

## THE FOREIGN TRADE IN FEBRUARY 2015

N.Volovik

*Early in 2015, a drop in the main indices of the Russian foreign trade amounted to the 2009 crisis level. The existing non-tariff barriers between the Russian Federation and the Republic of Belarus highly complicate trade.*

In January 2015, Russia's foreign trade volume calculated on the basis on the methods of the balance of payment fell by 34% to \$40bn as compared to January 2014 due to a decrease of 40.4% and 30.5% in the volume of import (\$12.5bn) and the volume of export supplies (\$27.5bn), respectively. The trade balance surplus was a positive one in the amount of \$15bn which is 19.3% lower than that in January 2014.

In January 2015, the explicitly negative dynamics of prices on global commodity markets was observed.

In January 2015, the Brent oil prices fluctuated in the range of \$55.38 a barrel to \$45.13 a barrel, while the average price amounted to \$48.07 a barrel which was 55.3% lower than in January 2014.

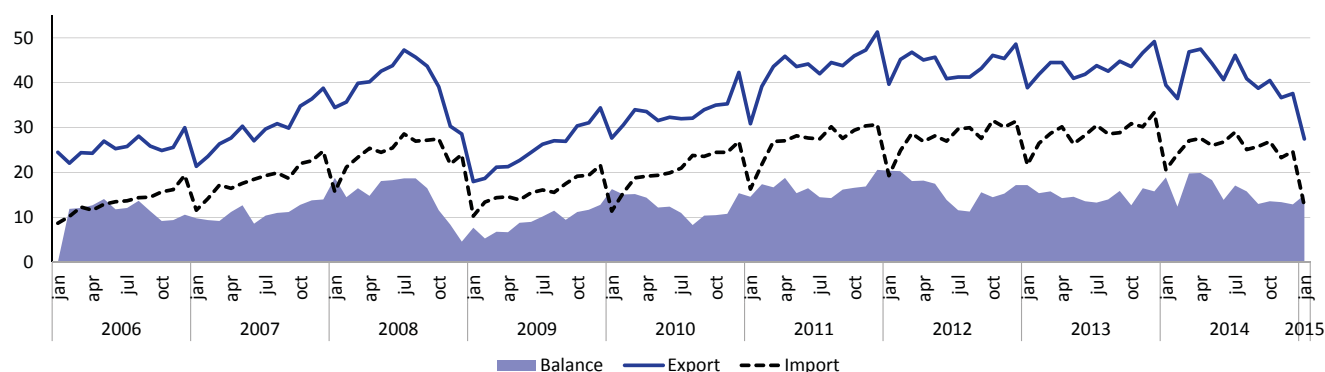
In January 2015, the Urals oil price fell by 56.2% as compared to 2014 and amounted to \$46.6 a barrel; as compared to December 2014 the price fell by 23.7%.

According to the monitoring carried out by the Ministry of Economic Development of the Russian Federation, in the period of from 15 February 2015 till 14 March 2015 the average price of Urals oil amounted to \$58.15 a barrel (\$424.5 a ton). So, from 1 April 2015 the rate of duty will be raised to \$ 130.8 a ton against \$105.8 a ton which was effective in March 2015. The privileged rate of the export duty on oil from oil deposits of Eastern Siberia, two Lukoil deposits in the Caspian sea and the Gazprom's Prirazlomnoe oil deposit will remain at the zero level (nulling of the duty

took place in February 2015; from 1 January the duty was at the rate of \$11.9 a ton). The duty on high-viscosity oil will increase to \$16.7 a ton from \$13.3 a ton. The duty on light petrochemicals and oils will amount to \$62.7 a ton (from 1 March – \$50.7 a ton), while that on dark oil products, to \$99.4 a ton (\$80.4 a ton). The duty on export of commercial gasoline will increase to \$102 a ton (from 1 March – \$82.5 a ton), while that on directly distilled gasoline (naphta) to \$111.1 a ton (\$89.9 a ton). The duty on condensed gas will remain at the zero level. The duty on charred coal will grow from \$6.8 a ton to \$8.5 a ton.

Appreciation of the US dollar and slowdown of economic growth rates in China had an impact on the market of nonferrous metals early in 2015, thus pushing downwards market quotations. The results of a regular meeting of the US Federal Reserve – in the period from June 2015 till September 2015 toughening of the US monetary policy can be expected – contributed to a decrease in metal prices.

