

Realisation of the Russian customs policy in the conditions of protection of the national market

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Abstract. The need to protect the national commodity producers and internal markets in general is well recognised in modern foreign trade policy worldwide. The goal of the research is to review the Russia's customs policy aimed at protection of the internal market; to give consideration to the totality of measures used for protection of the national producers; to identify the shortcomings of the adopted protection tools, the problems faced in their adoption and use; to suggest certain directions for further improvement of the Russian Federation customs policy in the sphere of protection of the internal market. The methods involving analysis and synthesis were used to meet the objectives of the study. Its efficiency as a protective measure was thoroughly investigated, as well as the timeliness of its application, the potential for neutralisation of negative effects of external companies; compliance with the Russian legislation and the regulatory framework of the World Trade Organisation (WTO) and the Eurasian Economic Union (EAEU). The decision-making mechanisms for introduction of protective measures in the EAEU were investigated as well as the attitude towards the relevant instruments of the member states' governments. The following results were obtained in the course of the study: the key importance of the Russian customs service in implementing the state policy towards protection of interests of the internal market was unequivocally confirmed; the measures to protect the national market were classified, with demonstration of their importance and shortcomings; the difficulties in the work of EAEU's supranational bodies related to the protection of the common economic market were identified; the most important vectors of further improvement of the customs regulation and customs administration, as concerns enforcement of measures towards protecting the Russian Federation domestic market, were identified.

Keywords: Foreign trade activity · Customs policy · State regulation · Economic security · trade restrictions.

1. Introduction

Modern foreign economic activity worldwide is grounded on two main pillars: access of national producers and exporters to foreign markets and protection of internal market from excessive trade expansion of external suppliers. The realisation of these objectives often involves the use of customs regulation mechanisms and trade restrictions. The Russian Federation is no exception, with only one remark: our country's foreign trade activities are subject to increasing external sanctions pressure.

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There exist different views and opinions on how to pursue Russia's customs and economic policy in order to protect the national interests in the current environment. Two main groups of researchers adhering to different positions can be identified following the analysis of the available scholarly literature. Some of them believe that to secure positive development of Russia's foreign economic activities, it is necessary to focus on the customs tariff regulation and to improve it (Efimov, 2018; Filippov et al., 2019). The others place priorities on more extensive application of non-tariff barriers, bans and restrictions in respect of foreign counterparties (Turban, 2022). It is specifically emphasised that the realisation of Russia's foreign trade activities should strictly adhere to the framework of the international and national legislation. The research results show that both directions have advantages and disadvantages. The customs tariff regulation, because of Russia's commitments to WTO and external sanctions, has practically exhausted all of its reserves for further progressive development, while overly strict application of restrictive and prohibitive measures hurts the interests of the national producers. Thus, the realisation of the customs regulation's protectionist function in the inter-state trade relations can be viewed through more profound and coherent combination of customs tariff regulation, non-tariff protective measures and administrative prohibitions and restrictions (Prokushev & Kostin, 2021).

In addition to the instruments for protecting the internal market of the Russian Federation, the relations between EAEU participants were examined as well. The work of supranational bodies in terms of decision-making contributing to protection of intra-union economic interests was given consideration to, and the existing difficulties and shortcomings were identified.

2. Materials and Methods

2.1. Descriptive Analysis

The main task of the government in foreign trade activities is to promote the domestic producers' exports and to protect the Russian internal market from excessive, sometimes expansive, actions of foreign companies. The budget of the Russian Federation (RF) is considerably replenished by revenues from sale of goods on the foreign market (Alekseeva and Kulazhenkova, 2019). However, it should be understood that it is impossible to form and maintain the country's exports specialisation without the active use of imported products. It should be recognised that the dependence of some sectors of the Russian economy on foreign producers' supplies is high, and sometimes even critical. Moreover, imports as a part of foreign economic activity should increase competition on the Russian market. But owing to the high level of monopolisation and concentration of production characteristic of Russia, this option is so far negligible.

In the world practice, the legislation regulating the use of anti-dumping measures first appeared in Canada in 1904. Further on, Australia in 1906 and the USA in 1916 also passed respective legal acts.

In 1947, the General Agreement on Tariffs and Trade (GATT) was signed, establishing common rules for all participants as to the use of internal market protective measures (Novikova, 2020).

The application of instruments for protection of national markets is currently (since 1 January, 1995) governed by the international legal framework of the WTO, namely, the following provisions:

- Anti-dumping protective measures: Article VI of GATT; Agreement on Implementation of Article VI of GATT.
- Countervailing protective measures: Article VI and Article XVI of GATT; WTO Agreement on Subsidies and Countervailing Measures.
- Special protective measures: Article XIX of GATT; WTO Agreement on Protective Measures; Agreement on Agriculture (applies to agricultural goods).

