

Re-export Issues of Fish Products From the Territory of the EAEU Countries to the Russian Market

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Abstract. The article examines topical problems of foreign trade relations between the countries of the Eurasian Economic Union under the sanctions of the conditional West countries and the retaliatory Russian restrictive measures in this area. Based on the expert assessments analysis of Russian scientists and the author's calculations, the fish products export volume from the EAEU countries to the Russian market is analyzed, expert opinions on the reasons for maintaining a high level of sanctioned fish products re-export are summarized and some solutions of this problem are proposed.

Keywords: EAEU, EU, fish market, sanctions, food embargo, re-export

Introduction

The fishing industry in Russia plays a significant role in maintaining food security and developing the country's agricultural exports. The volume of fish and other aquatic biological resources caught in Russia in 2020 amounted to 4.97 million tons, the export of fish and seafood - 1.9 million tons, or about 20% of the agricultural products exports.

According to BusinesStat estimates, from 2015 to 2019, the fish and seafood production in Russia increased by 22.9% and reached 5.4 million tons. The production growth was facilitated by high values of fish catch. In addition, the weakening of the ruble made Russian products more competitive in foreign markets. Russia is one of the world leaders in fish and seafood exports. The export share in production over the past five years in physical volumes varied from 38.9% to 41.0%. Among all income items from the agricultural products export, fish exports in monetary terms occupies one of the leading positions. The natural volume of Russian exports during this period increased by 16.5%. At the same time, frozen fish has the largest share in the total volume of fish and seafood exports, with China and South Korea being the key buyers.

In the future, the share of frozen fish, seafood and canned fish production is expected to increase as they have a longer shelf life, while the share of fish and seafood delicacies and caviar will decline¹.

The current development of the fishing industry is characterized by such trends as an competition increase for the right to use aquatic biological resources and markets for fish products, a progressive decrease in the stocks of the main fishing objects, primarily in the exclusive zone of the Russian Federation, tightening of regulation in the exclusive economic zones of foreign states and of international convention areas.

Russia is also an importer of live fish, fish processing products and other seafood. Over the past 3.5 years in 2018-2020 and the first half of 2021 the Russian market received 1,794.6 thousand tons fish and seafood in the amount of 6,266.7 million dollars.

Issues analysis

In fact, one of the main Russian fish market issues is illegal fish and fish products re-exports from the EAEU countries, which are purchased from joined the anti-Russian sanctions countries in 2014. Let us clarify that a food embargo was introduced against these countries by the President V. Putin on August 6, 2014. In addition to fish and fish products it includes such categories of goods as meat and meat products, milk and dairy products, vegetables, fruits and products of their processing. Later this list was supplemented by live pigs, offal, animal fat and animal oils.

Initially, the ban was applied to agricultural products from the USA, EU, Australia, Norway, Canada (and partially from New Zealand and Switzerland). But on August 13, 2015, Albania, Montenegro, Iceland and Liechtenstein were included in the list, and on January 1, 2016 also Ukraine. However, the volumes of illegal re-export deliveries of sanctioned foodstuffs to Russia are practically not decreasing. In 2017-2019 the real volume of agricultural products in the Russian Federation was at least 20% higher than the officially registered one. Sanctioned products accounted for half of these goods, and over 50% of which were supplied by the EAEU countries².

The main part of the sanctioned fish products comes to Russia from Belarus. Russian Federal Service for Veterinary and Phytosanitary Supervision (Rosselkhoznadzor) has repeatedly appealed to the Eurasian Economic Commission (EEC), the government and the Ministry of Agriculture and Food of Belarus with a proposal for joint phytosanitary control of the external border of the Customs Union to account for products entering Belarus. Back in 2014 an

¹ Analysis of the fish and seafood market in Russia in 2015-2019, assessment of the impact of coronavirus and forecast for 2020-2024. <https://marketing.rbc.ru/research/27828/>

² Igor Leonov. Eurasian integration. 08/30/2020. URL: <https://www.ritmeurasia.org/news--2020-08-30-reeksport-vrf-podsankionnyh-tovarov-nezakonnyj-ili-neizbezhnyj-50640>

agreement on the creation of a working group to develop agreed approaches in the field of identifying and preventing the supply of sanctioned goods through the Belarusian territory to the Russian Federation was reached. Rosselkhoznadzor has also repeatedly reported on numerous attempts to import into the Russian Federation prohibited products from the European Union (EU) and the United States. It should be admitted that since the imposition of the embargo, Belarus has detained at the border and returned to European consignors thousands of cars with prohibited cargo³.

With regard to the import of fish and fish products, the Russian side took a number of measures. In June 2015, the Rosselkhoznadzor banned the supply of fish products from Estonia and Latvia due to violations of safety requirements. In turn, Belarus has also banned the re-export of fish products from Estonia and Latvia to Russia.

