

Pregled ruskega gospodarstva, 24. marec 2022

I Russia's sovereign debt

IMF First Deputy Managing Director Gita Gopinath: Russia has funds to service its external debt

"Russia has sufficient funds to service its external debt", IMF First Deputy Managing Director Gita Gopinath told Foreign Policy magazine on March 22, 2022. She added that the situation around Ukraine makes the rules for making payments not quite certain. Therefore, there are the risks observed in the context of the Russian debt payment.

Sources: <https://foreignpolicy.com/events/fp-live-fp-live-the-imfs-kristalina-georgieva-and-gita-gopinath/>
<https://www.imf.org/en/Topics/IMF-and-Ukraine>
<https://ria.ru/20220322/dolg-1779509755.html>

II. International trade and commodity markets

Prospects for Russia's WTO membership

In March 2022, the US House of Representatives voted in favor of a bill that calls for the US trade representative to the WTO to initiate a review of trade concessions to Russia and suspend the country's membership in the organization. "The idea of excluding Russia from the WTO does not have a serious chance of being implemented, since there are numerous procedural problems for this", commented Maxim Medvedkov, Ex-Director of the Trade Negotiations Department of the Russian Economic Development Ministry, Head of the Trade Policy Department at the National Research University "Higher School of Economics", who until 2019 was the main negotiator on Russia's WTO accession.

Even if the process of suspending Russia's WTO membership will be initiated, two votes will need to be held among the 164 WTO countries. For the exclusion of Russia from the WTO, one vote should receive 2/3 of the votes, and the other – 3/4. At the same time, Russia's refusal from the WTO membership would cross out the rules of Russia's trade with those countries that have not imposed sanctions, Mr. Medvedkov believes. According to him, this would mean to continue trade with the world without any rules at all. "The WTO rules define the rights and obligations of participants in trading processes. If these rules do not exist, then each country does what it sees fit. The only guarantee this not to happen, is our participation in the WTO," he added.

The sanctions imposed on Russia restricting its ability to trade are contrary to the WTO rules and can be challenged. Last week, the Permanent Mission of the Russian Federation to the WTO issued a statement in which it indicated a whole list of the sanctions imposed, that are contrary to the WTO rules. "The WTO has a dispute resolution system, and all the points that are indicated in the statement of the Permanent Mission, ranging from a ban on the supply of Russian oil and petroleum products, introduction of import tariffs above the most favored nation rates, and export restrictions on certain goods, technologies and equipment - can be challenged," Medvedkov told RIA Novosti. According to him, if Russia decides to challenge the sanctions, the process should not take more than two to three years.

Sources: <https://ria.ru/20220323/sanktsii-1779570163.html>
<https://ria.ru/20220323/vto-1779562982.html>
<https://ria.ru/20220323/vto-1779561086.html>
<https://www.kommersant.ru/doc/5271147?from=lenta>

IMF does not consider the global abandonment of the dollar inevitable

The IMF does not consider the global abandonment of the dollar inevitable, but forecast that countries might reconsider their shares of foreign exchange reserves. The IMF forecast that the global economy will continue to grow in 2022, despite the geopolitical factors. "We expect that the forecast that we had at the beginning of this year, namely a slight contraction in global economic growth in 2022 by 0.5% to 4.4%, will decrease even more, but still remain on a positive trajectory", Kristalina Georgieva, IMF Managing Director told Foreign Policy magazine on March 22, 2022.

Sources: <https://foreignpolicy.com/events/fp-live-fp-live-the-imfs-kristalina-georgieva-and-gita-gopinath/>
<https://www.imf.org/en/Topics/IMF-and-Ukraine>
<https://ria.ru/20220322/ekonomika-1779517010.html>
<https://ria.ru/20220322/dollar-1779515743.html>
<https://ria.ru/20220322/mvf-1779507171.html>

China's assessment of the transition to yuan in oil deals

Switching of Saudi Aramco, a Saudi oil and gas company with more than US\$ 350 billion in revenues, to yuan in trade with China could be a "real explosion" for the global energy commodity market, with serious consequences for the global financial system. This opinion was expressed by Zhang Yugui, *Dean of School of Economics and Finance (SEF at Shanghai International Studies University)*.

