

## RUSSIA'S FOREIGN TRADE IN DECEMBER 2012

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*In December 2012, the Russian foreign trade was carried out in a situation of stabilized prices on the main export goods, as well as slow-down of domestic demand. In the Russian Federation, measures are being actively developed to protect domestic producers in a situation where Russia is a member of the World Trade Organization (WTO).*

In December 2012, the Russian foreign trade turnover amounted to \$80bn which is 5.9% higher and 2.5% lower than the last year index and the 2011 index, respectively. The export grew as well as compared to November 2012 (a 6.9% growth), but decreased by 5.4% as compared to December 2011. It is to be noted that \$48.6bn worth of goods was sold abroad. Import showed positive dynamics as compared both to the previous month (a 4.5% growth) and the same month of the previous year (a 2.4% growth). It is to be noted that \$31.4bn worth of goods was purchased from abroad which is merely 0.4% lower than in October 2012 when Russian import hit the record level in the entire period of observation.

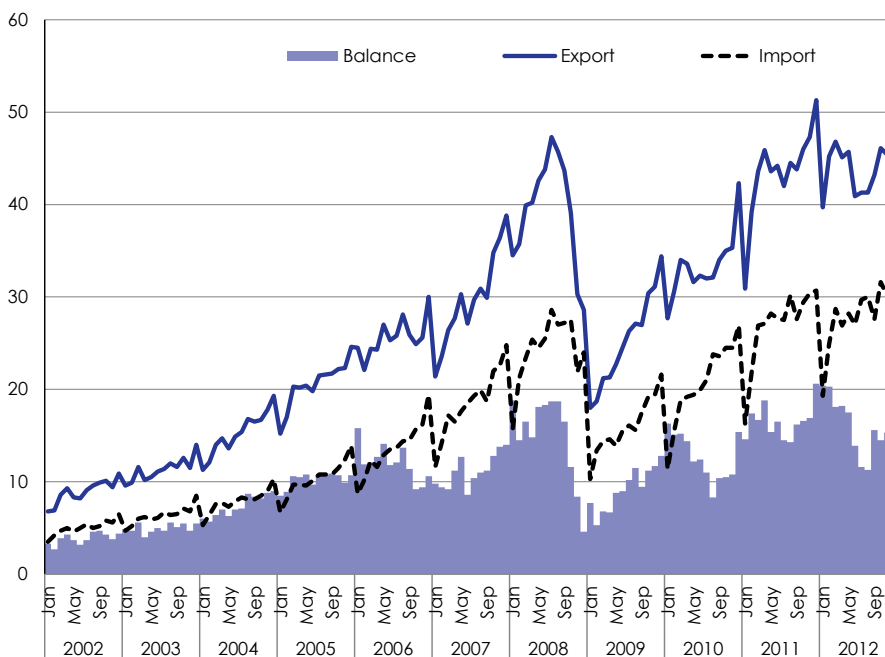
The advanced import dynamics was behind a reduction of the trade balance surplus which in December 2012 fell by 17% to \$17.1bn as compared to December 2011.

Throughout December 2012, global oil prices remained stable: positive macroeconomics data of China supported the prices, while the unstable situation in the euro area had a downturn effect on them. On December 6, the Brent oil price fell to the month's minimum level of \$106.87 a barrel, while on December 26 rose to the maximum one of \$111.19 a barrel. In December 2012, monthly average Brent oil price was \$109.68 a barrel which is 1.6% higher than in December 2011. In December 2012, the Urals oil price remained at the level of the previous month and amounted to \$108.3 a barrel which is 0.7% higher as compared to December 2011.