According to the data of the London Metal Exchange, in January 2015 prices on aluminum, copper and nickel fell by 5.5%, 9.5% and 7.2%, respectively, as compared to December 2014. As compared to January 2014, aluminum and nickel appreciated by 4.7% and 4.9%, respectively, while copper depreciated by 20.3%. It is to be noted that copper prices amounted to the minimum level since July 2009.



Source: The Central Bank of the Russian Federation.

Fig. 1. The Main Foreign Trade Indices, billion Rb

Table 2

## MONTHLY AVERAGE GLOBAL PRICES IN JANUARY OF THE RESPECTIVE YEAR

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Oil (Brent), USD a barrel	42.9	62.5	54.8	92.4	45.7	76.2	96.29	111.16	112.97	107.4	48.07
Natural gas, USD per 1m BTU	5.46	7.96	8.59	10.7	13.89	8.8	9.61	11.45	11.77	11.59	9.25
Copper, USD a ton	3170	4734	5668.7	7061.6	3220.7	7385	9556	8040.5	8047.4	7291.5	5830.5
Aluminum, USD a ton	1832	2378	2808.3	2445.5	1413.1	2234.5	2440	2144.2	2037.8	1727.4	1814.7
Nickel, USD a ton	14505	14555	36795	27689	11307	18430	25646	19855	17473	14101	14849

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

In January 2015, the FAO food price index kept falling – that trend began as early as April 2014 – and amounted to 182.7 points which was 1.9% lower than the respective index of December 2014. A drop in prices was justified by good harvest forecasts: the FAO declared about the record grain crop in 2014 and noted that earlier made forecasts of the 2015 harvest were favorable, too. In January, a decrease in food prices was partially justified by stable reserves, appreciation of the US dollar and low prices on oil.

In January 2015, the Russian export decreased over all the commodity groups of the expanded nomenclature except for food products and agricultural primary products as compared to January 2014. Sales abroad of those products increased by 20% due to growth of nearly 150% in physical volumes of export of wheat with a 17% reduction in average contract prices. The share of food products in the total volume of the Russian export rose to 4.3% against 2.5% in January 2014.

As regards other commodity groups, a dramatic reduction in export took place. The highest drop was observed in export supplies of machines, equipment and vehicles. In January 2015, the export of those goods abroad was 56.6% lower than in January 2014. It is to be noted that the export to far abroad and CIS countries fell by 60.7% and 49.4%, respectively. The share of machines and equipment in the total volume of the Russian export fell to 2.3% against 3.7% in January 2014.

In January 2015, the export of mineral products fell by 32% as compared to January 2014 mainly due to a drop in average contract prices with growth in physical volumes of export of coal, oil and petrochemicals by 5.8%, 8.5% and 28.4%, respectively, and a 28.8% decrease in the physical volume of export of natural gas.

The export of chemical produce fell by 15% due to reduction of physical volumes and a drop in average contract prices on the main types of products.

The export of metals and metal articles fell by 14.9% mainly due to a drop in average contract prices on

ferrous metals and copper; it is to be noted that aluminum and nickel were traded at a higher price than in January 2014.

The export of wood and pulp and paper products fell by 17.9% mainly due to reduction of average contract prices.

In January 2015, the conditions for the Russian import kept worsening. According to the calculations of the Ministry of Economic Development of the Russian Federation, in January 2015 weakening of the nominal effective exchange rate of the ruble amounted to 6.5%, while a decrease in the real effective exchange rate was estimated at 3.1%. Contraction in industrial production with the seasonal and calendar components excluded amounted to 1.7%. In January 2015, real disposable cash income fell by 0.8% as compared to January 2014. So, domestic solvent demand decreased and that resulted in further reduction in volumes of goods purchased from abroad.

A drop in import was observed over all the commodity positions. The highest drop was registered with the largest group of import goods: machines, equipment and vehicles; the import of the above goods fell by 44.9% in monetary terms. So, as compared to January 2014 in January 2015 there was a drop in the import from far abroad countries of mechanical equipment (36.5%), electric equipment (49.5%), land transport vehicles (57.7%), flying machines (34.3%), vessels and floating craft (13.9%) and optical instruments (26.6%).

The rates of drop in import of food products and agricultural primary products sped up: in January 2015 the import of those products was 38.8% lower than in January 2014. The import of food products from far abroad countries and CIS states fell by 40.5% and 23.8%, respectively. The goods from the countersanction list were hit in particular: there was a drop in the import of fish from far abroad countries (58.2%), vegetables (40.6%) fruits and nuts (47%) meat (75.6%) and dairy products (78.4%).

