

Czech University of Life Sciences Prague

Faculty Economics and Management

Department of Economics



Bachelor Thesis

Foreign Trade of Chosen State

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Alina Balan

Business Administration

Thesis title

Foreign Trade of Chosen State

Objectives of thesis

The main aim of the bachelor thesis is to describe the concept of international trade in Russia, its economic foundations and principles of the organization and how it influences on the world economy.

Methodology

Studying documents

SWOT-analysis

PEST-analysis

Basic statistical methods

Comparison

The proposed extent of the thesis

40 pages

Keywords

Trade, International, Relationships, Import, Export, Russia

Recommended information sources

Jeffrey Manko "The Russian Economic Crisis" Council Special Report No. 53 April 2010

Kalabekov I.G "Russian reforms in numbers and facts. (Second Edition, revised and enlarged)." Rusaki, 2010 ISBN 978-5-93347-302-2

Olga Olikier "Russian foreign policy: sources and implications" ISBN 978-0-8330-4607-9

S. Sinelnikov-Mourylev, A. Radygin "Russian Economy in 2014. Trends and Outlooks." Gaidar Institute Publishers, 2015. ISBN 978-5-93255-424-1

UNITED NATIONS PUBLICATION "Key statistics and trends in International Trade 2014" ISSN 2311-648X

Expected date of thesis defence

2016/17 SS – FEM

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Declaration

I declare that I have worked on my bachelor thesis titled "Foreign Trade of Chosen State" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 14.3.2017

Alina Balan

Acknowledgment

I would like to express my deepest and greatest gratitude to my supervisor Ing. Tomáš Maier, Ph.D. for his help, advice and feedback during the process of writing my Bachelor thesis. I am also grateful to my family and friends for their support.

Foreign Trade of Chosen State

Summary

The main aim of this bachelor thesis is to describe the concept of international trade and current condition of foreign trade in Russia.

The research divided into 2 parts: literature review, practical part.

In the first part based on literature and Internet resources about the concept of foreign policy, international trade and about the structure of Russian foreign trade.

The second part consists of SWOT-analysis, PEST-analysis, basic statistical methods, and comparison.

Finally, all collected information was combined and the author made the conclusion about what are the perspectives of Russian foreign trade.

Key-words: Relationships, Economy, Russia, International, Crisis, Trade, Import, Export.

Zahraniční obchod vybraného státu

Souhrn

Hlavním cílem této bakalářské práce je popsat koncept mezinárodního obchodu a aktuálního stavu zahraničního obchodu v Rusku.

Výzkum je rozdělen na 2 části: literární přehled, praktická část.

První část vychází z literatury a internetových zdrojů o koncepci zahraniční politiky, mezinárodního obchodu a o struktuře ruského zahraničního obchodu.

Druhá část se skládá ze SWOT analýzy, PEST analýzy základní statistické metody a porovnání.

Na konci, všechny shromážděné informace byly spojeny a autor udělal závěr o tom, jaké jsou perspektivy ruského zahraničního obchodu.

Klíčová slova: Vztahy, ekonomika, Rusko, mezinárodní, krize, obchod, dovoz, vývoz.

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1 Introduction

Foreign trade - one of the most developed and the traditional forms of international economic relationships. The first international trade came into existence with the creation of the first national states in the IV - III millennia BC. Peoples from different countries were active in trade in goods, basically, they exchanged some goods on the other, depending on what they needed.

For centuries, Russia, regardless of economic status, always had something to offer the world. Exported different products, like wool, linen, satin fabric, honey, wax, furs, timber, grain, coal, folk art items, and more other. Now Russia - perspective and huge country, rich in natural resources with a variety of climatic zones, which creates favorable conditions for the economic development of the country.

For any country, the role of foreign trade is difficult to overestimate, because the statistics of foreign trade turnover describes the volume of exports and imports of goods, their dynamics, geographical distribution, freight train, participation in world trade, as well as its importance in the national economy. In general, foreign trade is characterized by the fact that the selling or buying goods cross the border of the country, i.e. have the export or import of goods

At present, economic and trade relations largely have kept the old characteristics. It primarily relates to the structure of commodity that has not changed so much. The basis of goods exchange operations amounted to fuel and energy products, ferrous and non-ferrous metals, fertilizers and engineering products.

1.1 Objectives

The main aim of this bachelor thesis is to evaluate the concept of international trade in Russia, its economic foundations, and principles of the organization and how it influences on the world economy.

To achieving this goal author will describe:

- the concept of foreign policy and international trade
- foreign trade politics of Russia
- the current state and development of foreign trade in Russia
- the geographical structure of Russian foreign trade

1.2 Methodology

There is a 3-step system of research in this bachelor thesis.

For the first was searched information about the structure of Russian foreign trade on the basis literately and Internet resources.

Secondly, to achieve the goals author made SWOT-analysis of anti-Russian administrative sanctions, PEST-analysis of JSC "Gazprom" as an example of the most important player on Russian foreign trade market and international comparison.

Also, author conducted forecasting of possible Russian export turnover in 2017 by using a linear regression model, which were created with trend function

$$y'=a+b*t \quad (1)$$

where:

- sale ("y") is depended variation
- time of series ("t") is explanatory variable
- "a" is constant
- "b" is parameter of received growth rate

the data was collecting for two areas: non-CIS countries and CIS countries, the author used 16 observations.

In addition, was analysed the relationship between average actual export oil price and rate of the Russian ruble against the dollar, by compared the p-value with significant level $\alpha=0,05$, using the trend function

$$y'=a-b*x \quad (2)$$

where:

- price of ruble ("y") is depended variable
- price of oil ("x") is explanatory variable
- "a" is constant
- "b" is parameter of received growth rate

For this research was used 23 observations.

All data was provided by the State Statistics Service.

For final step was combined all collected information and made the conclusion about what are the perspectives of Russian foreign trade, and what is its role in the world economy.

2 The concept of foreign policy and international trade

The impact of foreign trade on economic development is one of the most important issues of fundamental importance for the realization of effective economic policy in many developing countries and countries with economies in transition. This is due to the special role of the external sector in the economy of these countries: the expansion of domestic market capacity due to exports, provision of domestic production due to import the necessary raw materials and equipment. However, apart from the positive impact, foreign trade can also have a negative impact on economic development, since in some cases stimulate raw orientation of emerging economies, de-industrialization of transition economies. For successful implementation of a foreign trade policy (export, import, trade liberalization, etc.) need to understand the impact of foreign trade on economic development in principle, i.e. the idea of the influences and effects of opening up the economy, which determine the efficiency, or vice versa, destructiveness, of various forms of government manages by the external sector of the economy.

2.1 The concept of the Foreign Trade

Foreign trade policy - a set of measures allowing to trade with different regions and countries in the different markets for goods and services, as well as targeted actions of the state and its organs to determine the mode of regulation of foreign economic activity and optimization of the country's participation in the international division of labor.

Foreign policy is a relatively independent foreign economic policy direction related to the state regulation of foreign trade through direct taxes and restrictions on imports and exports.

The oldest form of international relations - this is international trade. For centuries, foreign trade has been and is the basis of international economic relations, because the growth of world economic relations has accelerated the process of formation of the international division of labor, which connects all the countries in a single economic entity. The foreign trade is very important for growth and development of countries in a constantly evolving global economy.

By some estimates about 80 percent of all volume of the international economic relations fall to the share of trade. The modern international economic relations, which are characterized by active development of world trade, bring a lot of new and specific in the development of national economies.

2.2 The concept of exports and imports of goods

Export - removal from the country domestically produced goods, as well as the re-export of goods. The domestic products also include products of foreign origin, imported into the country and which have undergone the essential processing with changing the basic qualitative or technical characteristics of the goods.

In modern conditions the export promotion is important direction of trade policies of many developed countries, and, in recent years, of developing countries, which have a developed system of state support and assistance to the national export, which for years of the existence, has proved its effectiveness. Along with the creation of a favorable macroeconomic climate for exporters also widely used special measures for the development of export production and expand exports.

In order to ensure competitive advantages, support and protect the interests of domestic exporters in foreign markets, the growth of economic potential and increasing the share of high-tech products in the total volume of Russian exports, was designed a system of measures of state support for exports of industrial products, which provides for usage of trade-economic, organizational, financial and information and advisory tools.

Among the measures of state support for exports of industrial products of particular importance is the financial support, which includes export credits, guarantees for export transactions, compensation of the interest rates on export credits.

Ministry of Economic Development of the Russian Federation - is a federal body of executive authority responsible for policy in matters of export promotion.

Department of State Regulation of Foreign Trade Ministry of Economic Development of Russia carries out the practical implementation of the system of measures of the assistance of export.

Import - the importation of goods into the country. The imports included foreign goods intended for consumption in the national economy, for re-export, and goods purchased for domestic companies abroad, for consumption on the premises. The re-export goods include goods imported the country and then exported abroad without processing.

2.3 Regulation of foreign trade activities

State regulation of foreign trade activity is a system of typical measures of a legislative, executive and supervisory nature, carried out by competent state institutions in order to

maintain the foreign trade balance, stimulation of progressive changes in the structure of exports and imports, promotion of the inflow of foreign capital.

The tools used by the state to carry out foreign trade policy can be divided into tariff system and non-tariff system.

Historically there are two opposite kinds of foreign trade policy: free trade and protectionism.

Free trade - is a foreign trade policy, where the customs authorities only register the import or export of goods. They do not charge import and export duties, do not set any quantitative or other restrictions on foreign trade. This policy is carried out of the country with the high efficiency of the national economy.

Free trade is a policy of very limited government intervention in the country's foreign trade, which is based on the game of free market forces of supply and demand.

Generally, the government carries out a flexible trade policy. They selectively use protectionist methods with elements of free trade.

Protectionism - a system of import restrictions when introduced high customs duties, prohibited the importation of certain products, also used other measures to prevent the competition of foreign products to local. Protectionism is the policy of the state aimed at protecting the domestic market from foreign competition, and often to capture foreign markets. Protectionist policies encouraging the development of domestic production can replace imported products.

Proponents of protectionism argue that all efforts in foreign trade should be directed to:

1. The protection of new and newly emerging sectors of the national economy, which is not yet able to withstand international competition;
2. The protection industries, which are important for national security;
3. The increase in domestic employment resources, including job retention.

The classic method of regulation of foreign trade policy is the Customs Tariff, which by the nature of its activities is related to economic methods of regulation of foreign trade. Customs tariff - it is a systematic list of customs duties, which are possessed by the goods when importing, and, in some cases, when exported. The most important function of customs tariffs – is the protection of domestic producers from foreign competition. Customs tariffs are multi-column, this means that the same goods can be assessed with different level of duties, depending on the country of origin. Bases of customs regulation consist of the customs duties.

Customs duties perform the function of taxes levied on goods, which are crossing the customs border. This measure is the most active state regulation of export-import operations.

Depending on whether or not customs duties are imposed on exportation, importation or transition of goods, there are export duties or import duties.

Export taxes are used to limit the exportation of goods. Their purpose is to obtain additional currency to replenish the treasury. They raise the price of input goods to the world market.

Implementation of export tariffs can be carried out when the domestic price of the exported product is lower than the world prices and leads to losses of producers and increase the winning of consumers. In this case, the state suffers losses.

Import duties are the taxation of imported goods in order to protect the domestic market and replenishment budget. In developing countries import tariffs are applied, first of all, as a means of financial income. Such fees are relatively easy to control, and the procedure of their collection is quite simple.

The customs duty on imports is the most common economic instrument of the restrictions on trade. In this case, the domestic price of imported goods is set at a level above the world that affect the interests of buyers, domestic manufacturers of similar products and the interests of the state itself.

Depending on the method of establishing the level of customs duties, they are divided into specific and ad valorem.

Specific duties are levied as a fixed amount to the unit.

Uses of ad valorem duty it is required carrying out a customs assessment of goods for the purpose of determination of its actual cost.

The customs value of goods includes its price and the cost of transport and insurance. Ad valorem duties on machinery and equipment are more convenient since they are tended more differentiated and high mobility of costs.

Although the tariffs are an important instrument of foreign trade policy, but their role is gradually waning. However, the degree of influence of the state on international trade increased as a result of the expansion of non-tariff methods of regulation.

With all the variety of non-tariff methods can be divided into two large groups: economic and administrative. The first, like duties of a customs tariff, acts through a market mechanism by raising the price of either import or export goods. The second directly limits access of import goods and delivery of domestic goods abroad.

The methods of an economic nature include various taxes and fees, special types of customs duties, currency control measures, subsidies, and others.

The measures of currency and financial nature include various limitations on spending of foreign currency: multiple exchange rates taxes on foreign currency transactions, the non-interest bearing deposit. Under the multiplicity of exchange rates implies the establishment of a differentiated conversion rate of the national currency in the foreign depending on the type of transaction, partner or product.

The state not only limits imports but also encouraged in the form of subsidies to domestic exporters for protecting its producers. Export subsidies can be in the forms of direct subsidies, preferential taxation, and concessional loan.

Of all non-tariff administrative barriers, the most widespread are a quota. The quota represents the limit of production allowed to be imported into or exported from the country, which is valid for a certain period.

In world, practice used individual, tariff, global and other types of quotas.

Individual quotas involve the distribution of the total amount approved for the import of goods by supplying countries. There is a proportional quota, which is determined by the share of each country's imports in the base period, and a two-way quote provided in exchange for reciprocal trade concessions or political commitments of another country.

Tariff quotas provide for the supply of a certain quantity of goods in the normal mode, and to deliver in excess of this amount is set more rigid tariff.

Global quotas set the size of the total amount of import of the goods for a certain period without its distribution among supplying countries, which allows the selective approach to the choice of the provider country.

One of the relatively new types of non-tariff measures was voluntary export restraint practiced by the developed countries to curb imports. Although apparently, a form of trade restrictions seems voluntary, it is the result of pressure from the importing country. Voluntary self-limitation of exports is carried out, as a rule, under the threat of the use of rigid protectionist sanctions, which resulted in the exporting country, could lose a large part of the national market.

Administrative directly limits the access of imported goods and the supply of domestic goods abroad.

In order to regulate the operations of import and export, including to protect Russia's domestic market and stimulating progressive structural changes in the Russian economy, were set import and export duties. Exports from Russia and imports in the Russia are carried out without quantity restrictions. The Russian Government with a view to can administer quantitative restrictions of exports and imports in exceptional cases:

- Ensuring national security of the country;
- The fulfillment of international obligations of the Russian Federation, taking into accounts the state of the domestic market;
- Protection of the domestic market of the country.

Prohibitions and restrictions on export and (or) import of goods (works, services) can be established on the basis of national interests, including:

- Observance of public morals and public order;
- The protection of human life and health, protection of flora and fauna and the environment as a whole;
- The preservation of the cultural heritage of the peoples of the Russian Federation;
- The protection of cultural property against illicit import, export, and transfer of ownership of them;
- The need to prevent the exhaustion of non-renewable natural resources, if the measures associated with it, held in conjunction with the corresponding limitations of domestic production and consumption;
- Ensuring national security of the Russian Federation;
- The protection of the external financial position and maintaining the balance of payments of the Russian Federation;
- The fulfillment of international obligations of the Russian Federation.

Imported into the territory of goods must comply with the technical, pharmacological, sanitary, veterinary, and environmental standards and requirements established in the Russian Federation.

Is forbidden import to the territory of the Russian Federation of goods which:

- Do not meet the above standards and requirements established in the Russian Federation
- Do not have a certificate, marking or mark of conformity in cases stipulated by legislative acts of the Russian Federation
- Banned for use as dangerous consumer products
- Have defects that represent a danger for consumers

For certain types of goods for export and (or) import is established a state monopoly. Federal laws shall determine lists of such goods.

2.4 International Trade Theory

“It is not surprising that to better understand how modern global trade has evolved, it’s necessary to find out how countries traded with one another historically. Over time, economists have developed theories to explain the mechanisms of global trade. The main historical theories are called classical and are from the perspective of a country, or country-based. By the mid-twentieth century, the theories began to shift to explain trade from a firm, rather than a country perspective. These theories are referred to as modern and are firm-based or company-based. Both of these categories, classical and modern, consist of several international theories.”¹

2.4.1 Mercantilism

The concept of "mercantilism" comes from the Latin. «Mercari», i.e. trade. Displacement of subsistence farming commodity-money relations covers a particular historical period. This was the period of mercantilism, with his usual pre-industrial economies.