However, statistics show that in just the first quarter of 2017, fish supplies from Belarus to the Russian Federation increased 15 times - up to 2.3 thousand tons and are estimated at \$ 4.4 million, which corresponds to export volumes for the entire 2016. Frozen fish is mainly supplied to the Russian market from the EU countries, Norway and Iceland. In order to prevent the supply of substandard or harmful fish products to Russian consumers, the Rosselkhoznadzor carried out inspections of Belarusian producers, as a result the import of fish products of three Belarusian enterprises was prohibited - Kamchatskaya Ryba LLC (Grodno Region), Pink Kit LLC (Minsk Region) and CJSC "Mera Gold" (Gomel region). However, the Belarusian authorities referred to the fact that all exported fish was not prohibited re-exported, since it was processed and repackaged on the territory of Belarus⁴.

It should be concluded that the measures taken by Russia to prevent the export of sanctioned fish products turned out to be insufficiently effective. Volumes of sanctioned fish products and raw materials re-export to the Russian Federation from Norway for 2016-2019 increased by about 25%, that is, up to about 300 thousand tons per year and amounted to 15% of all Norwegian fish exports⁵.

On January 9, 2020, the Rosselkhoznadzor imposed a ban on the re-export of fish products made from Norwegian raw materials and supplied by other EAEU countries. The decision was based on phytosanitary restrictions, namely due to the fact that residues of prohibited and / or harmful substances were repeatedly found in processed products and "due to the refusal of the Norwegian competent authority to inspect aquaculture production enterprises".

³The Eurasian Economic Commission (EEC) creates a working group. URL: 25.02.2014. URL: <https://ria.ru/20141002/1026676195.html>

⁴Russian fishmongers reproach Belarus for re-exporting "sanctioned" fish. 24.05.2017. URL: <https://sputnik.by/20170524/rossijskie-rybniki-uprekayut-belarus-v-reehksporte-sankcionnoj-ryby-1028931136.html>

⁵Fish "stumbling block" of the unified foreign trade regulation in the EAEU. February 3, 2020. URL: <https://www.fishnet.ru/news/rynek/rybnyy-kamen-pretknoveniya-edinogo-vneshnetorgovogo-regulirovaniya-v-eaes>

The calculations made for all EAEU countries, taking into account the latest data for first half of 2021, allow us to draw the following conclusions. Fish products supply from the EAEU countries for 3.5 years from 2018 to the first half of 2021 in the Russian market, according to the Federal Customs Service (FCS), is estimated at about 132 thousand tons in the amount of 568 million dollars. About 22.7 thousand tons worth \$ 117.7 million were imported from Armenia, from Belarus - 66.1 thousand tons worth \$ 405.0 million, from Kyrgyzstan - 3.0 thousand tons for \$ 13.4 million, from Kazakhstan - 40.2 thousand tons worth 31.8 million dollars. Thus, it is obvious that the lion's share of fish products, more than 70% of all imports, came from fraternal Belarus⁶.

According to our estimates, the Belarusian fish products supplies to the Russian Federation during the COVID-19 period remained at a high level. In 2020 and first half of 2021 from Belarus it was imported 29.6 thousand tons of fish and processed fish products for 160.2 million dollars. The main share in the import structure was smoked, dried and salted fish (0305, according to the commodity classification of the EAEU) for 140.5 million dollars. The import basket also included live fish (0301) – for 999.4 thousand dollars, fresh and chilled fish (0302) – for 1926.7 thousand dollars, frozen fish (0303) - 14956.1 thousand dollars, fish fillet (0304) - 1768.5 thousand dollars, shrimp (0306) and other cuttlefish and squid (0307) - 66.7 thousand dollars.

Main results and conclusions

As can be seen, the measures taken to curb the sanctioned imports were not enough. Our analysis of expert opinions showed that there are a number of factors that do not allow the EAEU countries to collectively prevent and identify illegal re-exports. They boil down to the following:

1. Various types of illegal fish products re-export are very profitable business in the EAEU countries and bring significant income to entrepreneurs and to the country budget. On the territory of Belarus there are a number of factories specializing in the purchase of food raw materials in Europe (mainly in Norway), their processing and shipment to Russia. Thus, according to estimates, in 2018 the real total share of re-export revenues in the Republic of Belarus budget was about 25%, in Kazakhstan - 20%, Kyrgyzstan - 30%. At the same time, these countries did not join the Russian embargo against Western countries, and Russia does not insist on this⁷.

2. An important fact is that Russian counter-sanctions do not apply to the entire territory of Norway, but only the “mainland” part of this country. In the official register of foreign trade

⁶Author's calculation on the data of the Federal Customs Service of the Russian Federation.

