



## Asia-Pacific Trade Briefs

## Russian Federation

**Merchandise trade:** In 2014, the economy suffered from the combination of international sanctions and declines in prices for commodities, which comprise a large share of exports. Reduced export receipts and falling purchasing power and the sharp hike in interest rates designed to stem capital outflows, ultimately culminated in a financial crisis in the second half of 2014, with the Russian Rouble halving in value. Merchandise exports contracted by -4.9% compared with an average of 5.6% annual growth between 2010 and 2014. Although exports are highly diversified across 4457 products and 121 markets – compared to an Asia-Pacific average of 2107 products and 95 partners – petroleum oils and gases collectively account for over half (60.7%) of all exports. The main export partners are Germany, China and Japan, which together account for a quarter of exports (25.6%). Slowing commodity demand in China also weighed on exports. In 2014, merchandise imports contracted by -9.8% as the economy weakened.

**Services trade:** The Russian Federation's services exports and imports contracted by -6.1% and -5.4% respectively in 2014 – from average annual growth rates of 7.5% and 12.9% between 2010-2014 respectively. Travel and transport are amongst the largest sectors, accounting for around half of services exports and imports. Travel bans and suspension of visa agreements resulting from tensions with the United States and European Union may have contributed to this sharp contraction in services trade.

**Global value chains (GVCs):** The share of intermediate goods in trade – a proxy for participation in GVCs – is much lower in the Russian Federation (15%) than in the Asia-Pacific overall (22%) for imports, and slightly higher in the Russian Federation (20%) than the Asia-Pacific (18%) for exports. The Russian Federation's relatively low level of participation in GVCs results from its status as primary energy-exporting economy which largely imports final goods such as automobiles and pharmaceutical products.

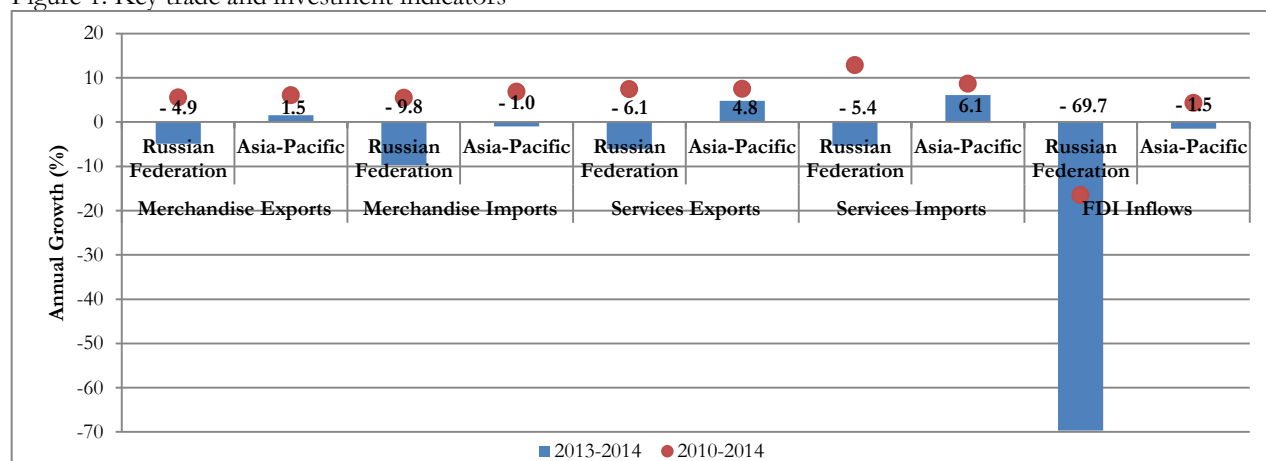
**Foreign direct investment (FDI):** In 2013, the oil and gas company British Petroleum acquired a stake in the state owned Russian oil company Rosneft. This propelled the Russian Federation to the rank of the third largest recipient of FDI in the world. However, FDI inflows to the Russian Federation contracted abruptly, by -69.7% in 2014. This partly reflects transition to a longer-term level from the anomalous year prior. Other factors include: geopolitical instability; international economic sanctions on the Russian Federation; and lower oil and gas prices – the main investment sector. However, investment from China – the largest single source of investment – remained relatively strong.

**Tariffs:** Average MFN applied and effective tariffs at 8.1% and 7.3% are not too dissimilar from Asia-Pacific averages of 7.4% and 7.4%.