According to him, after a number of publications that Saudi Arabia is considering to use the yuan to settle its oil deals with China, as well as on the dialogue between Russia and India on the creation of a trade payment mechanism "rupee-ruble", Western public opinion is generally inclined to the forecast weakening the dollar hegemony in the world oil market.

Sources: <https://ria.ru/20220323/dollar-1779552358.html>
<https://ria.ru/20220322/dolg-1779509755.html>
<https://opinion.huanqiu.com/article/47HsGnABJeI>

Fertilizer prices are at record highs

The prices for raw materials that constitute the fertilizer market - ammonia, nitrogen, nitrates, phosphates, potash and sulphates - are up 30% since the turn of the year. Gas is a key input for fertilizer production, and high gas prices have resulted in a curtailing of production in Europe.

Trade between Russia and the rest of the world has not stopped, but has been severely disrupted. Russia, which accounts for around 14% of global fertilizer exports, has temporarily suspended outgoing trade, which is expected to have a strong ripple effect across global food markets. Meanwhile, sanctions on Belarus have substantial implications for the potash market, to which Russia and Belarus jointly contribute 40% of annual traded volumes.

Sources: <https://www.cnbc.com/2022/03/22/fertilizer-prices-are-at-record-highs-heres-what-that-means.html>
<https://www.kommersant.ru/doc/5270925>

III . Russian economy related developments

Russian Government developed a new package of measures to support the economy

The Russian Government developed a new package of measures to support the economy, Russian Prime Minister Mikhail Mishustin informed at the meeting of the Governmental Commission held on March 23, 2022. He reiterated that Russian industries should promptly launch a mass production of components and parts previously imported from third countries. The package contains among other the following proposals:

- Support for small and medium-sized businesses will be provided, through the so-called offset contracts. Such agreements guarantee investors, who implement projects important for regions within the framework of state procurement, a sales market for a certain period, which will allow entrepreneurs to calculate risks more accurately and, consequently, to optimise costs.
- Support of import of pharmaceutical products and medical devices by simplifying their registration, easing procurement procedures, subsidising interest rates on loans.
- In the field of electric power, it is proposed to postpone the collection of fines and penalties from companies in certain cases.

Source: <http://government.ru/news/44887/>

Status of a bill on External Administration

The procedure of the elaboration of a bill on External Administration continues on a daily basis. There is no doubt that it will be adopted, although no deadline for the procedure has been set up. At the moment, the consensus reached is that the approach toward the companies preparing to transform their businesses in Russia, should be individual.

The Moscow City Government has formed a position that differs from the original concept proposed by the Russian Economy Ministry. It proposed to give the heads of the constituent entities of the Russian Federation a wider range of powers in determining the fate of the assets of foreign companies that have announced their withdrawal or suspension of activities in Russia. A set of measures should be developed for each specific case; it is proposed to avoid a general approach to all enterprises. The initiative to expand the powers of the regions belongs to Moscow Mayor Sergey Sobyenin.

On March 23, 2022, speaking in the State Duma, Russian Deputy Prime Minister Alexander Novak said that the Russian Government would give the owners of foreign companies the opportunity to return to Russia, or sell their shares. At the same time, the key task of the measures being developed is to preserve the profiles of the organisations' activities and jobs. Alexander Novak said expressed confidence that in most cases a compromise would be found.

Source: <https://www.vedomosti.ru/economics/articles/2022/03/22/914724-meriya-glavam-subektov>

<https://www.vedomosti.ru/economics/news/2022/03/23/914793-energeticheskie-kompanii>

Tatiana Morozova
Local Counsellor for Economics
Embassy of the Republic of Slovenia in Moscow