⁷Igor Leonov. Eurasian integration. 08/30/2020. URL: <https://www.ritmeurasia.org/news--2020-08-30--reeksport-vrf-podsankionnyh-tovarov-nezakonnyj-ili-neizbezhnyj-50640>

partners of the Russian Federation, the Norwegian island of Bouvet, located in the South Atlantic, is separately listed. Fishing in the adjacent Norwegian waters provides Norway with up to 17-20% of the total national fish stock annually. The waters around the Arctic archipelago of Svalbard and the North Atlantic island of Jan Mayen are also listed as separate foreign trade partners of the Russian Federation and provide at least 25% of fish raw materials.

3. According to the Belarusian side, the bulk of the sanctioned products that enter Russia from the territory of Belarus are imported by the Russians themselves. They purchase imported products in Belarus and try to transport prohibited goods to Russia under forged documents as Belarusian products. The Belarusian authorities are actively fighting this illegal re-export.

4. Within the framework of the EAEU, since the beginning of the 2010s, there has been a preferential regime for imports of agricultural products from developing and least developed countries: duty-free regime or the regime of minimum (no more than 4%) rates is applied. More than 60 of 150 such countries⁸ have a free trade agreement with the EU and the US or are associated members of the EU. At the same time, Albania and Montenegro, associated with the EU, have been on the Russian sanctions list since 2015 and at the same time are on the list of countries with a preferential trade regime. Croatia, which enjoys Russian trade preferences, is a member of the EU. This register also includes various dependent territories of the United States (Federated States of Micronesia, Republic of the Marshall Islands) and Great Britain (Solomon Islands, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Republic of Mozambique), retained anti-Russian sanctions after Brexit, which are located outside the main territory of these countries and are separate foreign trade partners of the Russian Federation.

Thus, the above reasons create a condition not only for illegal re-export to the Russian Federation and the EAEU, but also for conducting "shadow" trade and financial transactions with the participation of the EAEU countries and Western states.

At the same time, it should be noted that the legal framework governing foreign trade operations in the market of the EAEU countries is constantly being improved and supplemented by new rules. Thus, by the decision of the Council of the Eurasian Economic Commission dated July 10, 2020 N 57 "On Amending the Rules for Determining the Origin of Goods Imported into the Customs Territory of the Eurasian Economic Union (Non-preferential Rules for Determining the Origin of Goods)", paragraph 25 of the rules was supplemented with a new condition: "In the case of the application of measures to protect the internal market stipulated by the Agreement, due to the origin of goods, the origin of similar goods imported into the customs territory of the

⁸List of developing countries - users of the unified system of tariff preferences of the Eurasian Economic Union. Appendix No. 2. To the Decision of the Customs Union Commission of November 27, 2009 N 130 (as amended by the Decision of the Council of the Eurasian Economic Commission of May 27, 2020 N 50).

EAEU within the framework of international treaties specified in paragraph 2 of clause 1 of the Rules, with the submission of a certificate of origin of goods used in within the framework of preferential trade, additionally confirmed by a certificate of origin of goods in accordance with the rules or in cases stipulated by the legislation of the Member States, a declaration of origin of goods (without the obligatory presentation of a certificate of origin of goods provided for by the Non-Preferential Rules)⁹.

Also, on December 11, 2020, the Rules for determining the country of origin of certain types of goods for the purposes of public procurement were adopted and entered into force. The rules regulate the procedure for determining the country of origin of certain goods types on the territory of a EAEU member state for the provision of national treatment with the participation of suppliers from the EAEU in state (municipal) procurement of another Union member state¹⁰.

However, many experts believe that currently the EAEU has not formed an effective anti-re-export regulatory and legal framework. We agree with the opinion of the head of Rosselkhoznadzor Sergey Dankvert that it is necessary to tighten measures against those who import sanctioned products into Russia, introduce liability for carriers and transport drivers, including the confiscation of cars and goods, as well as a ban on transportation for five years¹¹. At the same time, only prohibitive measures in relation to re-export in the Russian Federation and in the EAEU in general are not sufficient. It is proposed to introduce general criteria for the legality and illegality of re-export operations in the EAEU, on the basis of which it is necessary to pursue an agreed sanctioned policy.

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⁹Letter of the FCS of Russia of the Ministry of Finance of the Russian Federation dated February 15, 2021 N 06-94 / 07973 "On non-preferential rules for determining the origin of goods."

¹⁰Decision of the Council of the Eurasian Economic Commission of November 23, 2020 No. 105 "On approval of the Rules for determining the country of origin of certain types of goods for the purposes of state (municipal) needs".

¹¹Igor Leonov. Eurasian integration. 08/30/2020. URL: <https://www.ritmeurasia.org/news--2020-08-30--reeksport-v-rf-podsankcionnyh-tovarov-nezakonnyj-ili-neizbezhnyj-50640>

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