The Russian Federation is a full member of the World Trade Organisation, while also being a member of the Eurasian Economic Union. Therefore, the measures taken to protect the internal market and the EAEU market must not contradict to WTO's rules and regulations (Mokrov, 2019). In the EAEU (Official website of the Eurasian Economic Union, 2022), the application of measures to

protect the Union producers' interests is regulated by Articles 48-50 of the Treaty on the Eurasian Economic Union as of 29.05.2014 and the Protocol on application of special protective, anti-dumping and countervailing measures in relation to third countries (Annex No. 8 to the EAEU Treaty).

The instruments used to protect the Russian and the Union (EAEU) internal markets are: special protective measures, anti-dumping measures and countervailing measures which are expounded in Table 1.

Table 1. Purpose of protective measures. *Source:* Compiled by the authors.

Protective measures	Purpose	Application
Special measures	Measures applied in the event of rapid increase in imports, causing significant damage to the local producers.	Applicable to a number of goods imported into the territory of EAEU member states irrespective of the country of origin of these goods.
Anti-dumping measures	Measures primarily aimed at discouraging the importation of goods at undervalued prices.	Applied to a range of goods from particular countries if the importation of these goods is detrimental to the internal production.
Countervailing measures	Measures to prevent artificially low-priced goods through subsidies from foreign countries.	Applicable to particular goods from certain countries if it was proved that the exporting country used specific subsidies for importation of these goods into the customs territory of the EAEU.

The application of protective measures fully complies with the WTO regulations and effectively protects the Russian producers from unfair competition brought by the counterparties from third countries (countervailing and anti-dumping measures), as well as from the negative impact of drastically increased imports (special measures).

The imposition of protective measures on the EAEU territory upon importation of products is preceded by investigation (at the request of the producers), with the purpose to establish the existence of sharply increased, subsidised or dumped imports, as well as to ascertain any damage or adverse effects caused to the economic sectors of EAEU member states. The authority charged with undertaking such investigation is the Department for Internal Market Protection. Following the investigation, the Department makes a proposal to the Board of the Eurasian Economic Commission which takes a decision on expediency of introducing specific protective measures. Thus, the entire competence to use protective measures is factually delegated to the supranational level.

3. Results

The existing architecture of decision-making on introduction of protective measures in the customs area of the EAEU is not always acceptable for the Russian Federation with the GDP of 86% and the industrial production of the Economic Union at the rate of 88%. It often happens that the goods subject to investigation by the Eurasian Economic Commission (as initiated by the Russian Federation) are not produced in other member states of the Economic Union; therefore, the latter are just consumers. They have direct interest in lowest possible price for these products, even at the expense of external dumping and subsidising. This is why the EAEU member states' positions on the proposals of the Eurasian Economic Commission on introduction of protective measures are often shaped with difficulty, meeting the resistance of other members of the Union.

A paradoxical situation exists – all competences for introduction of protective measures are delegated to the supranational level, but at the same time, the Economic Union states participate in decision-making by formulating their positions and forwarding them to the EEC.

Naturally, the EEC may formally withdraw from consulting EAEU member states on introduction of protective measures on the customs territory of the Economic Union, but it is forced to do it in order to avoid the risks of future proposals to repeal the adopted measures.

The situation around herbicides imported from Europe is an example of vetoing the EEC Board's decisions. Following the investigation which lasted for almost a year and a half, the EEC Board took a decision on 29.05.2018 to impose an anti-dumping measure relative to herbicides imported from the EU. However, in no time, on 18.06.2018, the Kazakh government submitted a motion to repeal it, thereby effectively vetoing the decision of the EEC Board (Official website of the Eurasian Economic Commission, 2022).

The Russian Federation top leadership voiced an unprecedented reaction to this situation. Russian President Vladimir Putin declared on 6 February 2019, on the platform of "Delovaya Rossiya" [*Business Russia*] forum, that there were no obstacles to the introduction of anti-dumping protective measures against the European companies selling herbicides at severely reduced prices and instructed the Russian government to introduce the respective measures. The relevant ministries and agencies were tasked with blocking the flow of the said herbicides via Kazakhstan into the customs territory of the Russian Federation.