According to the data of monitoring of the Ministry of Finance of the Russian Federation, from January 15 till February 14, 2013, the average price on Urals oil was at the level of \$114.38 a barrel. According to Resolution No.150 of February 25, 2013 of the Government of the Russian Federation,

from March 1, 2013 the rate of the export duty on crude oil may amount to \$420.6 a ton. From March 1, 2013, the single rate of the export duty on light and dark oil products, except for gasoline, calculated on the basis of the 60/66/90 method may amount to \$277.6 a ton against \$266.2 a ton a month earlier. It is to be noted that in March a duty on gasoline preserved at the level of 90% of the duty on oil may rise to \$378.6 a ton against \$363 a ton in the previous month.

There were no dramatic fluctuations on the non-ferrous market, either. Growth in prices on non-ferrous metals was hindered by a



Source: The Central Bank of the Russian Federation.

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

complicated situation in the global economy. A large-scale drop in quotations was prevented by a smooth monetary policy of the US Federal Reserve and the European Central Bank. According to the data of the London Metals Exchange, in December 2012 prices on aluminum and copper increased by 3.2% and 5.2%, respectively, as compared to December 2011, while prices on nickel fell by 4.1%. As compared to November 2012, the price on aluminum, nickel and copper rose by 7.4%, 6.8% and 3.5%, respectively.

Table 1

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Oil (Brent), USD a barrel	27.48	29.51	39.6	56.4	63.1	90.64	72.77	75.26	91.8	107.91	109.68
Natural gas*, USD/1m BTU	3.36	3.97	5.01	7.49	8.92	9.49	15.5	8.01	8.74	11.53	11.47
Gasoline, USD/a gallon	0.836	0.889	1.141	1.875	1.638	2.353	0.976	1.93	2.35	2.59	2.69
Copper, USD/a ton	1618.6	2187.3	3137.0	7578.0	6643.9	6580.5	3072	6982.0	9111	7565	7966.8
Aluminum, USD/a ton	1376.2	1553.8	1850.0	2248.0	2816.9	2380.2	1490.4	2179.7	2321.5	2022	2086.8
Nickel, USD/a ton	7255.0	14060	13792	13423	34578	26003	9686.4	17066	24946	18267	17449

\* market of Europe, average contractual price, Franco-border.

Source: The London Metals Exchange, the Intercontinental Oil Exchange (London) and the World Bank.

In December 2012, the FAO index of food products fell by 1.1% (to 209 points) as compared to November. A drop in that index was observed for three months running; in December it was a result of a decrease in global prices on the main sorts of grain, as well as vegetable oils and fats. In December, due to large export deliveries from South America maize prices fell dramatically. Prices on rice fell as well because of good yield prospects. Wheat prices did not change much due to a decrease in the volume of trade in that product. In December, the FAO index of prices on vegetable oil and fats fell by 4 points as compared to November and amounted to 197 points; it is to be noted that it kept decreasing for four months running and hit to the lowest level since September 2010.

In 2012 in general, \$529.2bn worth of goods was exported which figure is merely 1.4% higher than the same index of the previous year. Growth took place due to a 2% increase in export supplies to far abroad countries where \$ 446.8bn worth of Russian goods was exported to. It is to be noted that \$82.5bn worth of goods was exported to CIS countries which figure is 1.6% lower than in 2011. In the total volume of export, the unit weight of far abroad countries rose from 83.9% to 84.4%.

In the structure of the Russian export, the share of fuel and energy commodities remains very high, while the unit weight of machines, equipment and means of transportation is insignificant. On the basis of the results of 2012, in the structure of export the share of mineral commodities was at the level of 71.4% (including fuel and energy commodities – 70.4%). In 2012, in the structure of export the share of machines, equipment and means of transportation amounted to the mere 5% as in 2011.

In 2012, the Russian import increased by 3.6% to \$335.4bn as compared to 2011; it is to be noted that that growth took place due to expansion of deliveries from far abroad countries from which \$288.7bn worth of goods was imported which figure was 4.9% higher than the 2011 index. Import of goods from CIS countries decreased by 3.7% to \$46.8bn. In the total volume of import, the unit weight of far abroad countries rose from 85.0% to 86.1%.