The ideology of mercantilism as follows:

1. Express the essence of wealth precious metals;
2. Labour is productive only in those industries that are working on export;
3. The state should encourage exports, ensure domestic monopoly traders and prevent competition;
4. Population growth is necessary to maintain low wages and high rates of return.

Early mercantilism refers to a third of the XV - middle XVI centuries. Representatives of Stafford, De Santis, Scaruffi.

By wealth understood as gold and silver. Central to this doctrine is the theory of the balance of the money, which justified the policy of increasing monetary wealth purely through legislation. In order to keep money in the country prohibits their export abroad. All money rose from the sale, foreigners have been spent on the purchase of local products. Due to lack of money their functions were reduced to the accumulation of funds.

Late Mercantilism refers to the 2nd half of the XVI century. Representatives: Thomas Mann, A. Serra, Antoine de Montchretien.

¹Caroenter M., Dunning S. “International Business: Opportunities and Challenges in a Flattening World”

They developed the theory of the trade surplus, which is provided by the export of finished products from their country. It permits the export of money abroad. Dominated principle: buying cheaply in one country and sell more expensive in another.²

By wealth understood the excess of products that the foreign market is converted into money. Money serves as a means of accumulation and circulation, i.e. late mercantilism treated the money as capital, acknowledged that money - a commodity.

Mercantilist principles:

1. Regulation of foreign trade to inflows of gold and silver;
2. Support the industry by importing cheap raw materials;
3. Protective tariffs on imported industrial goods;
4. Promotion of exports, particularly of finished products;
5. The growth of the population to maintain a low level of salaries.

Late mercantilism was progressive. He contributed to the development of trade, shipbuilding, industry, and international division of labour.

In Russia, one of the clearest exponents of the ideas of mercantilism was an outstanding statesman AL Ordyn-Nashchekin (1605-1680). Published them New Trade charter in 1667 permeated with the ideas of mercantilism, the desire to bring to the country and keep the precious metals, the patronage of domestic trade and merchants.

2.4.2 The theory of absolute and comparative advantage

Fundamentals of the classical theory of international trade were laid in the late XVIII - early XIX centuries British economists Adam Smith and David Ricardo.

The initial step in the development of the classical theory of international trade liberalisation of trade became Smith ideas. In contrast to the mercantilists, he claimed that both imports and exports in each country have an absolute advantage. Smith tried to answer the question, what products to export profitably, and what - to import. The main work of Adam Smith was the idea that the basis of the wealth of the nation and the people is the division of labour.

Smith, in his work "The Wealth of Nations" (1776), showed that countries are interested in the free development of international trade, as can benefit from it, regardless of whether they are exporters or importers. He created the theory of absolute advantage.³

²Frolova T.A. "History of Economic Thought"

A country has an absolute advantage, if there is such a commodity whose unit costs, it can produce more than other countries.

These benefits are, on the one hand, generated by natural factors - the special climatic conditions, availability of natural resources. Natural advantages are of particular importance in agriculture and extractive industries.

On the other hand, the advantages can be acquired, i.e. arising from the development of technology, skills development, improving the organisation of production. In circumstances where there is no foreign trade, each country can only consume those goods and only their number, which it produces.

The relative prices of goods on the domestic market are determined by the relative costs of production. Relative prices for the same goods produced in different countries are different. If the difference is greater than the cost of transporting goods, it is possible to profit from the trade.

To the trade was mutually beneficial, the price of goods on the international market should be higher than the domestic price in the exporting country, and is lower than in the importing country.

However, if we stick to the ideas of Adam Smith, it is possible to come to a paradoxical conclusion: if a country can be found abroad at a lower cost and without restrictions in terms of all the benefits it needs, it is in its interests to buy abroad all what it should consume. Will she have something to sell? How will she pay for their purchases abroad?

Ricardo in his "Principles of Political Economy and Taxation" (1817), proved that the principle of absolute advantage is only a special case of the general rule, and substantiated the theory of comparative advantage.

As long as the ratio of domestic prices between countries still differences, each country will have a comparative advantage, i.e., she can always find goods, whose production is more profitable at the current cost ratio than the rest of the production.

The total issue volume will be the largest production when the country in which the lower opportunity cost will carry out this item. Areas of global trade are determined by relative costs.⁴

If we compare the theory of absolute and comparative advantage leads to an important conclusion: in both cases, by trade gain arises from the fact that the ratio of costs in the absence of trade (the slopes of the lines of production capacity) in different countries are not

³ Frolova T.A. "World Economy"

⁴ Frolova T.A. "World Economy"

the same, i.e., trade direction determined by the relative costs, regardless of whether the country has an absolute advantage in the production of any product or not.

2.4.3 Heckscher-Ohlin theory

In 30-ies of XX century, Swedish economists Eli Heckscher and Bertel Olin created a model of international trade - the theory of the relation of production factors. By this time, there have been major changes in the system of international division of labour and international trade. Significantly reduce the role of natural and natural differences as a factor of international specialisation and in exports of developed countries began to dominate industrial goods. Heckscher-Ohlin model is designed to explain the reasons for international trade in goods manufacturing.

According to the authors, cross-country differences in the relative costs due to the fact that:

1. In producing various products factors are used in varying proportions;
2. Varies the relative security of the countries of production factors.

It follows the law of proportionality of factors: in an open economy, each country tends to specialise in the production of goods requiring more factors, which the country is relatively better endowed.

International exchange - an exchange on the abundant rare factors. The mobility of goods replaces the more hindered mobility of production factors. Thus, in a hidden form are exported and imported factors of excess scarce factors of production, i.e., the movement of goods from one country to compensate for the low mobility of production factors in the world economy scale.

The greatest contribution to the development and refinement of the Heckscher-Ohlin model introduced Paul Samuelson. In 1948, he presented a synthesis of the current economic thought in the form of the following theorem: If the homogeneity of production factors, the identity of the art of perfect competition and full mobility of goods international exchange of factors of production price levels between countries. It - NOS theorem (theorem Heckscher-Ohlin-Samuelson).

In the process of international trade occurs factor price equalisation. Initially, the price factor present in excess will be relatively low. Capital surplus leads to specialisation in the production of capital goods, the transfer of capital in the export industry. The demand for capital, hence increasing the price of capital, If, however, the country's excess labour, the exported labour-intensive goods. The price of labour (wages) also increases.

2.4.4 Leontief Paradox

Further development of the theory of foreign trade in the study received the Russian-born American economist Vasily Leontief called "Leontief paradox". The paradox is that using the theorem of Heckscher-Ohlin model; Leontief showed that the US economy in the post-war period has specialised in types of production, which require relatively more labour than capital.¹ In other words, US exports compared with imports was more laborious and less capital-intensive. This conclusion is contrary to all pre-existing notions about the US economy. By all accounts, it is always characterised by the excess of capital and, according to the Heckscher-Ohlin theory, it indicated that US exports rather than imports highly capital-intensive goods.

In recent years, the discovery of Leontief received wide response. Many economists from various countries debated on this topic by explaining "Leontief paradox". As a result, taking into account other circumstances of international specialisation has further developed the theory of comparative advantage. Among the new developments include the following:

1) Heterogeneity of the factors of production, especially labour, vary in skill level. Under this circumstance, the excess in the country a significant number of highly qualified labour, and lead to the export of complex products. While the preponderance of unskilled labour is declining national economy to the production and export of products in the structure of the employed population, which does not require high-level qualifications;

2) An important role of natural resources that can be employed only in the production, along with large amounts of capital (e.g., mining, quarrying industries). This to some extent explains why exports from developing countries rich in natural resources, is a capital-intensive, but capital in these countries is not a factor with respect to excess production;

3) Impact on the international specialisation of foreign policy of the states. The state may restrict imports and stimulate domestic production and exports of those industries, which are heavily used by relatively scarce factors of production.

2.4.5 Theory crossover demand

Swedish economist in 1961 it was found that one of the main causes of intra-industry trade between the countries is a crossover demand. A necessary condition for the export of goods is a saturated domestic demand; only under this condition, the goods can enter the world market. However, the best result of the export can be achieved in the trade with the country, which has an identical or comparable to the structure of demand.

In accordance with the concept of S. Linder real demand backed by a high level of income that allows you to purchase a quality product. Thus, the intersection of the largest structures of demand in partner countries, based on a high level of income, is the key to a more intense mutual trade.

2.4.6 The theory of the product cycle

In the mid 60-ies of XX century, American economist R. Vernon put forward the theory of the product life cycle, in which he tried to explain the development of world trade in manufactures on the basis of stages of their lives. Life stage - is the time period during which the product has a pot life in the market and provides achievement Seller purposes.

2.4.7 Neo-technological theory

Supporters neo-technological direction of the structure of international trade has tried to explain technological factors. The main advantages associated with the monopoly position of innovator firms. New optimal strategy for companies: not to let the fact that relatively cheaper, but that is necessary for all, but that is no one cannot produce. As soon as this technology will be able to learn the others - to produce something new.

It changed the attitude towards the state. According to the Heckscher-Ohlin model, the task of the state - not to hinder firms. Economists neo-technological directions believe that the state should support the production of high-tech export products and not to prevent clotting of out-dated production facilities.

2.4.8 The theory of competitive advantage

Based on studies conducted in the late 80-ies of XX century in ten major industrial countries, the American economist Michael Porter developed the theory of the international competitiveness of nations. In the article "Competitive advantages of countries" in 1990. Porter suggested a new approach to the analysis of international trade theory. First, he identified the sectors in which national companies have been successful at the international level. Then he conducted research related to the birth of the industry in each country and its subsequent development. This yielded the following results:

1. Competitiveness of efficiency due to the companies for the use of facilities in the production of goods and services.

2. Performance lay down in the national and regional environment of the country.
3. The competitiveness of a given country is closely linked to the ability of national industries to innovate and modernise.
4. In the present conditions, the role of government mainly consists of creating the necessary conditions for the revitalisation of the company, and it is constantly increasing.

The main element that determines the competitiveness at the national level, Porter calls the performance. National companies increase productivity by improving the quality of products, new technologies, new ways of working.

According to Porter, the main parameters that determine the competitiveness of the country and, therefore, the development of modern trade are:

1. Factor conditions.
2. Demand conditions.
3. Close and service industry.
4. The company's strategy and competition.

Great importance attaches to the competitive advantages of the theory of internal competition and geographical concentration. Intense competition in the domestic market stimulates firms exit abroad, promotes the search for foreign markets. Geographical concentration strengthens the internal competition, leads to the competition level of the maximum intensity.⁵

⁵ Carcenter M., Dunng S. "International Business: Opportunities and Challenges in a Flattening World"

3 Foreign trade politics of Russia

3.1 Basic directions of foreign trade politics of Russia

“Russia’s current foreign policy is focused on bolstering Russia’s prestige, supporting economic recovery and growth, and more effectively demonstrating the power to keep Russia secure and able to pursue its policy goals.”⁶

Current status of the Russian economy requires new going near organization of foreign trade. Its fundamental way consists of the trading activity, which will be closely associated with the decision of major problems of the economy, such as an economic growth acceleration, improvement of the structure of the economy, increase of standard of living - it must be oriented activity of foreign sector of Russia.

The expansion of foreign trade relations of the country In the whole world and strengthening of their role in the acceleration of liberation of the Russian economy from a crisis must take place on a background deepening of economic collaboration with all groups of countries. This priority must give oneself up countries of near abroad. All of it must be the basic strategies of foreign trade, which will be worked out on this stage of development of foreign trade and to provide terms for her realization. The result of the strategy - the conclusion of foreign trade activities at the level of which Russia will be able to take the place corresponding to its economic potential and political weight in the world.

Implementation of the strategy of foreign economic activity should be carried out in the following directions:

The first - the creation of favorable conditions for the development of all sectors of the economy, including foreign trade complex.

The second - the use of import as a rival for the domestic producers in order to:

- Modernization and expansion of production capacity in Russia;
- Sustainable production and consumption of certain goods in the country;
- Exclusion of the most inefficient areas of national production;
- Enrich the range of consumer goods in the Russian consumer market;
- Rational usage of natural resources.

Third - the definition and promotion of export specialization for the country: improving the overall technical and economic level of production to meet the needs of international

⁶ Olikier O. “Russian foreign policy: sources and implications”

competition; increase foreign exchange reserves; It will help accelerate the development of individual regions and industries.

Fourth – is determination the priorities of the geography of foreign trade.

Without the active use of the import may not be the formation and support of the country's export specialization. Import as a natural element of foreign trade strategy must enhance competition in the domestic market. Internal competition, even if it takes place in the Russian market, is not developed enough, because of the high degree of concentration of production, which is typical for Russia, which only strengthens the monopoly position of the majority of enterprises.

Thus, on the one hand, in many areas of production can not be achieved without the competition of imports of goods, and on the other - to rely solely on internal competition - is to limit the impact on the economy of incentives for the development of science and technology related to the world market.

Import policy should focus only on the long-term goals, to promote the accelerated development of the domestic engineering industry, agriculture, production of export goods, purchased equipment and appliances must be the last generation.

Today, there is the problem of the possibility of import restrictions concerning the common currency funds, while some businesses do not have at all. This must be addressed as authentication of market relations in the sphere of import activity in full producer responsibility for their decisions.

As the formation of the country's export specialization will allow the import of certain products from the production of goods that do not meet the requirements of the global market. As a result, manufacturers who are unable to cope in the domestic market from foreign competition will be eliminated, which will increase the efficiency of the economy, deepening its participation in the international division of labor, and ultimately determine the import specialization.

Determination of the country of export specialization and the development of effective export is a key element of foreign trade strategy.

Formation of the export specialization of the country, as international experience shows, can only be the result of certain actions of the state on the basis of an effective system of functioning of the economy and the independent activity of producers.

This mode means that the action, on the one hand, the state should not passively accept the definition of the formation of export specialization patterns, and on the other - it can not be solely the result of actions taken by independent producers.

The state's role in export development should be in a constant search for and identification of industry, dedicated to the international and domestic markets, as well as providing them with various types of services and assistance.

The strategy of foreign economic activities of the country's economy can be implemented in several stages.

The first step is to strengthen the balance of payments. The only criterion to support and promote exports - is its effectiveness. Export companies, interacting, must be responsive to changes in demand, work in foreign markets and sales channels.

During this phase, the strategy continues to largely passive submission Russian export to the world market. Out on the world market - one of the main criteria for evaluating the efficiency of export and production enterprises.

In the second phase, the maximum stimulation gradually released sectors of export specialization, provided by Federal export development program, while maintaining the overall support of all effective export and import of certain areas of the country specialization.

The third stage will be implemented in the following areas:

- Expansion of measures aimed at supporting export industries of specialization;
- Exclusion of importing the most inefficient domestic production areas;
- Continuation of actions aimed at stimulating effective total exports.

At this stage, the Russian economy is starting to work under the influence of the international division of labor and its complex development is gradually turning into an election, or priority, the development of certain industries.

The fourth stage of the strategy of foreign trade activity - is an effect that is aimed to consistent implementation.

Exports and imports in the fourth phase of the specialized foreign trade strategy. The difference between export volume and the volume of import requirements is so high that there is almost no problem of foreign effective demand - the main barrier of foreign currency.

During this period, it will be a transition to the transformation of Russia in the near future, in one of the major powers with the progressive structure of foreign trade and a strong position in the global market.

One trend - the global economy is becoming more integrated, unified. It is connected and interdependent - is slowly but surely formed a single legal, cultural, informational, and economic space where to freely disseminate ideas and move their media to move capital, goods and services opportunities for operational management of the huge financial and

industrial empire of which are scattered all over the world. This, as many researchers have pointed out contribute to the following factors:

- Scale - an increase in production volumes, the concentration and centralization of capital, and, as a consequence of the emergence of organizational forms whose activities transcend national boundaries, becoming an international character and contributes to the formation of a single world market;
- Organizational and technological - a new level of transport and communications, ensuring the rapid expansion of goods and services, resources and ideas with the most favorable conditions, as well as the radical changing means of business communication, accelerating the exchange of economic and financial information, to create opportunities for the rapid, timely and effective making industrial, scientific, technical, commercial objectives at international level;
- Research and Technology - defines the economic benefits of using the best scientific and technical, technological and qualification levels of the leading specialists for the accelerated introduction of new solutions at a relatively low cost;
- Sociological - are manifested in overcoming national narrowness, weakening the role of customs and traditions, social relations and practices. They increase the mobility of people in the territorial, spiritual and psychological relations contribute to international migration;
- Political - is expressed in easing the stiffness of state borders, facilitating the freedom of movement of people, goods and services and capital.

All these trends are manifested in Russia's foreign trade.

Firstly, it is liberalization, which is expressed primarily in the reduction of obstacles to the free movement of goods and services.

Second, the growing process of international integration, which manifests itself in the creation and strengthening of inter-state trade and economic blocs - the EU, TC, ES, free trade zones, etc.

Third, the increasing internationalization, globalization of the world economy, in which most of the experts to understand the origin and development of transnational forms of management, in the framework of a certain percentage of production, consumption, export and import revenues depends on the decisions of international centers are located abroad.

Fourthly, there is a deepening of the international division of labor, specialization of the interstate.

Fifth, the universalization of the processes of unification, standardization apply to the entire economic and political life, production and consumption standards, values and

legislation, the scientific and technological progress that will eventually lead to the formation of a zone of general legal and cultural information field.

3.2 Russia and WTO

3.2.1 WTO

The World Trade Organization was established in 1994 and is the successor to the General Agreement on Tariffs and Trade (GATT), which, in turn, has existed since 1947. To date, the organization controls about 97% of world trade. The main objectives of the WTO are the liberalization of international trade and promote the economic growth of the member countries, which means that the growth and prosperity of their citizens.

3.2.1.1 WTO functions

- Monitoring the implementation of trade agreements concluded between the members of the WTO;
- The organization and provision of trade negotiations among the WTO members;
- Monitoring of the trade policies of WTO members;
- Cooperation with other international organizations;
- Admission of new members;
- Resolution of trade disputes between members

3.2.1.2 Structure of the WTO

The highest governing body of WTO is the Ministerial Conference. It shall be convened at least once every two years, usually at the level of Ministers of Trade and Foreign Affairs of the WTO member countries. The Conference has the authority to make decisions on the most fundamental issues, for example, relating to new rounds of multilateral negotiations.

Current management of activities and the action monitoring agreements and ministerial decisions implementing the General Council. It meets several times a year in Geneva. As a rule, the General Council includes the ambassadors and heads of missions of the WTO members. One of the functions of the General Council is a part of the resolution of trade disputes between the member countries of the WTO, and a periodic review of their trade policies.

WTO is a complex and ramified mechanism, which involves hundreds of negotiators and experts in various fields of economics and law, and that is in constant motion and development. The specialty of WTO, in comparison with other international organizations is that the negotiations in the WTO relating to billions of dollars, because they are set by rules of exports and imports of goods and services that directly affect the interests of consumers, producers, and specific companies. WTO - the only world-class organization that produces international trade rules to ensure its maximum possible predictability and freedom, and fair resolution of disputes between member countries on any matters relating to trade and trade barriers.

3.2.2 Russia's accession to the WTO. Pluses and minuses for the country

Russia's WTO accession is an important and significant step for the country as a whole. Negotiations on Russia's accession to the World Trade Organization took place 18 years from 1993 to 2011. Russia became a member of the WTO 22 August 2012.⁷

3.2.2.1 Advantages of Russia's accession to WTO

Many experts believe the reduction of customs duties on imported goods a positive thing for the Russian economy: as a result of many imported goods will become cheaper, which will force foreign companies to work more actively in the domestic market, thus creating, healthy competition. This, in turn, will lead to a reduction in the cost of goods of domestic production, which of course is rather discouraging for the manufacturer, but the population can have only the benefit of this.

Improving the image of the country as an equal member of the world trade. Reducing barriers on the way to the international trade market.

Free accesses to the existing international schemes permit trade disputes (as part of the WTO dispute settlement acts Commission). Wider opportunities for participation in the economies of the countries – is members of the WTO for Russian investors.

Increasing competition in the financial sector. The result can be a reduction in lending rates for households and small and medium-sized businesses.

The modernization of the national economy in accordance with the requirements of the current stage of development of trade-economic relations. Many Russian manufacturers to

⁷ Olikier O. "Russian foreign policy: sources and implications"

enter the world market will be forced to pay special attention to the quality of its products, in order to provide it with a competitive edge.

Reduction of import duties on a number of products (medicines, food, clothing, IT-products and so forth). This will benefit consumers, but manufacturers might lose.

Reductions of export duties. There are clearly visible advantages for companies operating in the commodity segment (about the disadvantages of this process).

Support for trade and economic interests of the country in the process of adopting new legislation in the field of international trade.

3.2.2.2 *Disadvantages of Russia's accession to WTO*

The threat of rising unemployment if Russian companies can not compete with foreign producers. Especially could worsen the situation in single-industry towns with only one city-forming enterprise.

Reduction of import duties could lead to the fact that a number of products will be profitable to produce in Russia. The greatest risk exists for the agricultural sector (both crop and livestock).

Reduction of import duties may have a negative impact on the domestic auto industry - the influx of second-hand imported cars is a direct threat to Russian automakers.

Reductions of export duties. From this process, a loss would be the country's budget, which could lead to an increase in public debt.

The results of Russia's accession to WTO

Summarizing the data analysis, we note that Russia's accession to the World Trade Organization - is a complex and contradictory process, with mixed effects on the economy of the state.

On this subject, we can conclude that Russia's WTO accession significantly affected the agriculture, industry and other industries. There was a number of problems, such as unemployment, raising prices for transport and utilities, and paid medicine and education.⁸

⁸ Olikier O. "Russian foreign policy: sources and implications"

4 The current state and development of foreign trade in Russia

The year 2015 became really difficult for the Russian economy: the fall in oil prices, the devaluation of the ruble and the complication of relations with the countries - trade partners had a negative impact on all spheres of life of the state. The particularly strong decline was showed in foreign trade. The Federal Customs Service has summed up the year, considering the scale of the fall.

According to customs statistics, in January-December 2015 Russia's foreign trade turnover amounted to 530.4 billion dollars, down compared to the previous year by 33.2%. Exports of Russia amounted to 345.9 billion dollars, decreased by 31.1% and imports 184.5 billion dollars, decreased by 36.7%.

In the beginning of the year 2016, the situation in foreign trade became worse. Per the Federal Customs Service, in January-June 2016. Russia's foreign trade turnover amounted to 210.4 billion rubles, a decrease compared to the same period last year to 22.3%. At the same time, this half eventually became the lowest in the last five years. Strongest failure in foreign trade was typical for January when the drop in exports and imports exceeded 30% - a seasonal decline in business activity in the beginning of the year coincided with the collapse of oil prices. However, since February began a gradual recovery in trade volumes, and the gap between the June figure and last year fell to 10%.

4.1 Crisis and Sanctions

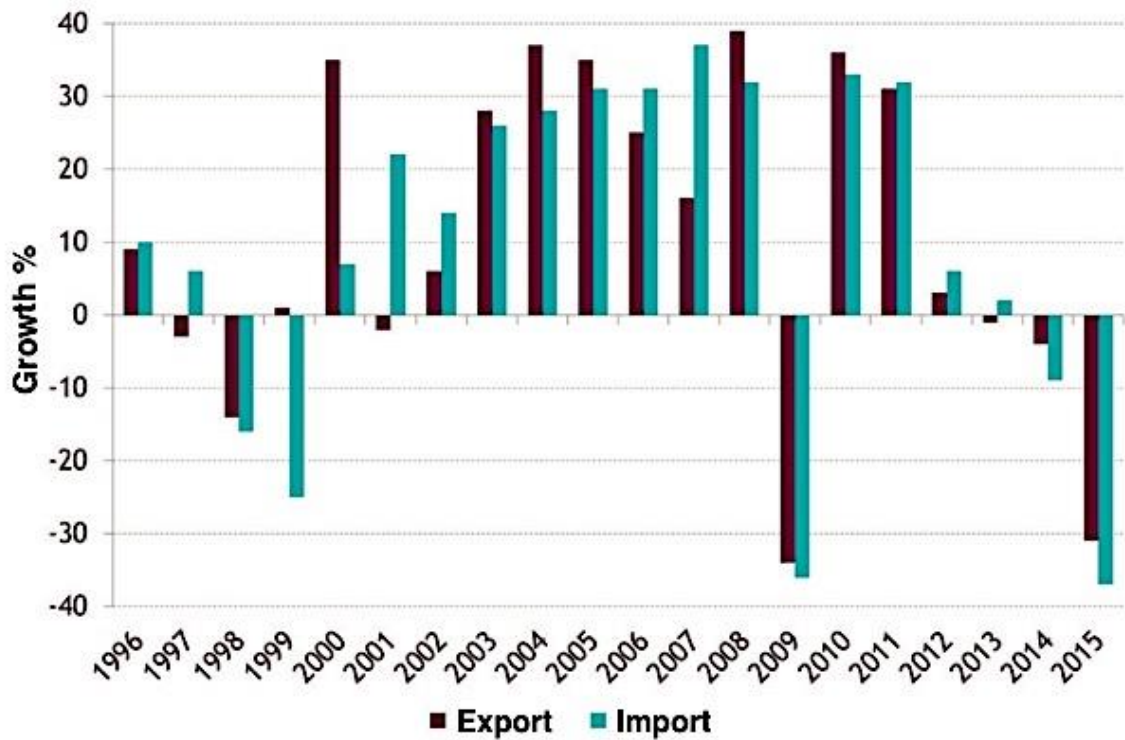
The nature of the current crisis in Russia is significantly different from the two-previous major economic downturns - the crisis of 1998 and 2008, both the causes of crises are different. The crisis of 1998 was because of a difficult economic situation in the country and was provoked by the fall in commodity prices and the crisis in South-East Asia. The crisis of 2008 in Russia began as part of the global financial crisis and was affected almost all sectors of the economy.⁹ Entering into the crisis for foreign trade was sharper in 2008, the dynamics the decrease of foreign trade turnover in the period of the current crisis is more akin to the 1998 crisis, while the depth of the fall is commensurate with the crisis of 2008 (Chart 1).

The current crisis, coming amid a sharp and prolonged decline in world energy prices and with the participation of new factor as the sanctions, impacted not only on the volume of foreign trade but also on its structure (Table 1). The drop in oil prices led to a decreased in the

⁹ Manko J. "The Russian Economic Crisis"

share of fuels in total exports in 2015 compared to 2014 year and increased the share of chemical products and metals, while physical volumes of fuel exports not changed so much (Chart 3). In imports decreased the share of machinery and equipment and increased the share of chemical products.¹⁰

Chart 1 Dynamics of Russian exports and imports, %, 1996-2015¹¹



¹⁰ Sinelnikov-Mourylev S., Radygin A., "Russian Economy in 2014. Trends and Outlooks."

¹¹ Thomson Reuters Datastream "Russian Economic Development"
<http://financial.thomsonreuters.com/en.html>

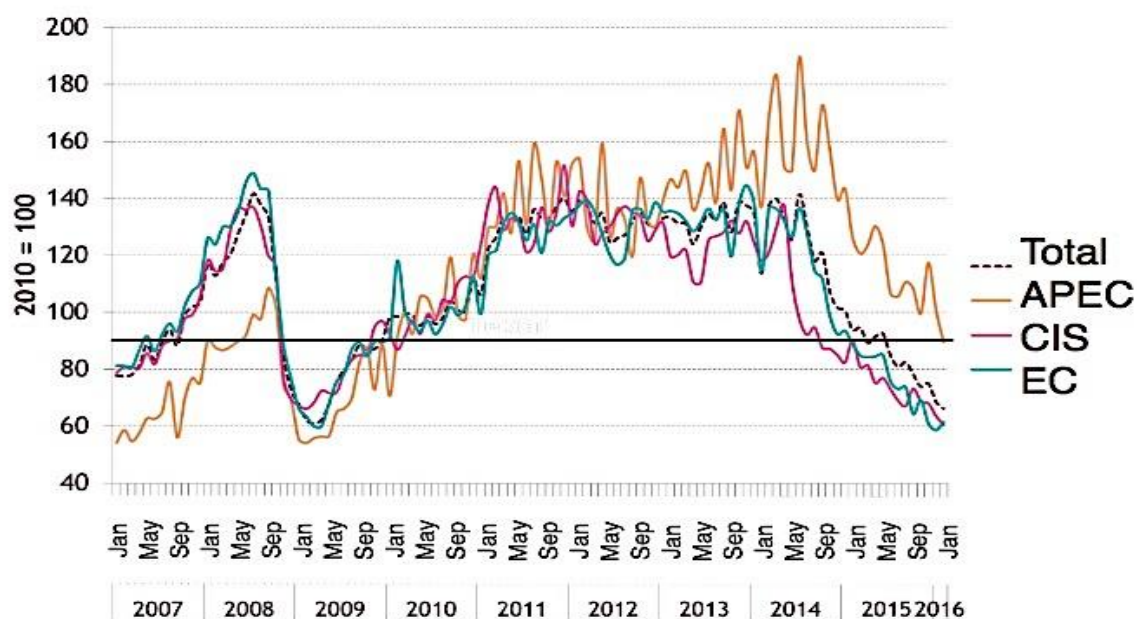
Table 1 Commodity structure of the monthly decline in Russia's foreign trade, the quarterly dynamics, in 2014-2015, billion dollars, an increase over the same month last year, January - February 2014-2016, %¹²

	The proportion of the average 2014	The proportion of the average 2015	2014				2015				2015 to 2014	2016 to 2015
			I	II	III	IV	I	II	III	IV	Jan - Feb	
	%		Billion \$								%	
All export	100	100	123	132	126	115	91	91	79	82	-24	-35
Fuel - energy resources	70	63	89	94	87	75	59	59	50	48	-30	-42
Metals	8	10	9,2	11	11	10	8,8	9,2	8,2	7,7	-0,7	-34
Chemical products	6	7	6,9	7,5	7,2	7,4	6,5	6,7	5,8	6,2	-8,3	-18
Food and agricultural raw material	4	5	4	4,2	5,4	5,1	3,6	3,4	4,2	4,9	0,4	1,6
All import	100	100	66	74	74	68	42	44	47	48	-37	-18
Machinery and equipment	48	45	31	37	34	33	19	20	21	23	-39	-22
Chemical products	16	19	10	12	13	11	7,5	8,7	8,9	8,7	-30	-11
Food products	14	14	9,9	10	9,2	9,8	5,9	6,6	6,4	7,2	-41	-6,4
Metals and products from them	7	6	4,1	4,9	5,3	4,3	2,6	2,9	3,3	2,9	-32	-21
Textile products	6	6	4,4	3,3	5,2	3,2	2,9	2,2	3,3	2,4	-37	-11

The analysis of the seasonally adjusted series shows that the volume of exports stagnated since the middle of 2011 (Chart 2) and from the middle of 2014 began to decline sharply, reaching in February 2016 only 66% of the average level of 2010 in terms of value. We can see the falling of supply in the EU and CIS countries due to the destabilisation of their relations with Russia. The sharpest drop in exports to the CIS countries was observed in the summer of 2014, and by February 2016 the volume of exports to the CIS accounted for only 60% of the average volume of 2010. Against the background of general decline of the volume of the export flows in times of crisis there is a tendency of growth of the share of trade with the APEC countries - from 21.5% in 2014 to 23% in 2015, as the decline in exports to APEC countries it started later than in other regions, and even experienced a small stable growth in the first months of the crisis. This is including the fact that the Asia-Pacific region is becoming a priority for cooperation of Russia.