**Trade costs:** Intraregional trade costs in the Russian Federation have fallen slightly since 2009. It is costlier for Asia-Pacific economies to trade with the Russian Federation than with East Asia-3 (China, Japan and Republic of Korea) – the intraregional benchmark – and with EU-3 (France, Germany and United Kingdom) – the extraregional benchmark. Based on the UNRC Survey 2015\*, the Russian Federation's trade facilitation and paperless trade implementation score is at 60.2%, compared to 46.5% for the Asia-Pacific.

**Trade agreements:** The Russian Federation has 16 trade agreements in force, much higher than the Asia-Pacific average of 7 agreements. Fifteen per cent of exports are to PTA partners, compared to 35% for the Asia-Pacific. Fourteen per cent of imports are from PTA partners, compared to 45% for the Asia-Pacific.

Figure 1. Key trade and investment indicators



\*Country notes summarising results of the UNRC Survey 2015 are available at: <http://unnex.unescap.org/UNTFESurvey2015.asp>

Figure 2. Top merchandise markets

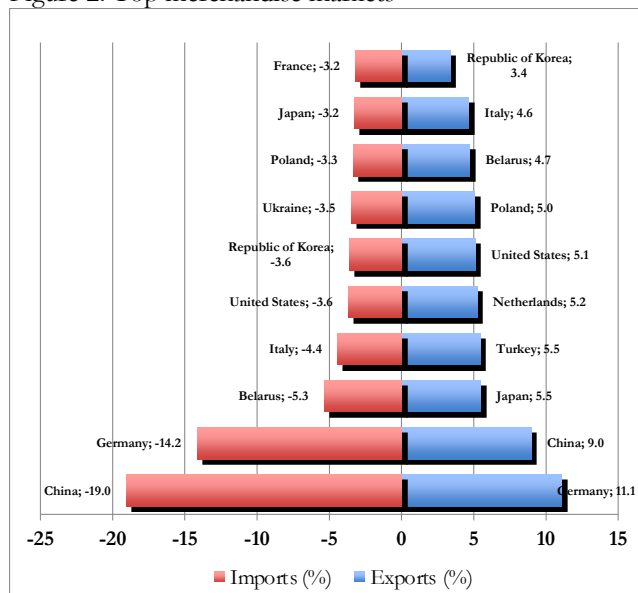


Figure 3. Top merchandise products

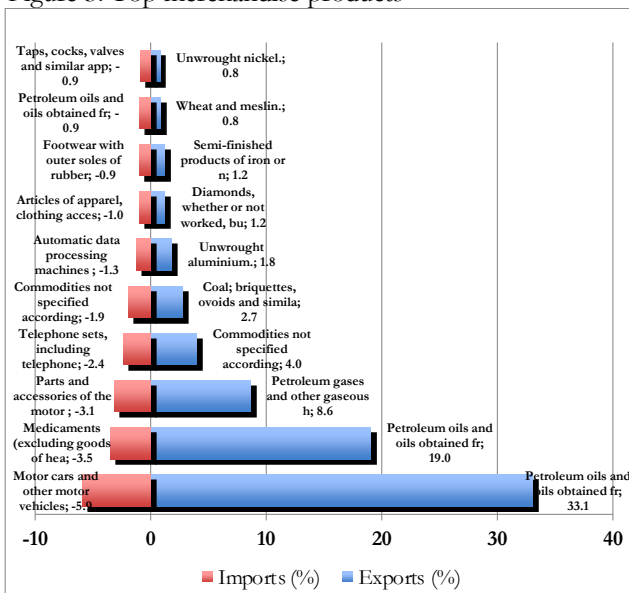


Figure 4. Trade in goods by their use

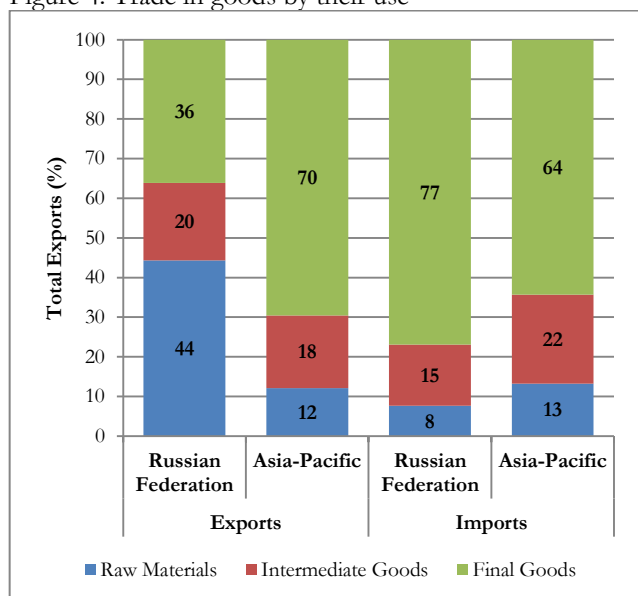


Figure 5. Foreign direct investment

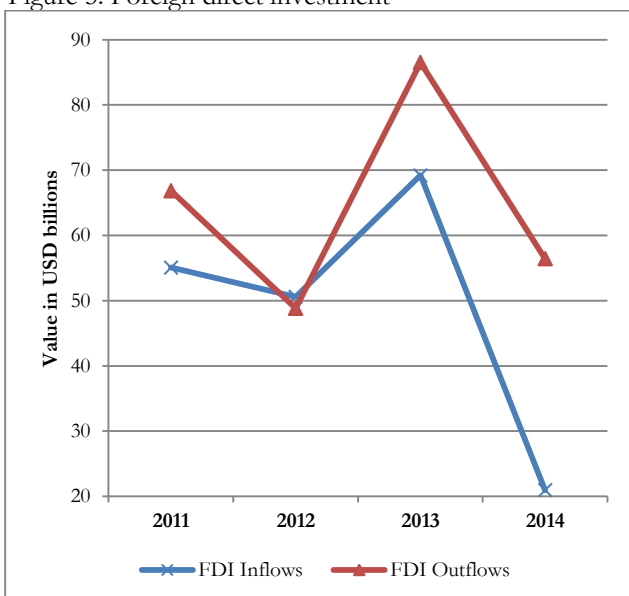


Figure 6. Tariffs

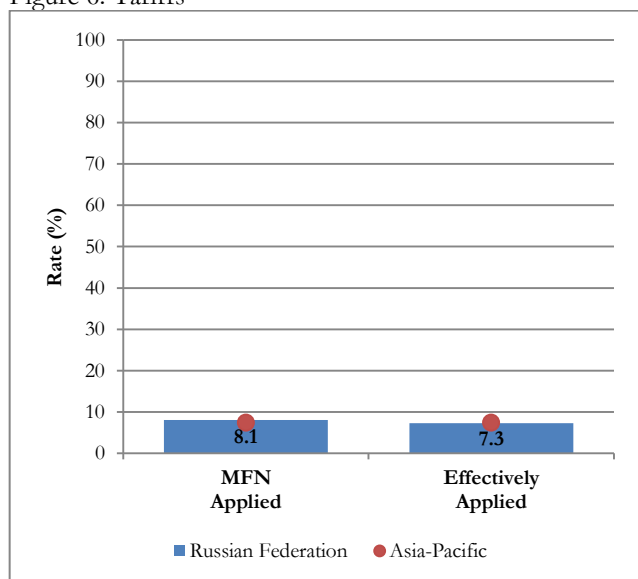
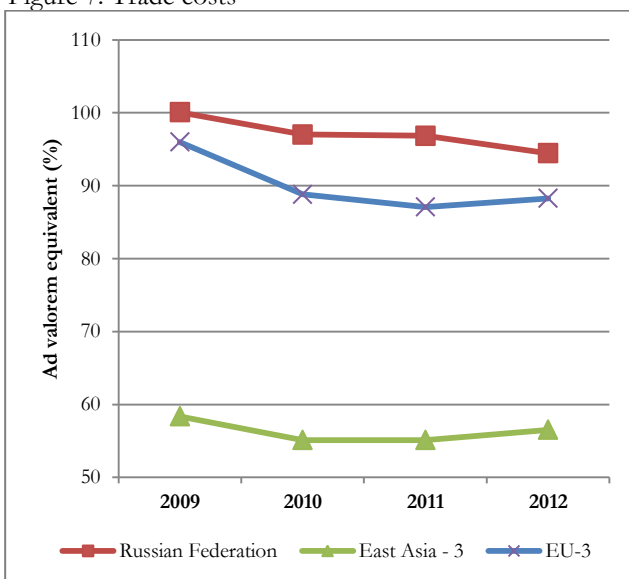


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.

Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.

Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.

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