In 2012, the commodity pattern of import did not change much. The share of food products and agricultural primary products decreased by 1 p.p. as compared to 2011 and amounted to 12.9%. The share of machines, equipment and means of transportation rose by 1.9 p.p. to 50.5%.

Despite the fact that in 2012 in general the import of food decreased by 5.5%, in the 4<sup>th</sup> quarter of 2012 considerable growth in import of some food products was observed. So, in the past three months of 2012 the import of beef, pork and dairy products from far abroad countries rose by 13%,

32.6% and 12.2%, respectively, as compared to the same period of 2011. Such growth took place due to the fact that import duties were decreased in compliance with the terms of Russia's accession to the WTO: as regards pork supplies per quotas, import duties were reduced from 15% to 0%, while as regards those above the quotas, from 75% to 65%; import duties on live hogs and dairy products were cut from 40% to 5% and from 25% to 15%, respectively.

Further growth in import supplies may result in a reduction of the domestic production of meat and dairy products. It is to be noted that in accordance with obligations assumed by Russia import duties on dairy products are to be reduced by 2015, while those on some types of them (for instance, non-condensed unsweetened milk and cream), by 2016.

For the above reason, the Council of the Eurasian Economic Commission took a decision No.10 of February 27, 2013 on Imposition of Import Customs Rates of the Single Customs Tariff of the Customs Union in Respect of Butter, Dairy Spreads and other Fats and Oil Produced of Milk, As Well As Cottage Cheese and Some Sorts of Cheese. The duties on import of butter, dairy spreads and other fats and oils produced of milk, as well as cottage cheese were raised from 15% to 18% of the customs value. For instance, in respect of natural butter with a fat content of no more than 85% in immediate packages with the net weight of maximum 1 kg a rate of euro 18.3, but no less than euro 0.29 per 1 kg was imposed.

Due to growth in import of some types of food products, relevant agencies – primarily, Rospotrebnadzor – take measures to ensure control over the quality and safety of imported goods.

From February 4, 2013, Rosselkhoznadzor banned import of poultry meat, beef and pork to Russia from Germany. The Russian side is not satisfied with the work of Germany's vet service. The quality of actual products is guaranteed by the German Federal Vet Service which does not have strong contacts with the vet service subsidiaries in lands where the main control is carried out over the supplied meat. Due to the above situation, Rosselkhoznadzor has to carry out further laboratory research.

In the European Union, they believe that limitations imposed by Russia on the import of refrigerated meat from Germany are an unjustified and inadequate measure. The EU reinforced its opinion with a complaint submitted to the WTO. It says that food products exported by the EU countries meet quality standards, there are no grounds for such a ban to be imposed and, consequently, it must be abolished.

It was the first complaint submitted to the WTO against Russia. It is impossible to say how long the inquiry into that matter is going to last. In the meantime, Russian producers will have an opportunity to improve their position on the domestic market.

Due to the outbreak of the Newcastle disease in the Czech Republic, from February 6, 2013 Rosselkhoznadzor temporarily imposed limitations on import of poultry products to Russia from the Olomouc Region of the Czech Republic.

From February 11, 2013, Rosselkhoznadzor imposed a temporarily ban on import to Russia of US pork, beef, turkey, casings and by-products in which veterinary preparations were found, in particular, ractopamine. The US believes that the above restrictions are violation by Russia of its obligations which it took when joining the WTO. According to US officials, Russia does not take into consideration research findings of the Codex Alimentarius Commission, an international organization which controls the food standards; the above findings have proved that the feeding stuff with a ractopamine content is safe.

Exporters of meat products have already entered into a dialogue with the US government to secure from the US Department of Agriculture a certification of meat with a zero ractopamine content as required by the Russian legislation. However, the US authorities have taken no concrete measures so far.

From April 1, 2013, Russia will introduce limitations on import of planting materials and potted plants from nursery-gardens of the EU member-states, except for those of Poland, Hungary and Germany which were inspected earlier by experts of Rosselkhoznadzor. ●