¹² FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

Chart 2 Dynamics of Russian exports of key groups of countries, 2007-2016, the seasonally adjusted series, monthly average 2010 = 100¹³



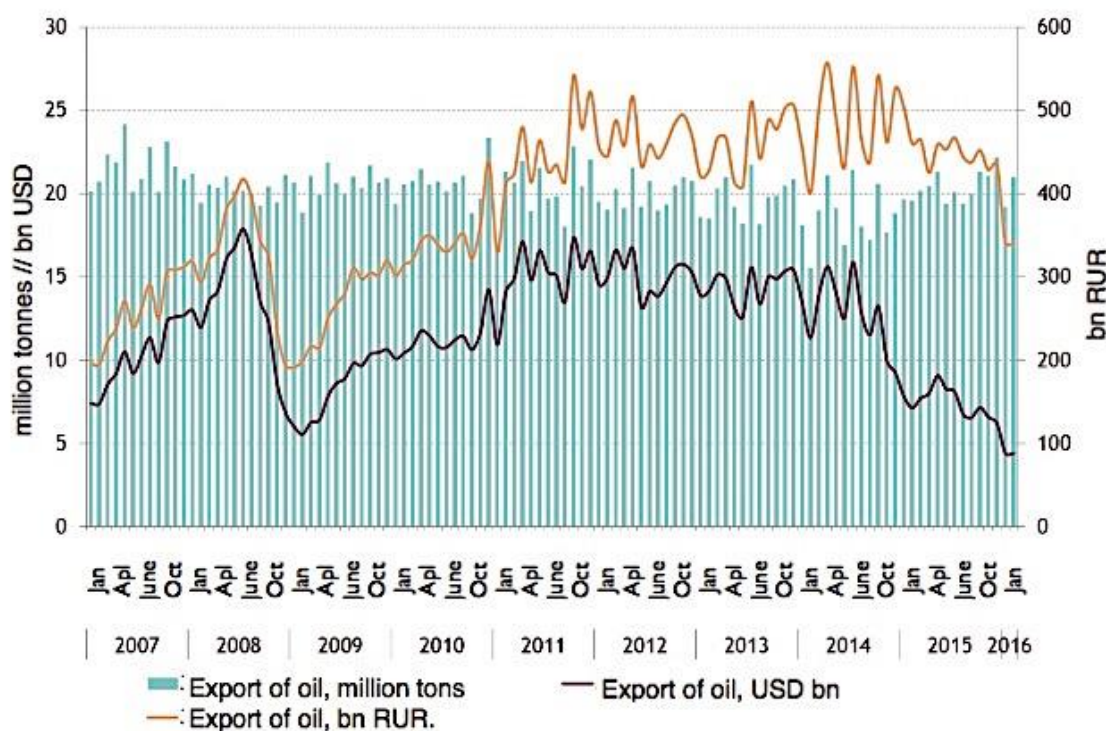
The most important export commodities are still fuel and energy resources, particularly oil and gas. As of 2015, their share was 63% in the value of exports. The fall in oil prices had a negative impact on the dollar-denominated export revenues, but due to the devaluation of the ruble, these losses were partially offset.¹⁴ In this case, the major changes of physical volumes of supplies have not occurred in comparison with the pre-crisis period (Chart 3).

¹³ Thomson Reuters Datastream "Russian Economic Development"

<http://financial.thomsonreuters.com/en.html>

¹⁴ Sinelnikov-Mourylev S., Radygin A., "Russian Economy in 2014. Trends and Outlooks."

Chart 3 Dynamics of Russian oil exports, 2007-2016, mln t, bn USD, bn RUR.¹⁵



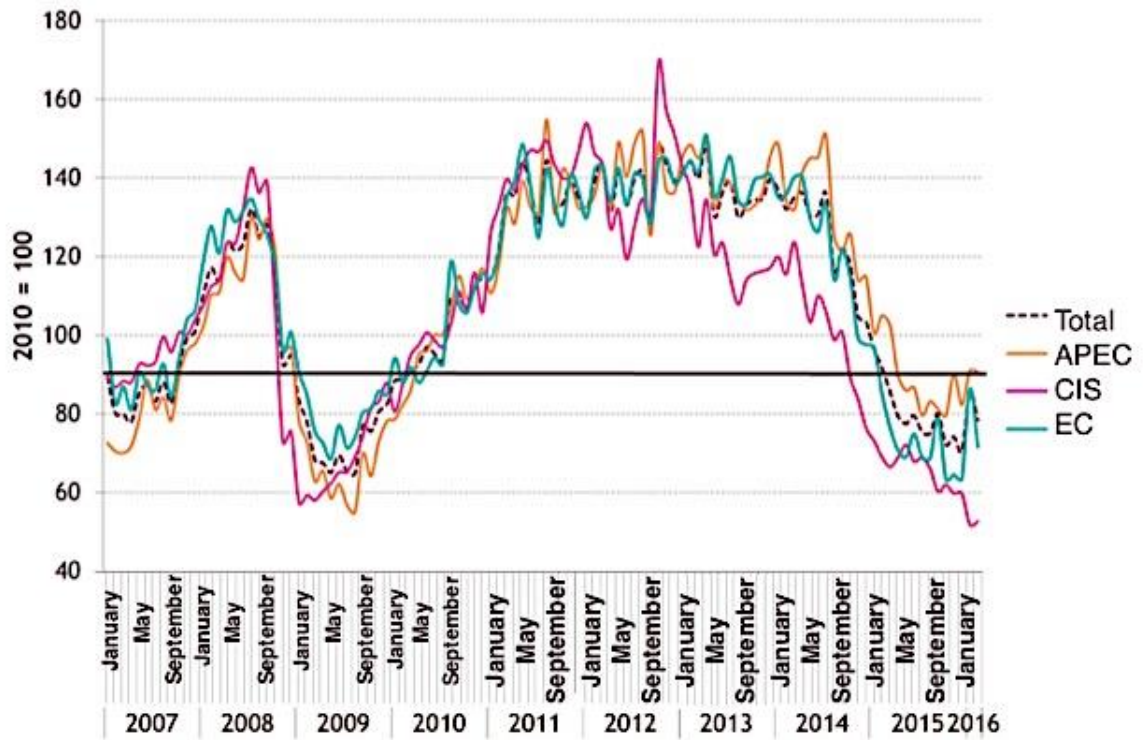
In response to sanctions imposed by the Western countries 6 August 2014, Russia imposed a ban on the import of certain products from the United States, Canada, European Union countries, Norway and Australia. The consequences of these measures have become a general decline in import volumes, partial change of commodity and geographical structure, changes in import prices and as a result, inflation in the country.¹⁶ Since entering into a crisis a decrease in imports from all regions of the world, total imports reached a minimum in December 2015, amounting to 70% of the 2010 level, then fall in imports stopped. The positive trend in imports from the EU and APEC were observed as early as mid-2015, but the volume of imports from the CIS continued to decline - by February 2016 it reached 52% of the average volume of 2010, largely due to the general destabilisation of the Russian trade with Ukraine (Chart 4).

¹⁵ Thomson Reuters Datastream "Russian Economic Development"

<http://financial.thomsonreuters.com/en.html>

¹⁶ Sinelnikov-Mourylev S., Radygin A., "Russian Economy in 2014. Trends and Outlooks."

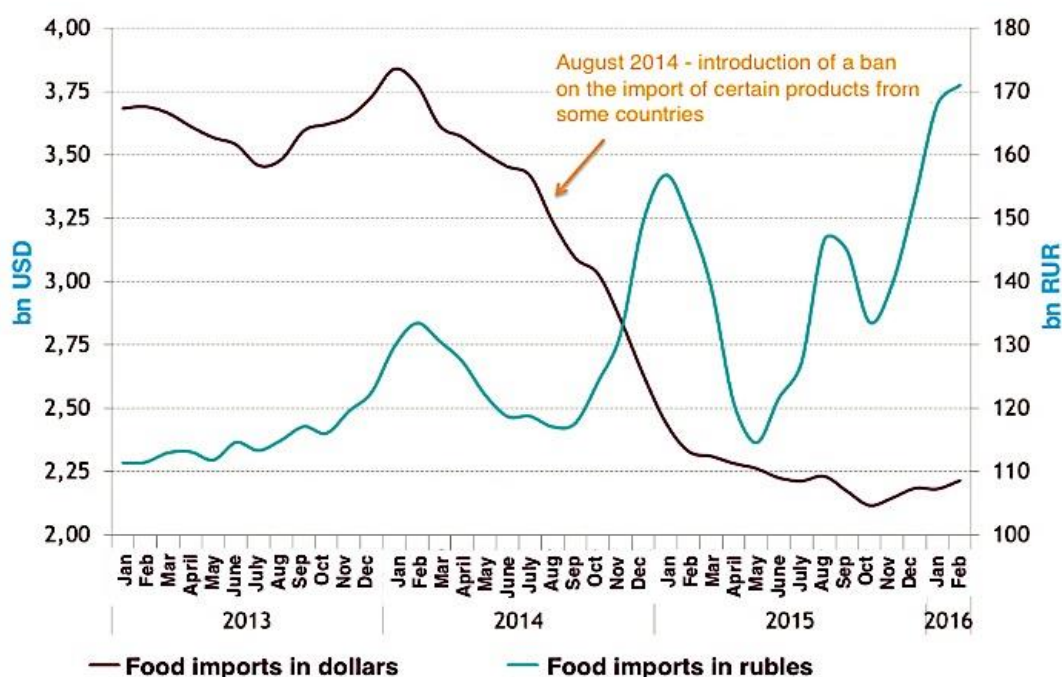
Chart 4 Dynamics of Russian import of key groups of countries, 2007-2016, the seasonally adjusted series, monthly average 2010 = 100¹⁷



The embargo against the Western countries was aimed at limiting the import of certain foodstuffs from the countries - participants of sanctions against Russia. This resulted in a reduction in the volume of imports of this category of goods (Chart 5).

¹⁷ Thomson Reuters Datastream "Russian Economic Development"
<http://financial.thomsonreuters.com/en.html>

Chart 5 Trends in food imports in Russia, 2013-2016, seasonally adjusted series, bn USD, bn. RUR¹⁸



4.2 SWOT-analysis

Based on the above was carried out SWOT-analysis of anti-Russian administrative sanctions (Table 2).

Table 2 SWOT-analysis¹⁹

Strengths	Weaknesses
1) The focus attention of the state on the development of domestic industries 2) The mobilization of Russian producers 3) Fill the shelves by domestic production 4) Reduction of the Western-agricultural competitors 5) The increase of jobs in connection with the organization of new domestic enterprises	1) The sharp decrease in imports goods of the categories of prohibited
Opportunities	Threats
1) Motivation to produce for prohibited imported goods within the country 2) Cooperation with the countries of the East, new markets 3) strengthening the country's food security	1) Increase the range of prohibited goods to be imported

¹⁸ Thomson Reuters Datastream "Russian Economic Development"

<http://financial.thomsonreuters.com/en.html>

¹⁹ Own analysis

In fact, the value of imports decreased the supply of food products from \$ 40 billion in 2014²⁰ to \$ 26 billion in 2015, while the share of this category is about 14% and remains unchanged throughout the crisis period. Partial replacement takes place through the development of domestic production, but in insufficient quantities. In I quarter 2015 decline in exceeded 40% of food imports in Russia in comparison with the same period last year, but the year-end rate of decline slowed to 20%, due to the low base of the end of 2014²¹. This situation helps to stimulate the development of domestic production, but the implementation of the program of support domestic production occurs only in some segments of the food products, so to speak of full adaptation of the Russian economy to the changed conditions until early.

²⁰ Sinelnikov-Mourylev S., Radygin A., "Russian Economy in 2014. Trends and Outlooks."

²¹ Sinelnikov-Mourylev S., Radygin A., "Russian Economy in 2014. Trends and Outlooks."

5 Commodity structure

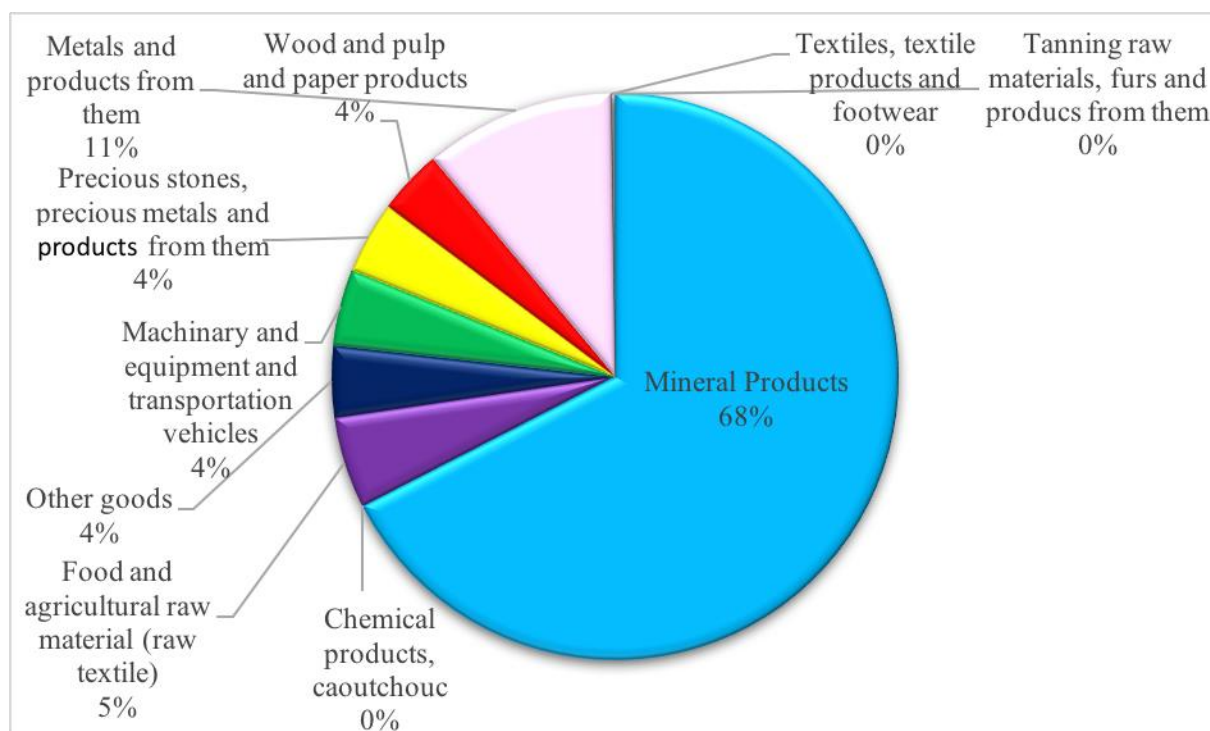
5.1 Export

In the commodity structure of Russian exports are still dominated by raw material component. However, against the background of the devaluation and falling prices for hydrocarbons and metals, we can see some changes.

The basis of Russian exports to non-CIS countries amounted to fuel and energy products. The value of exports of these goods fell by 35.5%, while the physical volume increased by 1.6%. Russian oil companies continue to provide more and more raw materials on the world market to reduce potential losses from low prices. According to the results of half of 2016 the physical volumes of crude oil exports rose by 6.1%, natural gas by 14.6%, coal by 9.3%. The orientation of oil companies to export together with the new effective tax manoeuvre, has a negative impact on oil refining. As a result, the volume of supply of refined products on the world market fell by 13.3%.

A similar situation is observed in the exports of metals - while reducing the value of export by 24.4%, physical volumes - increased. Thus, the volume of deliveries of semi-finished products of iron or non-alloy steel grew by 2.6%, aluminium by 4.3%, iron by 3.7%.

Chart 6 Commodity structure of Russian exports to non-CIS countries in January - June 2016 (million USD, %)²²



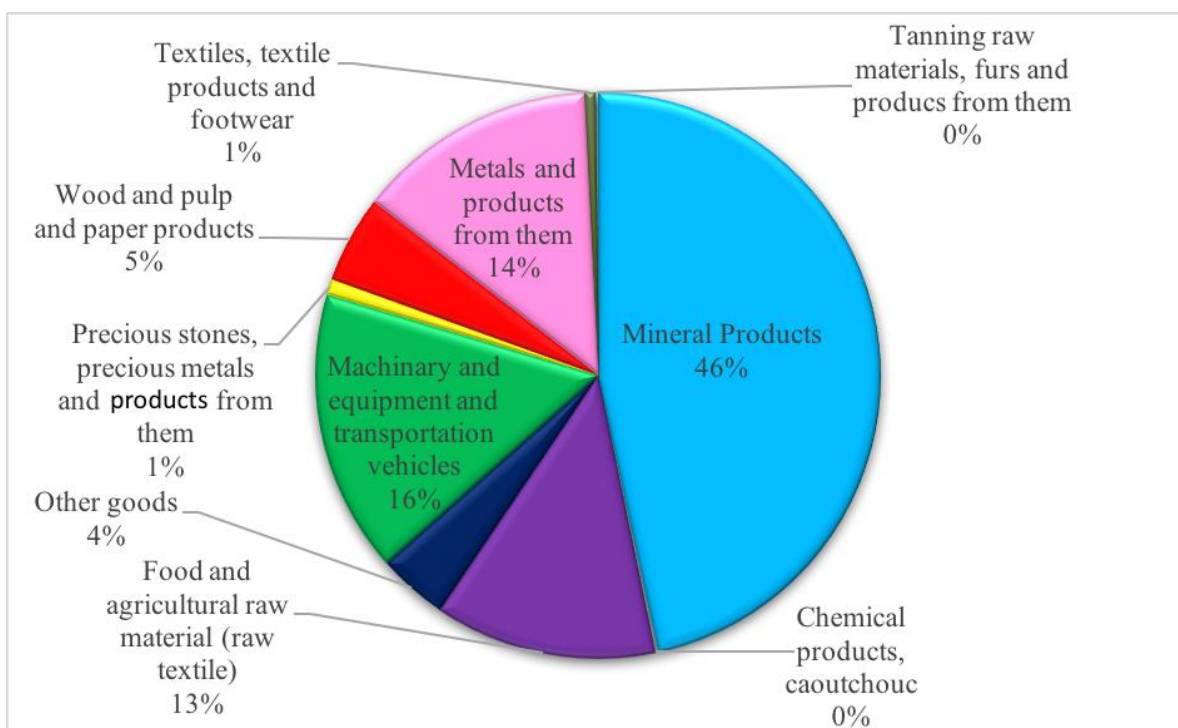
²² FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

Positive dynamics of export volumes showed by engineering products. Due to the devaluation of the ruble, Russian equipment, which was delivered at reduced prices on the world market has become more competitive and demand from foreign buyers increased. At the end of six months at the lower value by 16.4%, the volume of exports increased: electrical equipment - by 37.8%, optical apparatus and instruments by 30.3%, means of land transport by 37.8%. At the same time, the growth rate of exports of many products significantly outpaced the growth of their production.

In contrast to the non-CIS countries in the commodity structure of export to the CIS countries, the Russian supply of most commodities showed a decline, including hydrocarbons. The value and the physical volume of exports of energy products fell by 36.1% and 0.9% respectively. Physical volumes of oil exports fell by 4%, natural gas by 18.3%, electricity by 45%. This reduction in deliveries observed for the third year in a row and there, mainly due to previous agreements between Russia, Belarus, and other countries.

Reduced cost and physical volumes of metal supply by 17.8% and 11.2%, respectively. Exports of ferrous metals decreased by 11.8%, semi-finished products of iron by 26.9%. Positive results were achieved in the framework of food exports. At the 23.6% increase in deliveries of fish, 2.3 times increased the export of milk and cream, and of cheese and cottage cheese by 5.1%.

Chart 7 Commodity structure of Russian exports to CIS countries in January - June 2016 (million USD,%)²³



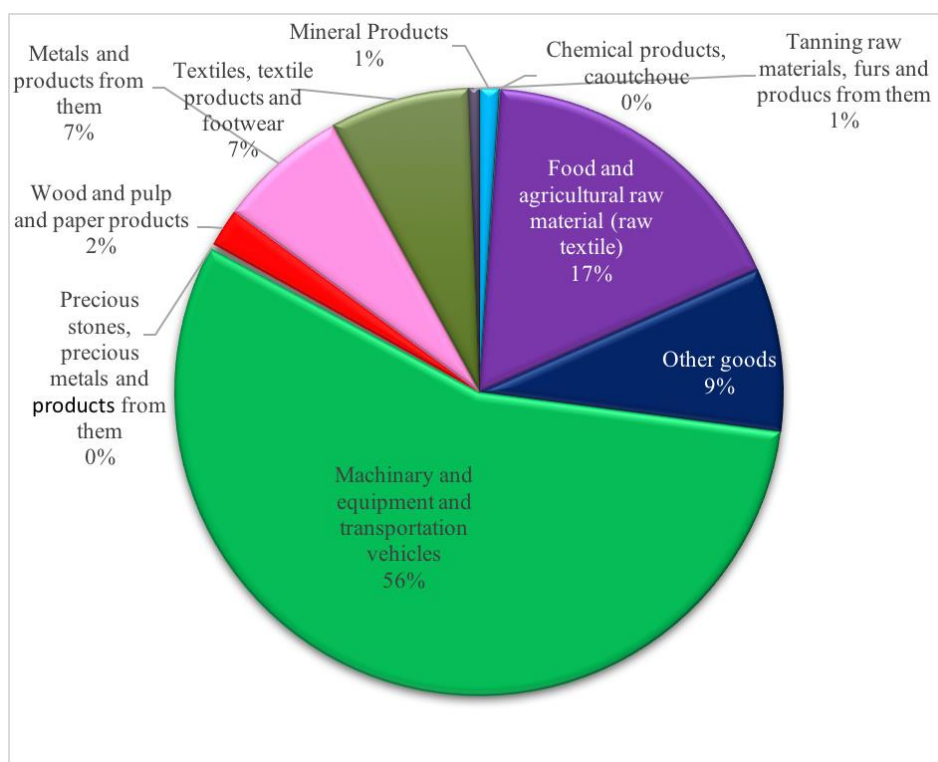
²³ FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

5.2 Import

The import of goods from non-CIS occupy the bulk of machinery and equipment - they account for 44%. The value of import of products of this group decreased by 8.2%, the largest decline touched cars and trucks - the physical volume of import decreased by a 31% and 23.2%, respectively. Falling exports of machinery observed for the second year. On the one hand, this is due to the transfer of their production directly to the Russian territory, on the other hand, the fall in demand due to the rise in prices and reduce the purchasing power of the population.

The decline was showed the second largest category of Russian imports - products of the chemical industry, which accounts for 20.2%. In particular, reduced physical volume of the plastics supply - by 2.5%, pharmaceuticals 3.6% and medicines by 4.6%. At the same time, Russia increased its purchase of fertilisers for the needs of the agricultural industry.

Chart 8 Commodity structure of Russian imports from non-CIS countries in January - June 2016 (million USD, %)²⁴



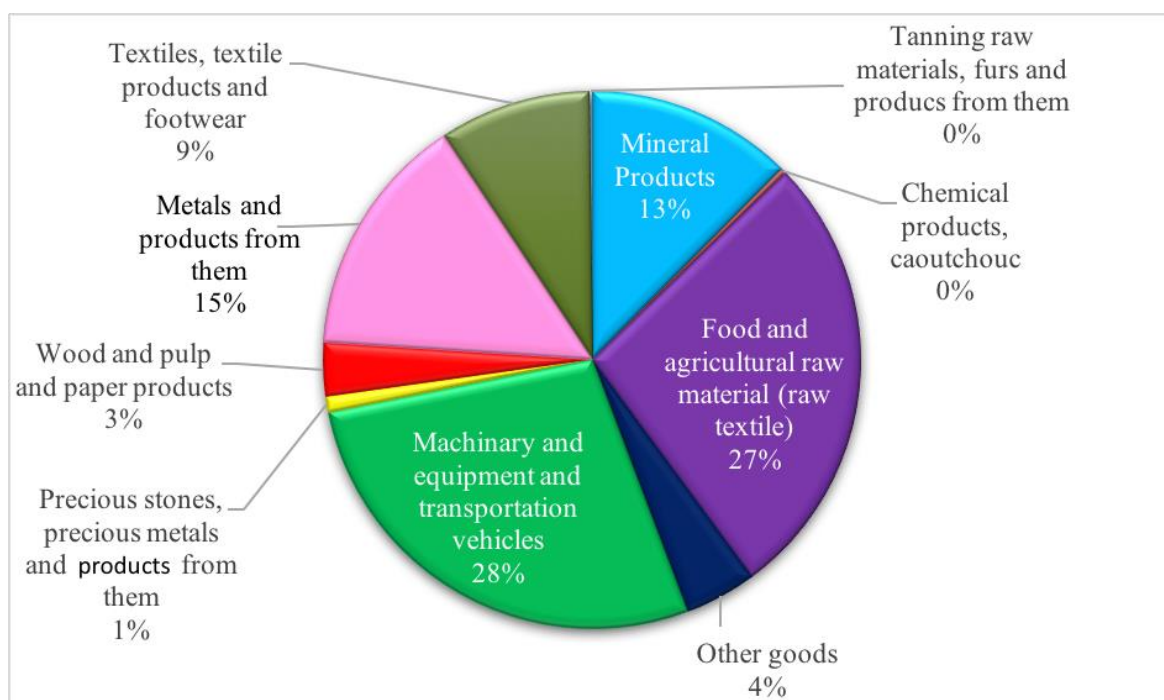
Due to the action of the food embargo reduced food imports. Despite the fact that many domestic companies have found alternative suppliers, the physical volume of beef decreased by 23.4%, fish by 9.6%, cheese, and cottage cheese by 26.2%.

At the end of six months of imports of many goods from the CIS countries show a positive

²⁴ FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

trend. The devaluation has forced many importers to look for suppliers among the neighbouring countries. In the structure of imports from CIS countries largest share of machinery and equipment - they account for 23%. In contrast to the non-CIS countries, Russia increased the import of products of this group as compared to the first half of 2015 by 2.9% due to the import of ground transport - truck imports increased by 77.7%. Positive dynamics showed food imports - the physical volume of these goods import increased by 14.4%, including butter by 8.4%, cheese, and cottage cheese by 23.7%, milk and cream by 2.3%. The value and volume of imports of textile products and footwear increased by 22.9% and 35.4%, respectively. The growth of the physical volume of deliveries showed chemical products - by 26.3% growth in the volume of import of organic chemistry, by 16.5% of plastics and their products, by 16.3% - pharmaceuticals.

Char 9 Commodity structure of Russian imports from CIS countries in January - June 2016 (million USD, %)²⁵



5.3 GDP

5.3.1 The role of foreign trade in the dynamics of Russian GDP

Foreign trade as a component of GDP smoothes out its fluctuations, both positive and negative. According to Rosstat, Russia's GDP decreased by 3.7% in 2015, (Table 3), thus excluding foreign trade decline would have been 9.9%.

²⁵ FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

5.3.2 Contribution of demand components to GDP growth in Russia, 2007-2015, as a percentage

A similar situation was in 2009 when GDP fell by almost 8%, but excluding foreign trade, this value would rise to 13%. In 2015, only net exports were the component that has made a positive contribution to

GDP growth due to falling import by 25.7% while the export growth of 3.6%. As a result, the contribution of the fallen import reached 5.1 percentage points GDP, which is conventionally "compensated" the negative contribution of personal consumption, which amounted in 2015 -5.2 pp of GDP.

Table 3 Contribution of demand components to GDP growth in Russia, 2007-2015²⁶

	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP growth %	8,5	5,2	-7,8	4,5	4,3	3,5	1,3	0,7	-3,7
Consumption	7,1	5,5	-2,6	2,5	3,6	4,2	2,5	0,8	-5,4
Household expenses	6,3	4,9	-2,5	2,8	3,4	3,7	2,3	0,8	-5,2
Public expenses	0,5	0,6	-0,1	-0,3	0,3	0,4	0,3	0	-0,3
Gross capital formation	4,8	2,5	-10,5	-4,7	4,2	0,9	-1,7	-1,7	-3,6
Investments in fixed assets	4	2,3	-3,2	1,2	1,9	1,2	0,2	-0,5	-1,5
Change in inventories	0,8	0,3	-7,3	3,4	2,3	-0,3	-1,9	-1,2	-2,1
Net exports	-2,5	-2,8	5,2	-2	-4	-1,6	0,5	1,8	6,2
Export	2,1	0,2	-1,5	2,3	0,1	0,4	1,3	0,2	1
Import	-4,6	-3	6,7	-4,3	-4,1	-1,9	-0,8	1,7	5,1
The statistical discrepancy	0,2	-0,1	0	-0,2	0	0	-0,1	0	-0,7

²⁶ FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

6 The geographical structure of Russian foreign trade

6.1 Explaining of geographical structure of foreign trade

Geographical structure of foreign trade is a distribution system of trade flows between individual countries, groups of countries formed by territorial or organizational grounds. Considering the geographical structure of Russia's foreign trade – there are two main areas need to be distinguished: the CIS (former Soviet republics) and the remaining (non-CIS countries).

Analysis of changes in international trade involves consideration of two aspects:

1. international trade growth as a whole (as well as exports and imports) and the relative growth of production;
2. changes in the commodity structure (the ratio of the major groups of goods and services) and geographical structure (the share of regions, groups of countries and individual countries).

6.2 Foreign trade in the CIS and non-CIS countries

The decisive role played by non-CIS countries in the foreign trade turnover of Russia - in the first half of 2016 the share of trade was 88% with them. Russian export of hydrocarbons and metals is mainly focused on them. In turn, export to the CIS countries accounts for only 12%. Compared with the first half of 2015 as a whole the share of the CIS and non-CIS countries in foreign trade turnover has not changed, but the Russian export of selected products: engineering and food, due to the devaluation has become more focused on the non-CIS countries than on the CIS countries, currencies of which are also lost in the price.

At the end of six months, however, showed a decline both directions. The foreign trade turnover with non-CIS countries decreased by 21.6% to 184.68 billion dollars. The largest decline, in this case, showed exports (-25%) - by reducing the cost of delivered hydrocarbons. Imports, in turn, decreased by 16% to 8.7 billion dollars.

Chart 10 The structure of Russia's foreign trade turnover in January 2015 - June 2016 (billion USD)²⁷

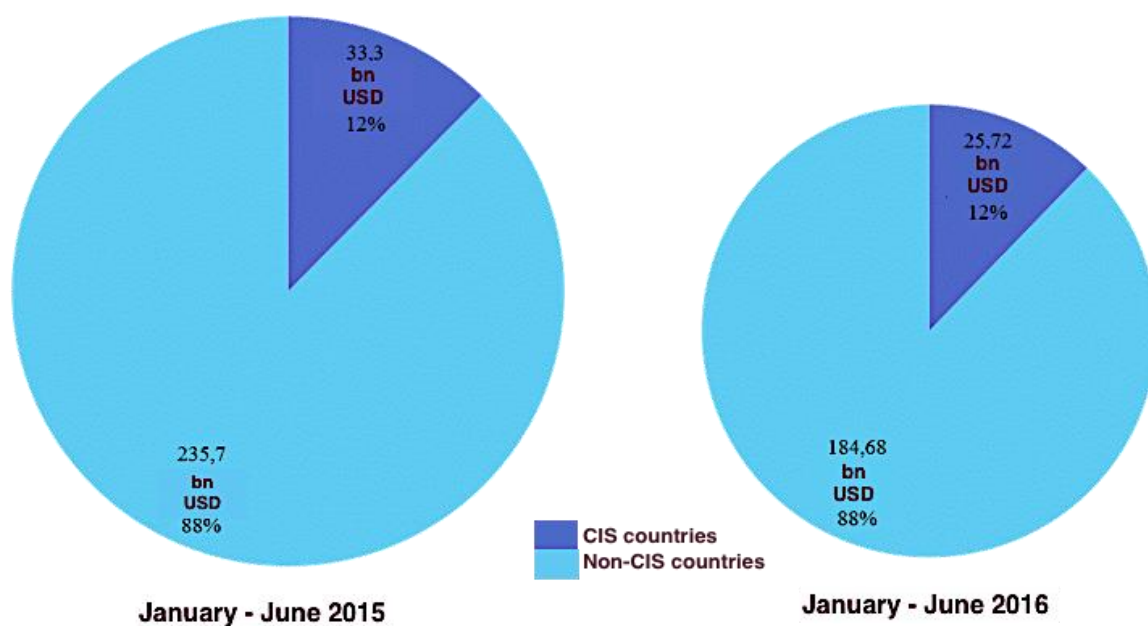
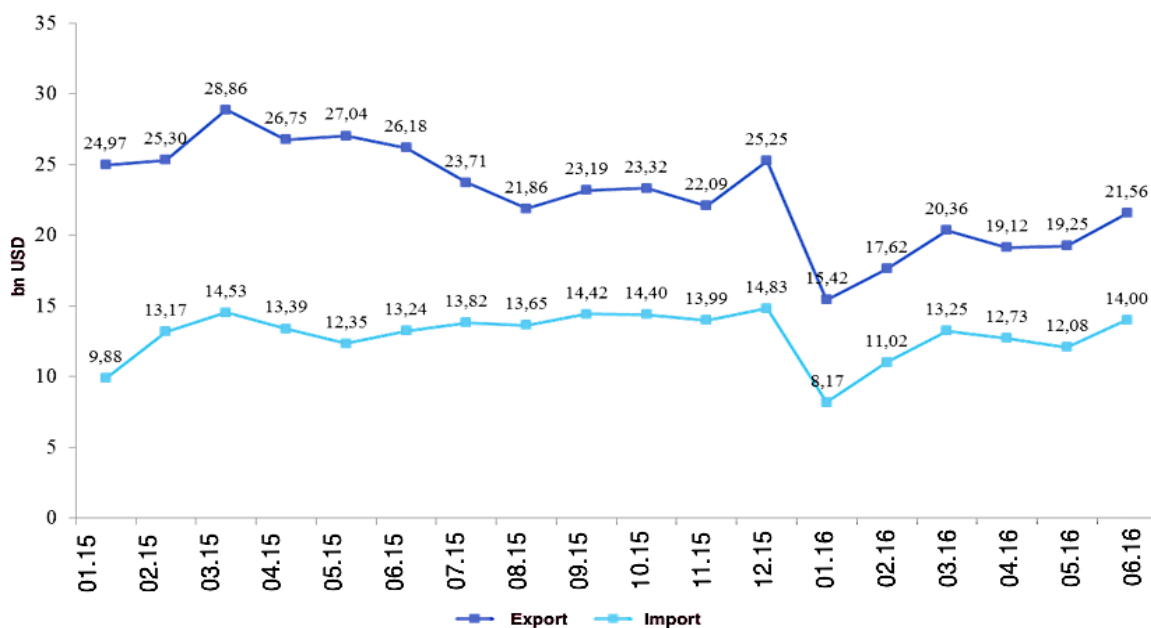


Chart 11 Dynamics of Russian foreign trade with non-CIS countries in January 2015 - June 2016 (billion USD)²⁸



6.2.1 Foreign trade in the non-CIS

The leading position among the non-CIS countries is China - it accounts for 15% of the total volume of deliveries (28.3 billion dollars). In the wake of the sanctions and the food

²⁷ FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

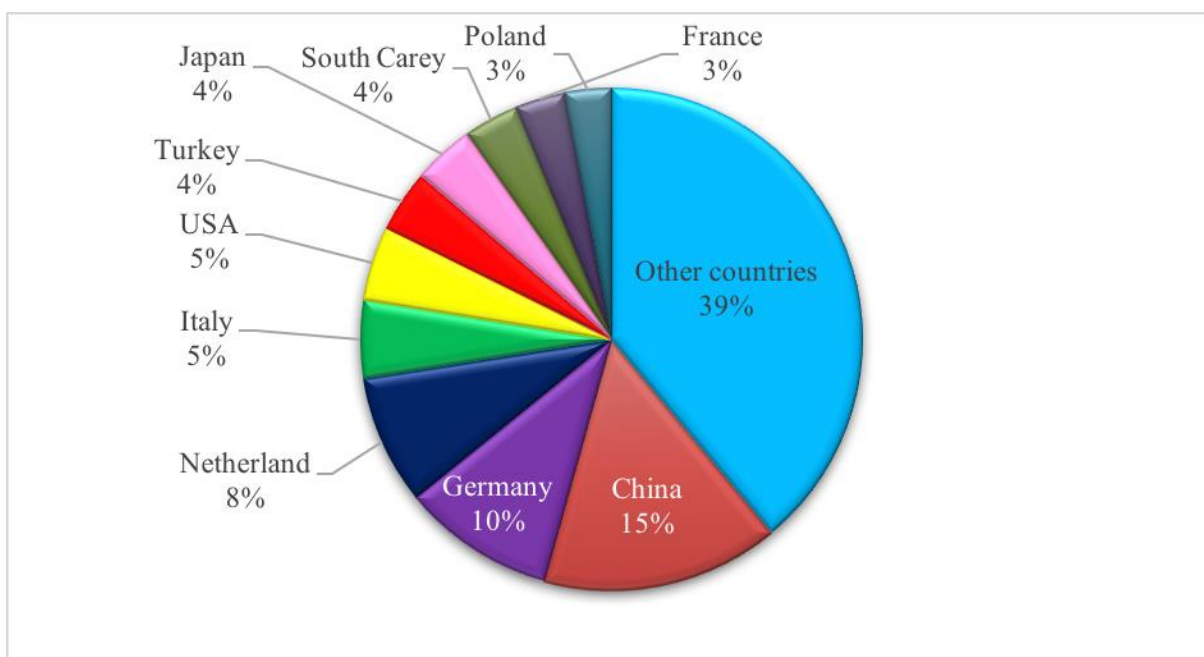
²⁸ FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

embargo, Russia relies precisely on the development of trade and investment cooperation with them, mainly in the oil and gas sector. In addition to the energy, Russia supplies to China a wide range of commodities - metals, chemical products and food products.

On the second and third place by volume of trade with foreign countries were Germany - 18.2 billion dollars (78.5%) and the Netherlands - 15.5 billion dollars (64.9%). Most of the countries that are among the ten largest partners also showed a decline: Italy - 9.2 billion dollars (-55.8%), the United States - 8.8 billion dollars (-19.2%), Turkey - 7.4 billion dollars (-40.1%). However, there are those states that in spite of everything have increased the volume of trade with Russia. Thus, the foreign trade turnover with Iran grew by 80% mainly due to growth in supplies of hydrocarbons and agricultural products, by 59% increased trade with Cuba due to growth in supplies of oil and fat products, metals and various equipment, increased by 18.5% foreign trade turnover with Georgia. Increase the volume of trade and the country - offshore. For example, Papua New Guinea's foreign trade turnover increased by more than 4.5 times, and Luxembourg - by 11.5%.

Because of the sanctions vector of development of foreign trade relations is gradually changing, and Russia more "turns to the east." At that time, as the share of EU countries in the structure of foreign trade has decreased over the past year from 46.8% to 43.1%, the share of APEC countries increased from 27.5% to 29.1%.

Chart 12 The structure of Russia's foreign trade turnover with non-CIS countries in January - June 2016 (billion USD)²⁹

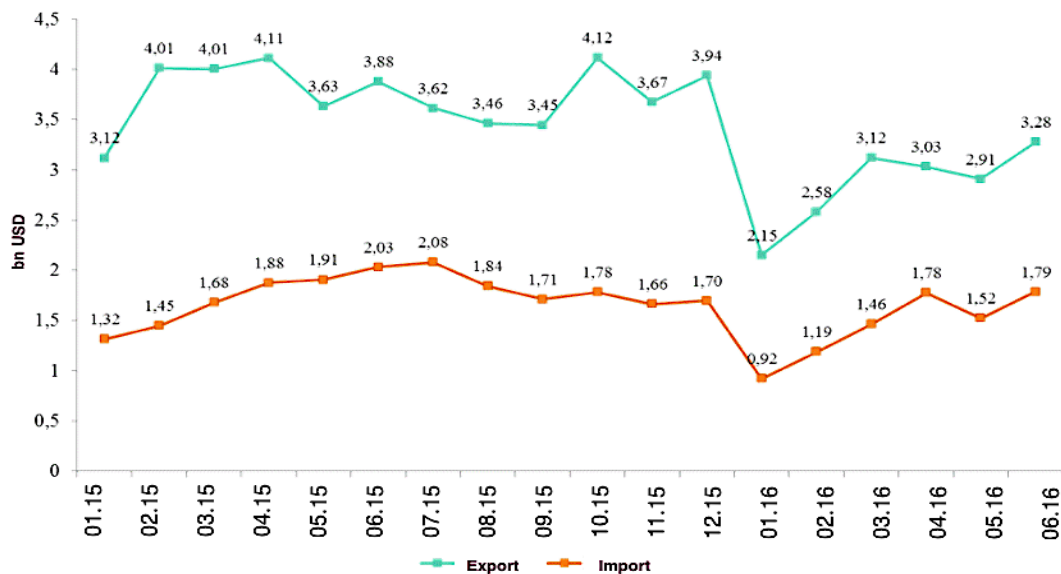


²⁹ FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

6.2.2 Foreign trade in non-CIS countries

The foreign trade turnover with CIS neighbours in the first part of 2016 also declined markedly. Exports fell by 25% to 17.07 billion dollars and imports by 15.6 to 8.6 billion dollars. Due to the close economic ties with Russia, falling oil prices led to a deterioration of the economic situation and the devaluation of national currencies and in CIS countries. Kazakhstan, Belarus and other countries for up to six months showed a reduction in GDP, production volumes, and falling sales.

Chart 13 Dynamics of Russian foreign trade with CIS countries in January 2015 - June 2016 (billion USD)³⁰



The largest trading partner of Russia among the CIS member countries is Belarus. Despite the fact that exports and imports fell, on the basis of half of the 2016 year its share in trade with CIS countries increased from 35.9% to 43.4% and amounted to 11.16 billion dollars. The reduction mainly affected the supply of hydrocarbons, engineering products, and fertilisers. At the same time, Belarus has managed to increase the volume of imports in the Russian food products. Against the background of the current embargo on food products from Europe, the US and other countries, from Belarus increased the import of many types of foods: dairy products, butter, cheese, cottage cheese. At the same time, through Belarus to Russia began to fall more and more under sanctions products, which are absolutely not typical for local production - tropical fruits, citrus, eggplant, and others.

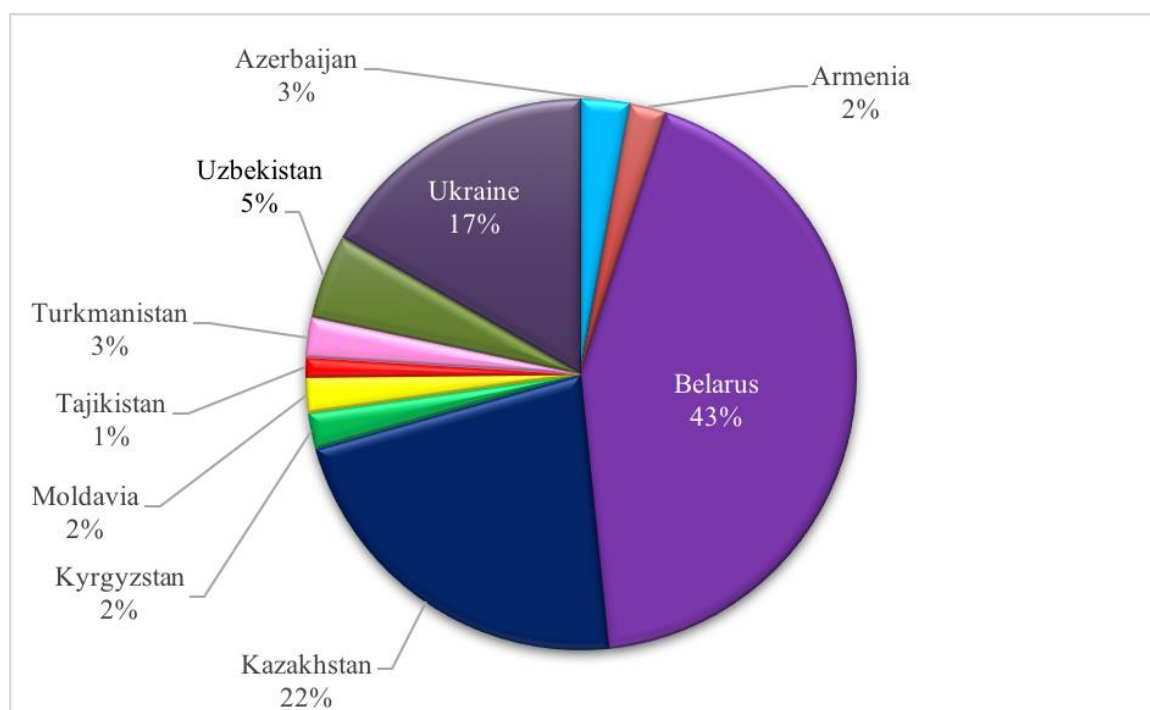
Trade with Kazakhstan - on the second largest trading partner, fell by a third. The share of the country's foreign trade turnover fell from 24.8% to 22.2%. In addition to reducing the

³⁰ FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

supply of hydrocarbons, Kazakhstan has reduced imports of metals and vehicles from Russia due to the growth of its own production.

A record decline observed in the foreign trade of Russia and Ukraine. Due to actions of the mutual sanctions and trade restrictions, the internal crisis, as well as the orientation of Ukraine on the trade with the EU's, the foreign trade turnover with Russia decreased by 42.2%. The largest decrease in exports showed goods such as natural gas, oil, and Ukraine, in turn, reduced the supply of agricultural products. However, despite the almost two-fold fall in foreign trade, Russia is still its largest trading partner.

Chart 14 The structure of Russia's foreign trade turnover with CIS countries in January - June 2016 (billion USD)³¹



Turkmenistan - the only state from the CIS countries, which showed growth of trade volumes. The volume of foreign trade turnover with Russia increased by 44.3% to US \$ 605.2 million mainly due to growth in supplies of Turkmen gas, and textile products.

6.3 Predictions

On the basis of what has been said above, was carried out the statistical analysis of the dynamics of Russian exports of goods in non-CIS and CIS countries, as well as was conducted forecasting of possible export turnover in 2017. For the prediction of the forecast

³¹ FCS of Russia, http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid

horizon has been adopted from 2015 to 2016 (data are by the quarterly). The initial data for forecasting purposes provided by the State Statistics Service (Table 4).

Table 4 Dynamics of exports in 2015-2016³²

Dynamics of exports					
Non-CIS countries		Million USD	CIS countries		Million USD
2015	I quarter	77713	2015	I quarter	12464
	II quarter	78673		II quarter	12752
	III quarter	67250		III quarter	11511
	IV quarter	68685		IV quarter	12419
2016	I quarter	51987	2016	I quarter	8280
	II quarter	57891		II quarter	9901
	III quarter	61141		III quarter	9949
	IV quarter	71066		IV quarter	11614

The forecast was made using a linear regression model, the basis of which is the trend function

$$y' = a + b \cdot t \quad (3)$$

where:

- Sale (“y”) is depended variation
- Time of series (“t”) is explanatory variable.
- “a” is constant
- “b” is parameter of received growth rate

6.3.1 Forecast for exports Sale to Non-CIS countries

From the linear regression results, can be seen that the trend function is $y' = 76388 - 2130.5t$, which means that if t increase or decrease by 1 million USD, average of y will change by $b = -2130.5$ million USD (Table 5).

At the graph (Plot 1) the line of function is decreasing, so the prediction for exports Sale in 2017 are at 1st-quarter is 57213.392857, 2nd-quarter is 55082.869048, 3rd-quarter is

³² Federal State Statistics Service

http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/fttrade/

52952.345238 and 4rs-quarter is 50821.821429, it is not surprising that predicted Sale numbers are also decreasing (Table 6).

