011, the global situation on the nonferrous metals market started to get worse: metal stock at warehouses sharply increased, their consumption in the real sector of the economy fell and prices started to go down. After insignificant growth early in 2012, prices on non-ferrous metals kept falling. In September 2012, though the above trend prevailed, there was a turning point on the horizon. Though in September 2012 as compared to September 2011, prices on aluminum, copper and nickel decreased by 10%, 2.3% and 15.2%, respectively, they increased by 11.9%, 9.9% and 7.6%, respectively as compared to August 2012.

Table 1

Monthly average global prices in September of the respective year

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Oil (Brent), USD a barrel	26.18	28.26	27.1	42.68	61.7	62.1	75.9	104.7	68.64	77.76	109.97	113.4
Natural gas, USD per 1m of BTU	3.79	3.08	3.97	4.41	6.58	8.77	8.54	14.85	7.13	8.28	10.85	11.08
Petroleum, USD a gallon	0,757	0,797	0,832	1.26	1,958	1,596	2.03	2.63	1,768	1.94	2.73	3.05
Copper, USD a ton	1452.9	1498.3	1816.4	2892.6	3858.0	7602	7656.5	6990.9	6195	7709.3	8314.8	8087.7
Aluminum, USD per ton	1342.6	1294.7	1415.0	1726.0	1840.0	2473	2392.9	2525.8	1833	2202.4	2296.7	2064.1
Nickel, USD per ton	5040.9	6592.5	9996.1	13298	14228	30131	29605	17795	17462	22643	20392	17288

* The market of Europe, average contract price, franco-border.

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

In September 2012, the FAO Food Price Index rose by 3 points as compared to the same index in August (from 213 points in August to 216 points in September). Such growth reflects appreciation of prices on dairy and meat products and grain. Prices on sugar and vegetable oil kept going down.

According to the data of the Bank of Russia, in January-September 2012 Russia's foreign trade turnover amounted to \$630.8bn which is 3.3% higher than the level of January-September 2011. It is to be noted that growth rates of both export and import were almost the same: the export increased by 3.5% to \$390.4bn, while the import, by 3% to \$240.4bn. The export surplus remained a positive one, that is, \$150.1bn (in January-September 2011 it was \$144.0bn). Growth in export supplies was still justified by positive price dynamics (mainly by prices on energy resources), while growth in import took place as a result of an increase in the physical volume.

Table 2

**Indices of the physical volume and foreign trade prices in January-September 2012
(January-September 2011 = 100)**

	Index of the physical volume	Price index
EXPORT		
Total	99.7	103.5
Far abroad	101.6	102.4
CIS	89.3	110.4
IMPORT		
Total	104.8	97.3
Far abroad	107.6	97.2
CIS	88.7	98.4

Source: The Ministry of Economic Development of the Russian Federation.

Thanks to growth in export prices with a decrease in prices on import, in January-September 2012 trade conditions for Russia in general were favorable. The trade conditions index amounted to 106.4. However, it was much lower than in January-September 2011 (119.3).

On October 23, 2012, the World Trade Organization (WTO) published the detailed statistics on the volumes of trade flows and tariff rates in 2011¹ according to which data growth in the volume of the global trade in commodities amounted to 5% with global GDP growth of 2.5%. For the sake of comparison, in 2010 those indices amounted to 13.8% and 3.8%, respectively. In the pre-crisis 1990–2008 period, the average annual growth rates of trade in commodities were at the level of 6%.

In September 2012, the WTO revised the 2012 global trade growth forecast downward to 2.5%. According to the WTO's previous forecast made in April 2012, growth of 3.7% was expected in 2012. The 2013 forecast was revised downward from 5.6% to 4.5%.

In 2011, the world's largest commodities exporter (in monetary terms) was still China whose export volume rose by 20% and amounted to \$1,898bn. The share of China in the global export amounts to 10.4%. The United States of America with the export volume of \$1,480bn is rated the second, while Germany which exported \$1,472bn worth of goods, the third. The

¹ http://www.wto.org/english/news_e/news12_e/stat_23oct12_e.htm

Russian Federation with \$522bn worth of the export moved to the 9th place from the 12th place it held in 2010.

As regards the volume of import, the United States was rated the first -- the US purchased \$2,266bn worth of goods from abroad – while China, the second (its import amounted to \$1,743bn). Germany was rated the third; it imported \$1,254bn worth of goods. The Russian Federation moved from the 18th place (in 2010) to the 17th place; it imported \$324bn worth of goods.

On October 29, 2012, the Department of Customs and Tariff and Non-Tariff Regulation of the Eurasian Economic Commission carried out a preliminary analysis of the effects of the WTO membership on the import of goods to Russia on the basis of the results of September 2012.

It was stated in the report of the Eurasian Economic Commission that no sharp growth in import because of a reduction of the level of tariff protection was registered. On the contrary, the volume of import goods in monetary terms from far abroad to Russia decreased by 8.6% as compared to August 2012, while that from the CIS states, by 7.6%.

A decrease in import volumes concerned most of the goods. So, in September 2012 as compared to the previous month the import of chemical products, textile goods and footwear and engineering products decreased by 6.4%, 16.3% and 14.6%, respectively. It is to be noted that import supplies of food products and primary products for their production increased by 7% as compared to August 2012. Probably, it was related to the fact that in expectation of reduced import customs duties importers brought in a smaller volume of goods, while after the new customs tariff came into effect they started to import food more actively, thus, saving the money on it.

The highest growth rates were observed as regards vegetable oil (59.5%). It can be explained by a twofold increase in the volume of import of palm oil as a result of reduction of the duty rate.

In September, the monetary volume of imported dairy products rose by 23.5% on August due to a reduction of import customs duties on some goods, for instance, processed and hard cheese.

Due to expectations of further increase in excise duties, import deliveries of tobacco products rose by 32.2%.

Import deliveries of pork rose by 16.9% as a result of both reduction to the nil of the import customs duty on that type of meat imported within the limits of the quota set by Russia and a decrease of 10 p.p. in the custom duty on deliveries beyond that quota.

Russian meat producers believe that the situation in that sector changed dramatically: in Russia prices on forage rose sharply, while prices on pork fell. Producers turned to the Ministry of Agriculture of the Russian Federation with a request to protect the Russian pork market by means of measures of customs and tariff regulation, that is, restore the specific rate of import customs duty on the imported pork which is brought to Russia beyond the quota in the amount of no less than 1.5 euro per kilo (at present the ad valorem portion of the duty has been reduced from 75% to 65%, while the specific rate canceled), and abolish a privilege for Brazil – which in the past few years has become the main supplier of pork to the Russian Federation -- as regards

payment of import customs duties. At present, Brazil enjoys a special regime: only 75% of the existing customs tariff is paid on import of meat from that country.

Though a return to the specific portion of the customs duty is not in conflict with the WTO rules, the decision is to be approved by importer-countries. It is to be noted that if the specific component is introduced again the ad valorem portion of the duty is to be reduced.

However, protectionist sentiments in the world economy have recently been on the rise. In 2012, according to the WTO over 100 new restrictions have been introduced and it is to be noted that G20 accounted for most of those restrictions (71 new restrictive measures were introduced only in the period from May till October 2012)².

The Eurasian Economic Commission has prepared the first review of the analysis of restrictive measures against the Customs Union. According to the above review, 106 restrictions are in effect against goods from the member-states of the Customs Union: Russia, Belarus and Kazakhstan. The above restrictions introduced in different years include antidumping investigations, discriminating excise duties, special technical measures, as well as economic and political sanctions against Belarus.

² http://www.wto.org/english/news_e/news12_e/igo_31oct12_e.htm