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## Russian Federation

### Trade Policy Monitoring

### Russia Drafts a List of Essential Commodities

### 2007

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**Report Highlights:**

The Russian Ministry of Economic Development and Trade (MEDT) drafted a list of products, exports of which may be banned. This list contains products of essential importance for the domestic market. It includes milk and cream, grain and flour, oilseeds and vegetable oil. The measure may be supported by the Russian exporters of products. The MEDT official commented that exports of essential food products will not be banned in the foreseeable future, but the list is being prepared as a contingency. The list has been submitted to the Russian cabinet for approval.

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## Summary

The Russian Ministry of Economic Development and Trade (MEDT) drafted a list of products, exports of which may be banned. This list contains products of essential importance for the domestic market. It includes milk and cream, grain and flour, oilseeds and vegetable oil. The measure may be supported by the Russian exporters of products. The MEDT official commented that exports of essential food products will not be banned in the foreseeable future, but the list is being prepared as a contingency. The list has been submitted to the Russian cabinet for approval. The measure may be supported by Russian exporters, who would prefer "the lesser evil" if they are given the choice of either economically prohibitive export duties or an administrative ban on exports of a certain commodity.

### **Russian MEDT Prepares a List of Commodities Essential for Domestic Market**

The press service of the Russian Ministry of Economic Development and Trade (MEDT) informed Russian media that it has prepared a draft Resolution "On approval of the list of commodities essential for the domestic market of the Russian Federation". This list is an amendment to the Federal Law "On the Foundations of State Regulation in Foreign Trade."

The Law envisions that in extraordinary cases the Russian Government may introduce temporary limitations or bans on exports of food products or other commodities "to prevent or to decrease critical shortages of food products or other commodities on the domestic market that are essentially important for the domestic market of the Russian Federation."

MEDT advised us that development of the list and its possible approval do not mean it will be applied imminently. It creates only a legal basis, which did not exist before, to apply non-tariff measures to regulate the domestic market in the face of extraordinary situations. The MEDT press-release states that temporary limitations or bans on exports of food products offered in the list are more efficient for protection of the domestic market than introduction of prohibitive export tariffs. The list of commodities, exports of which can be efficiently prohibited, includes milk and cream (natural and concentrated); grain and flour (wheat and meslin, rye, barley, corn; wheat flour, wheat and rye flour, and rye flour), soybeans and other oilseeds (rapeseed, or colza, sunseed) and vegetable oil (soy oil, sun oil, false saffron oil, cotton oil, rape oil, and mustard oil). MEDT believes that these products are socially essential and that shortage of them could fuel inflation on local markets.

The document was submitted to the Russian Government (cabinet) but has not been approved yet.

An MEDT official advised us that if the list had existed in September the measure would have been applied, because prices grew rapidly at that time and some food products had almost disappeared from the market before the government took a number of measures limiting price growth, including decrease of import duties on some dairy products and an increase of export tariffs on wheat and barley.

Andrey Belousov, Deputy Minister of Economic Development and Trade, stated in an interview that Russia will not introduce a ban on exports of any food products in the foreseeable future. This measure may be applied only in case of shortages of corresponding products on the Russian market and only after consultations with member states of the Russian Customs Union. Belousov stressed that preparation of the document is only a preventive measure, and that there currently is no product deficit in Russia.

**Comment**

Given that the Russian Government is moving in the direction of tighter regulation of foreign trade "for the sake of national security, and interests of Russian consumers," development of a list of "commodities of essential importance" may well be supported by exporters of Russian products. These exporters prefer "the lesser evil" if they are given the choice of either prohibitive export duties or a ban on exports of a certain commodity.

In course of an Internet conference held in the beginning of December, Arkadiy Zlochevskiy, President of the Russian Grain Union, commented on the possible restriction of exports of wheat in 2008. The Russian Grain Union supports a complete ban on exports versus raising export duties, because in case of a grain exports ban the exporters can invoke *force-majeure* as an excuse for failure to meet their obligations under export contracts, while in the case of prohibitive export duties on grain they would have to execute their export contracts at their own expense and potentially at considerable financial loss.

**Relevant Reports**

RS7085 Russian Customs Limits Ports of Entry for Meat  
<http://www.fas.usda.gov/gainfiles/200711/146293118.pdf>

RS7334 Exporter Guide / Annual  
<http://www.fas.usda.gov/gainfiles/200711/146293117.pdf>

RS7075 Grain and Feed / Grain Interventions Announced  
<http://www.fas.usda.gov/gainfiles/200710/146292770.pdf>

RS7070 Grain and Feed / Russian Government Resolution on Temporary Export Duties on Wheat and Barley  
<http://www.fas.usda.gov/gainfiles/200710/146292739.doc>

RS7071 Dairy and Products / Certain Dairy Import Tariffs Reduced  
<http://www.fas.usda.gov/gainfiles/200710/146292751.doc>

RS7075 Grain and Feed / Grain Interventions Announced  
<http://www.fas.usda.gov/gainfiles/200710/146292770.doc>

RS7086 Grain and Feed / December Monthly Update  
<http://www.fas.usda.gov/gainfiles/200711/146293138.doc>