Table 5 Linear Regression Results (Non-CIS countries)³³

Linear Regression Results					
The REG Procedure					
Model: Linear_Regression_Model					
Dependent Variable: Sale					
Number of Observations Read	12				
Number of Observations Used	8				
Number of Observations with Missing Values	4				
Analysis of Variance					
Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	190643532	190643532	1,02	0.1509
Error	6	422192174	70365362		
Corrected Total	7	612835706			
Root MSE	8388.40642	R-Square	0.3111		
Dependent Mean	66801	Adj R-Sq	0.1963		
Coeff Var	12.55735				
Parameter Estimates					
Variable	DF	Parameter Estimate	Standard Error	t Value	Pr > t
Intercept	1	76388	6536.19363	1,11	<.0001
t	1	-2130.52381	1294.35921	-1.65	0.1509

Generated by the SAS System ("Local", W32_8PRO) on 27. února 2017 at 5:30:51 PM

³³ Own calculations by SAS 9.4

Plot 1 For Sale (Non-CIS countries)³⁴

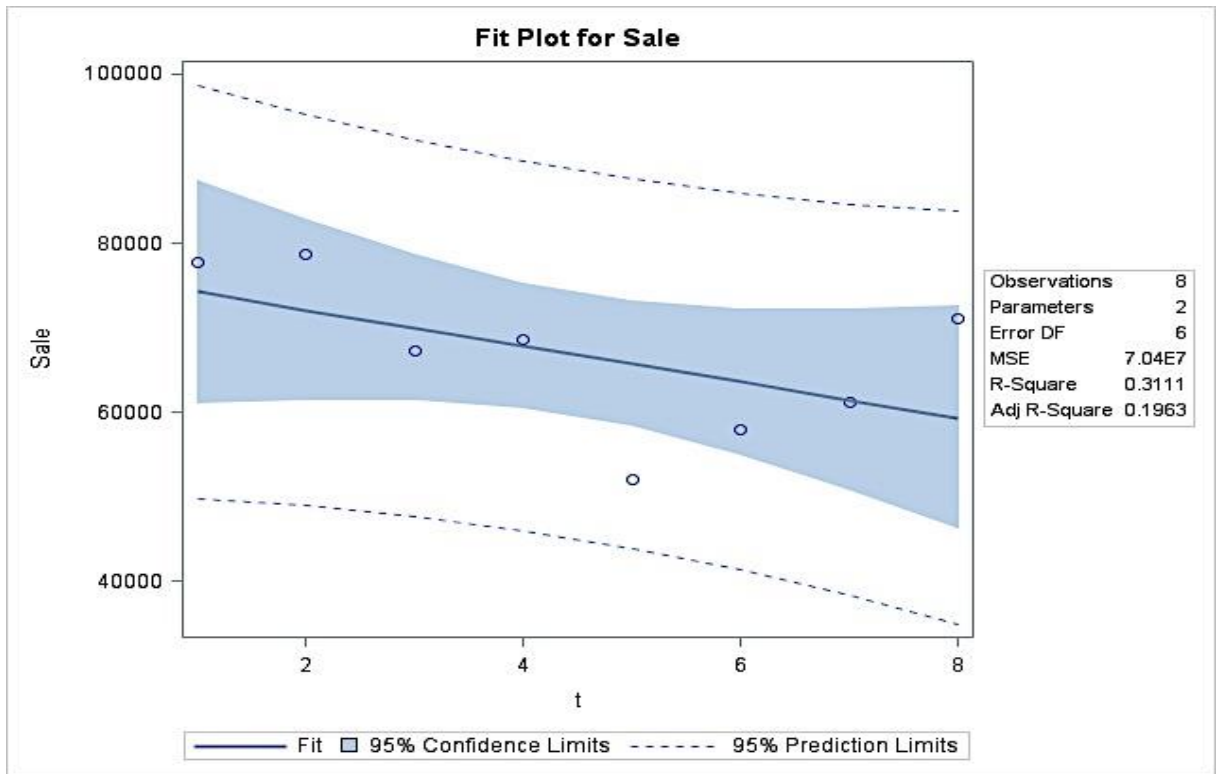


Table 6 Predictions non-CIS countries³⁵

Non-CIS countries	Million USD			
	Quarter	Sale	t	Predicted_Sale
2015	1	77713	1	74257.583333
.	2	78673	2	72127.059524
.	3	67250	3	69996.535714
.	4	68685	4	67866.011905
2016	1	51987	5	65735.488095
.	2	57891	6	63604.964286
.	3	61141	7	61474.440476
.	4	71066	8	59343.916667
2017	1	.	9	57213.392857
.	2	.	10	55082.869048
.	3	.	11	52952.345238
.	4	.	12	50821.821429

³⁴ Own calculations by SAS 9.4

³⁵ Own calculations by SAS 9.4

6.3.2 Forecast for exports Sale to CIS countries

The same situation is observed in forecasting for CIS countries. From the linear regression results (Table 7) the trend function is $y' = 12661 - 344.5t$, which means that if t increase or decrease by 1 million USD average of y will change by $b = -344.5$ million USD. The line of function is decreasing (Plot 2) and predicted Sale numbers are decreasing too, so the forecast for exports Sale in 2017 are at 1st-quarter is 9561.2142857, 2nd-quarter is 9216.7619048, 3rd-quarter is 8872.3095238 and 4th-quarter is 8527.8571429 (Table 8).

Table 7 Linear Regression Results (CIS countries)³⁶

Linear Regression Results					
The REG Procedure					
Model: Linear_Regression_Model					
Dependent Variable: Sale					
Number of Observations Read	12				
Number of Observations Used	8				
Number of Observations with Missing Values	4				
Analysis of Variance					
Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	4983193	4983193	1,03	0.1728
Error	6	12493075	2082179		
Corrected Total	7	17476268			
Root MSE	1442.97580	R-Square	0.2851		
Dependent Mean	11111	Adj R-Sq	0.1630		
Coeff Var	12.98662				
Parameter Estimates					
Variable	DF	Parameter Estimate	Standard Error	t Value	Pr > t
Intercept	1	12661	1124.35768	1,12	<.0001
t	1	-344.45238	222.65600	-1.55	0.1728
Generated by the SAS System ("Local", W32_8PRO) on 27. února 2017 at 5:43:17 PM					

³⁶ Own calculations by SAS 9.4

Plot 2 For Sale (CIS countries)³⁷

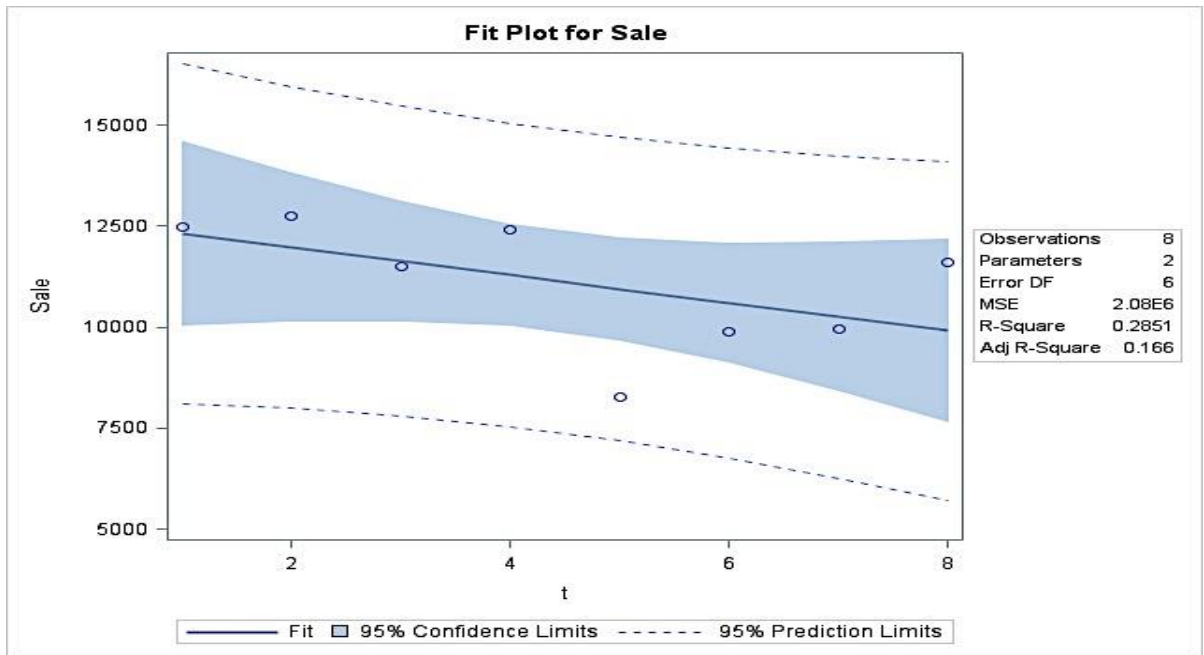


Table 8 Predictions CIS countries³⁸

CIS countries	Million USD			
	Quater	Sale	t	Predicted_Sale
2015	1	12464	1	12316.833333
.	2	12752	2	11972.380952
.	3	11511	3	11627.928571
.	4	12419	4	11283.47619
2016	1	8280	5	10939.02381
.	2	9901	6	10594.571429
.	3	9949	7	10250.119048
.	4	11614	8	9905.666667
2017	1	.	9	9561.2142857
.	2	.	10	9216.7619048
.	3	.	11	8872.3095238
.	4	.	12	8527.8571429

Summing up the results of the prediction: there is a negative dynamic of exports sale in 2017, but the results are subjective, and the real situation might look different.

³⁷ Own calculations by SAS 9.4

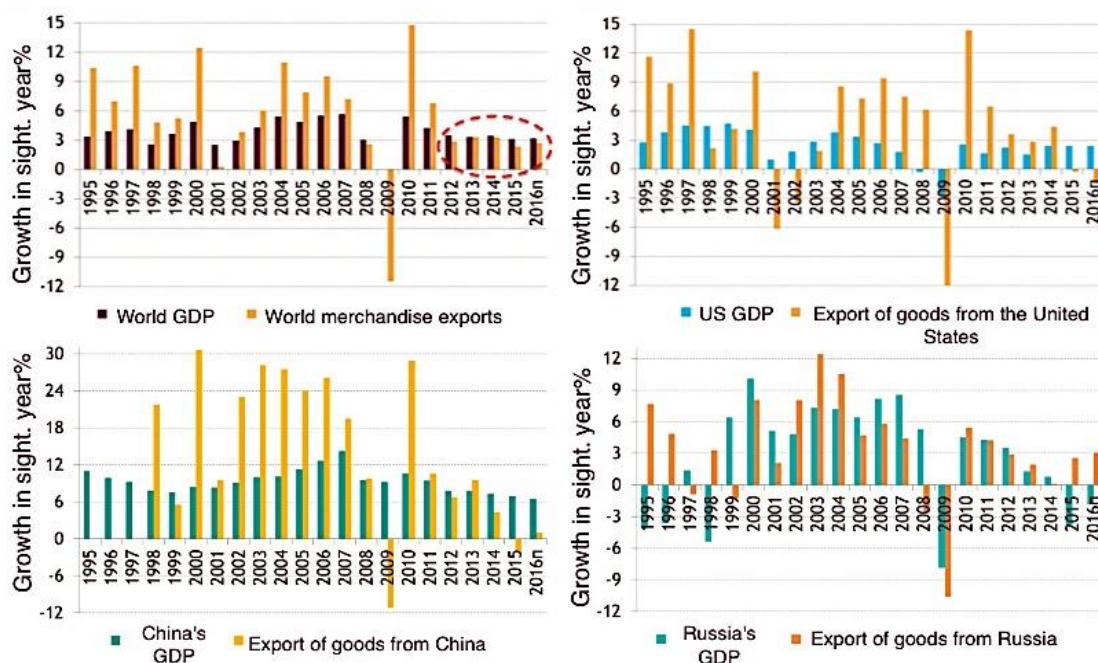
³⁸ Own calculations by SAS 9.4

7 International comparisons

During the crisis of 2008-2009, there was the first drop in world GDP in the period of the post-war decades (although only by 0.1%), and the first since 1982 the drop in world trade turnover (but just by 11%). But after the crisis has changed the very nature of international trade - in 2012 it began to grow at a slower pace than global GDP (Chart 15). GDP of developing countries, estimated by the IMF in PPP terms, exceeded the GDP of developed countries in 2008, the average growth rate of exports of these two groups of countries became much closer, and now economists are discussing the problem of changing the parameters of globalisation.

So, exports in developed countries (as in the United States to strengthen dollar in 2015) is growing in recent years, faster than GDP, because the pace of GDP growth is significantly lower here than in developing countries. The growth rate of Chinese exports has slowed down seriously - the average for the years 2011-2014, they were lower than GDP growth, and in 2015, and at all left in a minus.

Chart 15 Dynamics of GDP and world merchandise exports, the United States, China and Russia, growth in constant prices of the previous year, %, 1995-2016 years³⁹



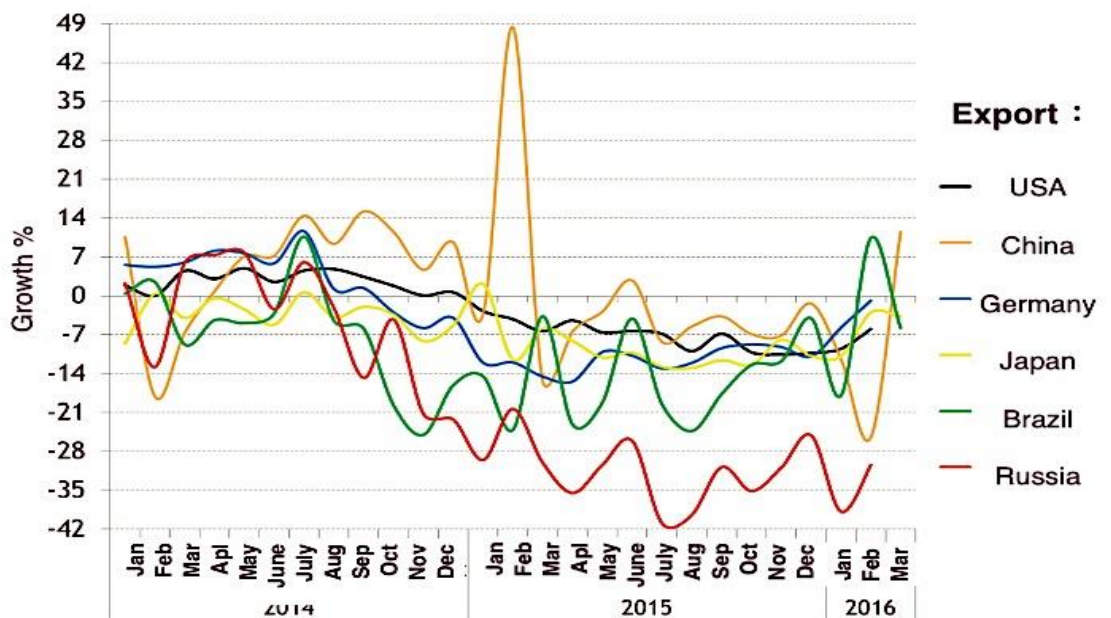
The dynamics of international trade is an important background for the development of Russia, especially in the current economic downturn and the external price shock due to the

³⁹ The IMF, World Economic Outlook Database, April 2016
<http://www.imf.org/external/pubs/ft/weo/2016/01/weodata/index.aspx>

situation on the world oil market. Slowing GDP growth and Russian export were almost the same in 2010-2014, after which GDP came into the negative area of increment, despite the acceleration of the real growth of exports. According to Rosstat, in real terms, Russian exports for the 2013-2015 years, fell only in the IV quarter of 2014 and the III quarter of 2015, while the import was in the negative growth zone for more than two years - from the IV quarter of 2013.

At the beginning of 2016, the foreign trade in current dollars continues to shrink in most leading countries in the world, largely due to the strengthening of the US dollar (Charts 16 and 17). At the same time, foreign trade dynamics in Russia and Brazil, to a greater extent be explained by a serious general economic downturn in these countries.

Chart 16 Monthly dynamics of exports of the leading countries of the world in US dollars at current prices on an annualised basis, the years 2014-2016⁴⁰

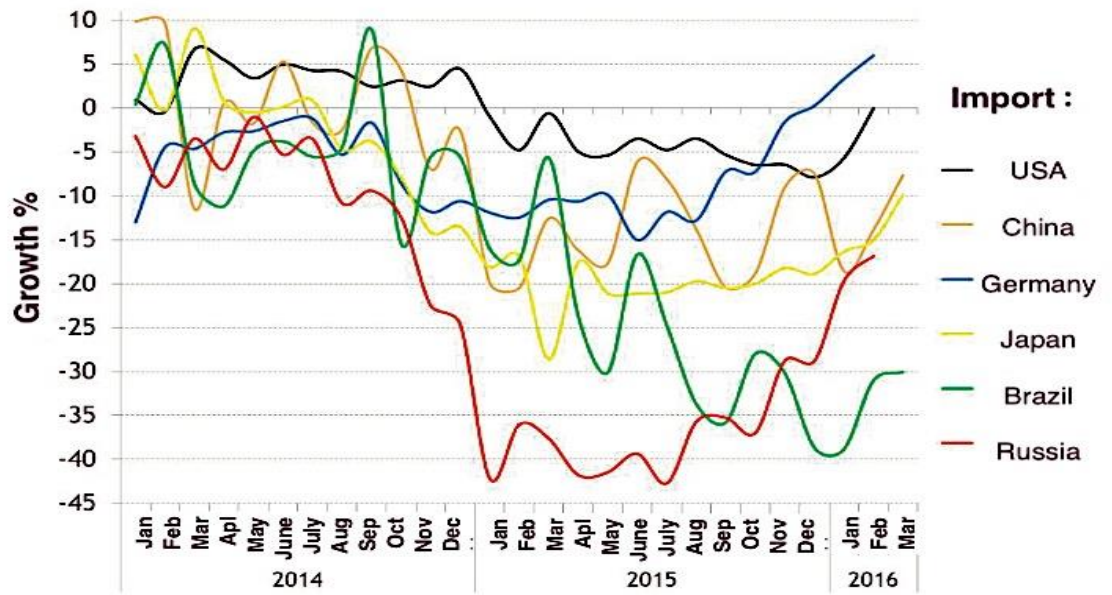


In February 2016 devaluation in Brazil gave impetus to the export growth of 10%. China's exports in March 2016, was released in a plus after 12 months of negative growth, but this is largely a low base effect in 2015 - in current dollars, China's exports in March 2016 was still 12% below the level in March 2013

In Russia, today there is a tendency to reduce the rate of decline of imports, but from a very low level of 2015; February imports in dollars fell by 17%, export - by 30% (Charts 16 and 17).

⁴⁰ Thomson Reuters Datastream "Russian Economic Development"
<http://financial.thomsonreuters.com/en.html>

Chart 17 Monthly dynamics of the imports of the leading countries of the world in US dollars at current prices on an annualised basis, the years 2014-2016⁴¹



⁴¹ Thomson Reuters Datastream "Russian Economic Development"
<http://financial.thomsonreuters.com/en.html>

8 PEST analysis of JSC "Gazprom" as an example of the most important player on Russian foreign trade market

PEST (STEP) analysis - a strategic analysis of social (S - social), technology (T - technological), economic (E - economic), political (P - political) factors of the environment of the organization. It is used in the process of strategic planning and management of large companies, as well as for investment risk assessment.

As the environment of the enterprise is directly influenced by political factors in the analysis of the factors of influence are determined by the political situation in the business activity, investment climate, stability and development prospects.

The economic factor is studied as a basis for the identification of investment opportunities and prospects for the development of markets, purchasing power, etc. Also, studied the distribution of economic resources in the scale of the state.

The social factor determines the dynamics of consumer preferences, distribution and structure of social groups, age and gender structure.

The last factor is the technological component. The goal of his research is considered to be the identification of trends in technological development, which are often the causes of changes and market losses, as well as the emergence of new products.⁴²

8.1 Open Joint Stock Company "Gazprom"

Open Joint Stock Company "Gazprom" - one of the most important participants in the global energy markets, can contribute significantly to their stabilisation and ensure global energy security, which is one of the main components of its development strategy.

In the world ranking of oil and gas company "Gazprom" ranks first in natural gas production. In terms of oil production and processing of "Gazprom" is among the five largest Russian oil companies and in the top twenty of the world leaders in the oil business.

OJS "Gazprom" - the largest gas company in the world. The main activities - exploration, production, transportation, storage, processing and marketing of gas and other hydrocarbons. The state owns a controlling stake in Gazprom – 50.002%.

Gazprom views its mission in the most efficient and balanced gas supply to Russian consumers, execution with a high degree of reliability of long-term gas export contracts.

⁴² Caroen M., Dunning S. "International Business: Opportunities and Challenges in a Flattening World"

8.1.1 The main objectives of "Gazprom"

The main objectives of "Gazprom" can be distinguished:

1. Increasing gas production. Gazprom possesses the world's richest reserves of natural gas. Its share in the world gas reserves is 17%, Russian - 60%. Gazprom accounts for about 20% of the world and about 85% of Russian gas production. The priority of Gazprom is the development of the Yamal Peninsula, the Arctic shelf, Eastern Siberia and the Far East.
2. Timely delivery of gas to Russian and foreign consumers. Gazprom owns the world's largest gas transportation system - Unified system for Russian gas. Its length is 156.9 thous. Km. Gazprom exports gas to 32 countries of near and far abroad, continues to strengthen its position in the traditional foreign markets.
3. Diversification of markets and products. Gazprom implements a phased strategy to expand its presence in the market for liquefied natural gas (LNG). This allows you to expand the geography of the company's activities. The development of the oil business - one of the strategic goals of Gazprom on the path of becoming a global energy company. One of the core areas of product diversification for Gazprom is the power, the connection with the gas business which is a global trend.
4. The social significance of "Gazprom". The most important principles in the activities of Gazprom Group - to be sensitive to the public interest, maximally contributing to the socioeconomic development of the Russian regions, the creation of a favourable business climate, maintenance of decent work, social and spiritual well-being.

8.2 Analysis of external factors

The economic situation in the world energy market is now:

- Oil serves the energy source of global significance, gas - mostly regional, coal - local;
- A sharp increase in the consumption of hydrocarbons, which in the foreseeable future will not be replaced by alternative sources of energy;
- The sharp rise in demand in developing Asian countries for energy, taking into account the continuing economic growth, rapid population growth and extremely high energy intensity of national economies;
- The increase in the gap between the volumes of consumption (increasing) and the volume of production (reduced) of hydrocarbons in the developed countries;

- Limited opportunities for further growth of production increases the risks associated with the possible destabilisation of the market;
- Reduces the level of security of the world economy of oil and gas reserves;
- Lack of (temporary) of oil refining and transport capacity and limited additional capacity for the production of oil;
- Indicated interest in industrial consumers to the problems of development of alternative energy;
- Growing importance of projects for the production and supply of liquefied natural gas (LNG);
- In some countries, there is a renewed interest in nuclear energy;
- Assets for mergers and acquisitions is becoming less so in recent years, major merger take place exclusively within a single country or a common geopolitical space;
- The growth of political risks in the regions most rich in hydrocarbons.
- The main factors constraining the development of the gas industry (for example, Gazprom) in Russia:
 - The policy of "Gazprom" for which unprofitable under current domestic gas tariffs to develop the domestic market;
 - Slower growth of production rates from growth in gas consumption;
 - The need to invest heavily in the development of new deposits;
 - Bet on purchases of Central Asian gas instead of investment in mining projects;
 - Held at the state level policies to prevent foreign companies as operators develop the most promising sites (Yamal, Shtokman);
 - The critical condition of the existing oil export infrastructure and the problem of modernisation of the existing gas transmission pipeline system;
 - Monopoly character of the Russian gas industry.

The main consumers of energy in the domestic market include electric power, metallurgy, agricultural chemistry, cement industry, population, and other combos. The main customers of Gazprom on the foreign market are the CIS-countries and Baltics.

For a more graphic example in Table 9 and 10 PEST carry out an analysis of the enterprise JSC "Gazprom".

Table 9 "External Factors"⁴³

Political and legal factors	Economic forces
<ol style="list-style-type: none"> 1. Imperfect and complex tax system, leading to the establishment of high prices for services and leaching of working capital of the enterprise; 2. The state support of small business. 	<ol style="list-style-type: none"> 1. Cancel 5 % sales tax and the change rate of Value Added Tax to 18%. 2. The increase in tariffs of natural monopolies.
Socio-cultural factors	Technological factors
<ol style="list-style-type: none"> 1. Level of education of the population. 2. Preferences of end consumers. 	<ol style="list-style-type: none"> 1. The use in the practice of production of oil and gas production of new techniques and technologies.

The next stage of the analysis is to analyse the impact of these factors on the activity of JSC "Gazprom".

Table 10 Effects of PEST factors on activity of JSC "Gazprom"⁴⁴

Political and legal factors	Economic forces
<ol style="list-style-type: none"> 1. Imperfect and complex tax system, leading to the establishment of high prices for services and leaching of working capital. 2. The state support of small business. <ol style="list-style-type: none"> 1. Increase tax for monopolies leads to increased costs of the enterprise, as well as the unfavourable development of the Russian domestic market due to the reduced rate of raw materials. 2. This factor is not applicable to the company "Gazprom" 	<ol style="list-style-type: none"> 1. Cancel 5% sales tax and the change rate of Value Added Tax to 18%. 2. The increase in tariffs of natural monopolies. <ol style="list-style-type: none"> 1. Forcing the oil and gas export products abroad, it is justified - an increased rate to resources. 2. Increased production costs and the rise in the cost of services.
Socio-cultural factors	Technological factors
<ol style="list-style-type: none"> 1. Level of education of the population. 2. Preferences final consumers of products. <ol style="list-style-type: none"> 1. In the "Gazprom" has highly qualified personnel, management does not expend a lot of time on the training of personnel. 2. Changing the approach of "Gazprom" to the end consumer. It is necessary to make changes related to the services offered by quality, service, price. 	<ol style="list-style-type: none"> 1. The use in the practice of production and transportation of new technologies <ol style="list-style-type: none"> 1. "Gazprom" needs more modernised equipment, in order to reduce costs. To achieve this goal there is to attract capital in the development of science and technology company.

Based on this analysis, can be drawn the appropriate conclusions. "Gazprom" - is not only one of the major participants in the global energy markets, which can contribute significantly

⁴³ Own analysis

⁴⁴ Own analysis

to their stabilisation and ensure global energy security, but also the organisation, whose activities are of great social importance for many people.

There are several problems associated with access Gazprom on exports market. Among them are such as: the problem of modernisation of the existing gas pipeline system, the lack of investment in production projects, the lag in terms of the use of advanced technologies, limited oil pipeline supplies to Europe, saving of transit risks, the unresolved many questions in the framework of the EU and the virtual absence of a unified point of view in the way of energy security.

In this connection, as a priority measures to change the current situation can be identified: increased attention, both at the state level and on the part of the largest oil and gas companies to the domestic sector of gas and oil; encourage investment in the reproduction of the mineral resource base and development of mineral deposits; investment in national production projects in Eastern Siberia and the Far East, Sakhalin, the northern shelf, etc.; maintaining and expanding the presence of Russian companies in the fuel and energy sector of Iraq, Iran and other states in the region; special attention should be given to projects of LNG as the most promising in terms of the future of the global fuel and energy complex; improving process safety and efficiency of energy transport networks; expansion of supply of hydrocarbons to markets in Europe due to the construction of additional energy transport routes (North, Southern Europe and the Balkans) and securing the Asia-Pacific market; you must use the favourable external environment for the reconstruction of production facilities with the use of modern technologies for the development of the sales network, which will reduce production costs and offer to foreign markets more competitive product for the Russian oil and gas companies.

Nevertheless, whatever the existing barriers, Gazprom every year improves the situation on the world energy market, is focusing on the serious strengthening of its competitive position on the European and world markets of hydrocarbons that allow you to confidently talk about Russia, as one of the world energy leaders.

8.3 The relationship between average actual export oil price and rate of the Russian ruble against the dollar

As mentioned above, the most exported product in Russia is oil and price of oil on the world market is set in dollars, I decided to analyze the dependence of rate of the Russian ruble

against the dollar from oil prices. The initial data for analysis provided by the State Statistics Service (Table 11).

For analyzing was used the Linear Regression model with trend function

$$y'=a-b*x \quad (4)$$

where:

- price of ruble (“y”) is depended variable
- price of oil (“x”) is explanatory variable
- “a” is constant
- “b” is parameter of received growth rate

To make analyze there are two hypotheses have been put forward, the null and alternative, they are $H_0:\beta_1=\beta_2$, $H_1:\beta_1\neq\beta_2$, with significant level $\alpha=0.05$. From the results (Table 12) the trend function is $y'=90.8-0.00129x$, which means that if “x” decrease or increase by 1 ruble the average of “y” will change by $b=-0.00129$ ruble. Also, the coefficient of determination (“R²”) equals to 0.1955, which means that 19.55% of dependency is explained by Linear Regression and “R”, that indicates the power of dependency, equals to 0.44, which means that there is a medium strong dependency, because $|R|<<0.34;0.66>$. To reject or accept the null hypothesis, should be known the P-value, because it evaluates how well the sample data support the argument that the null hypothesis is true. So, from the results P-value is equal to 0.0346, which means that P-value less then α , therefore the null hypothesis is rejected and there is significant relationship between price of rubles and oil price.

Table 11 Rate of ruble against dollar and oil price in 2015-2016⁴⁵

Year	Month	Rate of ₺ against \$	Oil Price in ₺ for one ton
2015	January	65.5937	26231
	February	60.7109	22214
	March	56.4271	21623
	April	51.469	20212
	May	50.3223	21372
	June	54.8126	23465
	July	58.7816	23801
	August	67.4473	23613
	September	65.547	21558
	October	63.5004	21355

⁴⁵ Federal State Statistics Service http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d01/16.htm

	November	65.6836	20526
	December	70.269	19732
2016	January	81.8394	18848
	February	75.0903	15814
	March	68.4346	16513
	April	66.4559	17199
	May	65.2062	18910
	June	65.5287	20288
	July	65.7408	20459
	August	64.738	19985
	September	64.1506	20034
	October	62.2597	20334
	November	64.6174	21091

Table 12 Linear Regression Results (dependency)⁴⁶

Linear Regression Results					
The REG Procedure					
Model: Linear_Regression_Model					
Dependent Variable: \$					
Number of Observations Read	23				
Number of Observations Used	23				
Analysis of Variance					
Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	207.37862	207.37862	5,1	0.0346
Error	21	853.17087	40.62718		
Corrected Total	22	1060.54949			
Root MSE	6.37395	R-Square	0.1955		
Dependent Mean	64.11418	Adj R-Sq	0.1572		
Coeff Var	9.94155				
Parameter Estimates					
Variable	DF	Parameter Estimate	Standard Error	t Value	Pr > t
Intercept	1	90.82834	11.89855	1,07	<.0001
Price of Oil	1	-0.00129	0.00057232	-2.26	0.0346

⁴⁶ Own calculations by SAS 9.4

9 Conclusion

Thus, based on conducted analysis within the bachelor thesis the current state of foreign economic policy of the Russian Federation, the following conclusions were made.

The downturn in the Russian economy has acquired a particular parameter, the current changes are significant, but in terms of quantity is not very big. In 2016, the dynamics of decline slowed most of the indicators. Even further reduction of Russia's GDP by 1% can be seen as a sign of a new equilibrium level, from which it will start the growth and modernisation.

The adaptation of the economy to external price shock - reduction in the dollar value of exports by one third over the year - a hard task for the economy of any country. Given the other problems of the Russian economy - the weakness of the processes of accumulation, low competitiveness of a number of industries, high income inequality, a marked pre-crisis level of inflation - the economic downturn now looks not as heavy as you would expect.

In the past five years, the world is slowing down the growth of exports in comparison with the dynamics of GDP, although the pre-crisis 2008 - 2009's, there was a stable lead export growth over GDP growth.

In Russia when falling of personal consumption by 10% and investment by 8% in 2015, net exports increased by 72% (in 2009 - 57%), mainly due to a sharp reduction in imports that the fall in GDP and kept at around -37%.

In a crisis, there has been some change in Russia's foreign trade structure. As expected, exports increased the role of APEC while reducing the share of the EU and the CIS (by Ukraine). When you save the same commodity structure of exports in real terms, the share of oil has fallen in dollar terms.

Can be seen that declined markedly import of cars and food (under the influence of sanctions), but largely retained imports of machinery and equipment.

The food import Russian reoriented to the new provider country. Partially replaced food imports due to increased domestic production, while in agriculture the process takes considerable time. At the same time, paradoxically, the success of a number of branches of the agrarian sector is largely dependent on the preservation of sanctions at least in the short term. Involuntarily took shape features of a well-known industrial policy: the temporary closure of the internal market for upgrading and improving the competitiveness of domestic producers.

The main goals for Russia are to increase its export turnover, to overcome the crisis and to bring to the world market not only oil and gas but also other domestic products, which will compete with world-popular producers.

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