At the joint collegium of the Ministries of Agriculture of the Russian Federation and the Republic of Belarus which was held on 17 March 2015, Russia asked Belarus to increase in 2015 volumes of supply of agricultural products over most positions, particularly, meat, meat products, milk and dairy products. As a result, forecast balances approved for 2015 will permit Belarus in 2014 to increase supplies of milk and dairy products, as well as meat and meat products to Russia by 26.5% and 11.5%, respectively. So, Belarus exports to Russia 3,923m tons of milk and dairy products (in milk equivalent) and 390,300 tons of meat and meat products. In 2014 balances, those indices amounted to 3.1m and 350,000 tons, respectively.

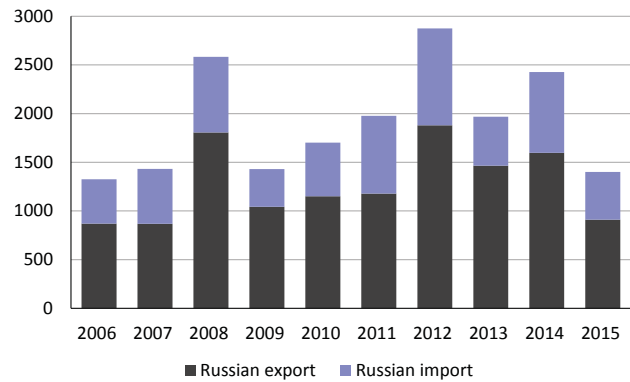
For the purpose of protection of their producers, the Republic of Belarus and the Russian Federation sign on the annual basis forecast balances of mutual supplies of the main types of agricultural products from 2008.

It is to be noted that trade and economic relations between Russia and Belarus develop erratically: high growth rates of the foreign trade turnover alternate with slumps. A particularly dramatic slump of the trade turnover between Russia and Belarus was observed in January 2009 (it fell by 44.6% as compared to January 2008) and January 2015 (a 42.3% decrease).

On 1 January 2015, the Agreement on Eurasian Economic Union came into effect. Article 2 of the above agreement provides for a mode of trade and economic integration of member-states with a single customs territory where no customs duties, non-tariff regulation measures and special protective, antidumping and compensation measures are used in mutual trade. However, non-tariff measures are still used both in the Russian Federation and the Republic of Belarus in respect of each other.

So, as of 1 March 2015 Belarus limits the access of Russian manufacturers of agricultural equipment to participation in procurement. The import of tobacco and alcohol products is carried out solely by special importers determined by the President of the Republic of Belarus. Also, administrative regulation of the Belarusian import, including that from Russia, is carried out by means of mandatory fulfillment of the respective parameter of the forecast of social and economic development. The above measure is applied to all the goods, including agricultural ones.

Late in 2014 and early in 2015, problems in the relations between Russia and Belarus became more acute. In order to prevent the import of food – which



Source: The Federal Customs Service

Fig. 2. The foreign trade turnover between Russia and the Republic of Belarus (January of the respective year, million USD)

is subject to the temporary embargo imposed by the Russian government – from the EU countries via Belarus, from 25 November 2014 the supervisory service of the Rosselkhozadzor introduced a new scheme of control over the import of vegetable products from Belarus. All the trucks – both transit and those which go to Russia – are subject to inspection on the Russian border even if they were checked by the Belarusian side.

In response to the above limitations of supplies, the Belarusian border service, the Ministry of the Internal Affairs of the Republic of Belarus and representatives of the Mogilev Customs of the State Customs Committee started to carry out random checks of Russia supplies to Belarus on the border between the two countries.

On 21 November, Rosselkhozadzor banned product supplies from a number of Belarusian meat-processing factories to Russia.

For the purpose of prevention of the spread of African swine fever and other dangerous animal diseases, from 27 January 2015 the Republic of Belarus expanded the list of Russian goods which were subject to vet inspection. As a result, additional requirements – that is, the need to secure additional permit documents in Belarus and pass a mandatory physical inspection of goods (inspection of goods under control, checking of packing and identification codes and other) were set to Russian goods.

So, non-tariff barriers still complicate a great deal the mutual trade between the two countries which situation is inadmissible for development of the Eurasian Economic Union. At the same time, it is rather difficult to get rid of all the non-tariff barriers. ●