Thus, analysing the current situation with the adoption of protective measures in the EAEU and, of course, in Russia as a member of this integration community, one can make conclusion on significant shortcomings in the customs administration of the Economic Union. The first conclusion is that EAEU member states are obviously abusing their right to veto the decisions of the EEC Board to impose protective measures. Despite the fact that the Union member states voluntarily transferred the key competences to the supranational level, they constrict the autonomy of the allied body by interfering in the work of the EEC and blocking the decisions that they deem disadvantageous for their country. The second conclusion is that Russia's top leadership raised the issue of whether the existing market protection architecture of the EAEU, as well as the procedure for imposing protective measures and the possibility of vetoing met the economic interests of the Russian Federation (Akhmedzyanov et al., 2021). Indeed, under the current procedures, any member state of the integrated union can block decisions desirable for Russia. This uncooperative position of EAEU members leads to slowdown in the development of domestic production, restriction of bilateral trade and impedes the integration processes on the whole.

It is evident that the current situation regarding the protection of the EAEU internal market and the development of integration of the Union countries is unacceptable for the Russian Federation and its economic growth and thus needs to be resolved.

There are two possible ways to overcome the crisis situation:

- the first way is the further development of economic integration, more extensive transfer of powers to the supranational plane, denial of the Union states' possibility to interfere in the work of supranational bodies. Undoubtedly, the solution of these problems depends on the political will of the EAEU member states' leadership.
- the second way is Russia's restoring some key powers at the national level, as concerns some sensitive topics, including adoption of measures to protect the internal market. This would ensure due realisation of the national economic interests, but at the same time would probably lower the potential of further Eurasian economic integration.

The current situation with the customs administration of protective measures within the EAEU integration area is undoubtedly a signal for Russia's top leadership to make a choice, which seems quite rational economically and, of course, politically (Abdulaeva & Gaan, 2018).

In order to protect the internal market, along with the use of anti-dumping and countervailing measures and special protective measures, the Russian Federation resorts to other tools of foreign trade regulation, known as non-tariff instruments (Efimtseva and Aliturliev, 2022). The applied methods are visually represented in Table 2.

Table 2. Foreign trade policy methods and instruments. *Source:* Compiled by the authors.

Methods	Foreign trade policy instrument	Predominant regulation	
Non-tariff	Quoting	Import	
	Quantitative	Licensing	Export
		Voluntary restrictions	Export
		Public procurement	Import
	Latent	Local content requirements	Import
		Technical barriers	Import
		Financial	Export subsidies
	Export crediting		Export
	Dumping		Export
	Sanitary and phytosanitary	Veterinary restrictions, certification systems, etc.	Import

Analysing the internal market protection methods specified in Table 2, it is necessary to note that differing state regulatory measures are applied to different goods in foreign trade, both for imports and exports. This is summarised in Figure 1.

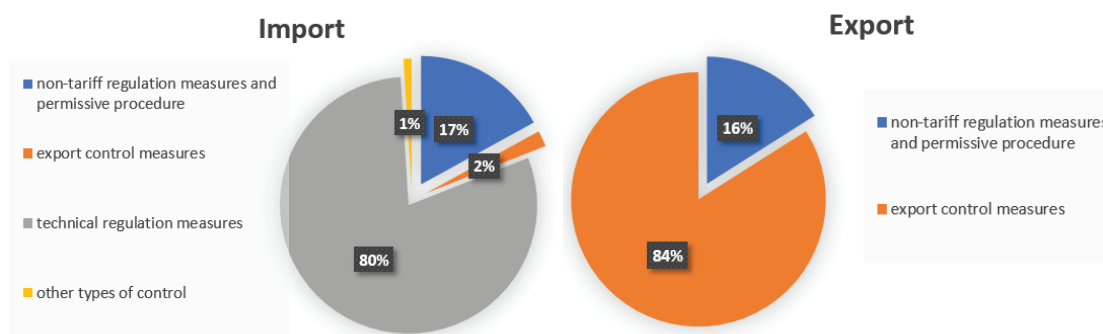


Fig. 1. Import and export bans and restrictions. *Source:* Compiled by the authors.

The analysis concludes that in case of imports the vast majority of the total number of bans and restrictions represent technical regulation measures – 80%. Market protection takes place through the application of technical regulations, standards and other rules. This is followed by non-tariff regulation and licensing procedures – 17%; export control gives even less figure (2%). We see quite a different situation when it comes to application of internal market protective measures for exports. In this case, export control measures account for 84%, while non-tariff regulations and licensing account for 16%. The table also demonstrates graphically that the use of export controls is diametrically opposed for imports and exports, while non-tariff regulations and licensing measures are in comparable proportions.

4. Discussion

There are different views in the scientific and professional communities on the further development of customs regulation relative to protection of the Russian internal market and national producers. For instance, V.V. Efimov, in his scholarly work considering the role of the customs service in state

regulation of Russian foreign trade, treats the customs tariff regulation as a priority instrument in this area and sees good prospects for its development. