Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Diploma Thesis

RUSSIAN AGRICULTURAL TRADE PERFOMANCE AND ITS COMPARATIVE ADVANTAGE DEVELOPMENT

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1. Introduction

Today Russia clearly understands the importance of the agricultural sector competitiveness development. Russian agricultural and trade policies are fast changing. There are reasons explaining individual changes. For example:

1) Russian accession to the World Trade Organization (in 2012).
2) Recent retaliatory sanctions affecting trade between Russia and especially western countries.
3) New directions and priorities of Russian agricultural and trade policy (the ambition to increase its self-sufficiency and food security as it is mentioned in Doctrine of Food Security of the Russian Federation).

Thus the agricultural trade performance of Russia and possibilities of its competitiveness development are sufficiently urgent problems.

The aims of this diploma thesis are to specify changes in: the agricultural trade territorial and commodity structure of Russia, comparative advantages in the agricultural trade performance, food safety and food security policies. Thesis is also identifying the current positions of Russian agricultural sector within the international trade market and its future development possibilities.

2. Keywords

Russia, agriculture, trade, structure, products, territories, comparative advantage, value, development

3. Objectives of thesis

To analyse Russian agricultural trade performance and its comparative advantage development it is necessary to set sub-goals:

✓ Determine the historical prerequisites of the international trade competitiveness
✓ Identify the common tools of modern international trade policies
✓ Examine the peculiarities of Russian membership in the WTO and prospects of this cooperation
✓ Specify importance of the agricultural sector in the country's GDP and economic growth
✓ Identify main products-drivers, where Russia has comparative advantages on the global agricultural market

✓ Specify the main directions of the modern Russian international trade in the agricultural sector

✓ The estimation of possible Russian agricultural trade performance and also trade competitiveness development in relation to applied import ban affecting mutual trade between Russia and its western partners.

All these completed objectives will show the real overview of the present Russian external and internal economy and help to analyze the scenario of economic competitiveness development for Russia, particularly in the agribusiness industry.

4. Methodology

To achieve these aims it is necessary to use certain methodology. These are different methods of quantitative and qualitative analysis (for the period 2000-2014): official document analysis, classical statistical methods for processing numerical data, such as index analysis, and econometric model. To evaluate the present Russian economy and international trade performance the following indicators are used:

✓ **self-sufficiency ratio (SSR);**

✓ **import dependency ratio (IDR);**

✓ **foreign trade balance;**

✓ **normalized trade balance.**

To estimate the influence of the effective federal budget distribution to agricultural sector on a country's economic growth, **a simple linear regression model is used.**

To estimate Russian competitive advantages it is important to provide the index analysis and calculate:

✓ **Balassa index or index of revealed comparative advantage (RCA);**

✓ **Grubel – Lloyd index of intra-industry trade;**

✓ **Lafay index**.

At the same time, product mapping is used to point out the main categories of products where Russia has comparative advantages in exports and imports.

5. Results summary

On the base of above mentioned sub goals, the following research results can be highlighted:

- ✓ The problem of the rational trade between countries has interested economists from the times of mercantilists and all concepts investigated in the Diploma Thesis reflect the evolution of international trade theory. The thesis is focused especially on agricultural trade issues.

- ✓ The second sub-goal was aimed to identify the common tools of modern international trade policies such as import tariffs, import quotas, voluntary export restraint and other trade policy tools. All these trade regulation measures have real examples in the Russian agricultural trade practice and influence on the international trade performance.

- ✓ Russian accession to the WTO has both positive aspects such as additional opportunities for Russia to gain foreign markets and negative effects primarily connected with compelled reduction of federal budget expenditures to the agricultural sector.

- ✓ To specify importance of the agricultural sector in the country's GDP and economic growth it was built the simple regression model and found the equation proving strong relation between expenditures to the agricultural sector and country's economic progress. Whereby, Russian government should use resources from the federal budget as much as possible efficient taking into account such types of connections between expenditures and GDP growth.

- ✓ Russia has comparative advantages on the international agricultural market: fish, aquatic invertebrates; cereals, oil seeds, oleagic fruits, animal vegetable fats and oils, cleavage products, etc.

- ✓ Russian agriculture is competitive only in relation to the limited set of trade partners. The highest level of competitiveness is existing especially in relation to former post-soviet countries and also in relation to neighbors. Russia is keeping the highest Lafay index value with following countries (2014): Turkey, Kazakhstan, Republic of Korea, Azerbaijan and Iran.

- ✓ Current Russian sanctions negatively influenced agricultural competitiveness development. On the other hand the applied sanctions particularly reduced the value of agrarian imports and resulted in the growth of Russian production capacities. However the impact of sanction reduced the mutual trade between Russia and many its partners, it resulted in limited growth in the area of self-sufficiency.

6. References

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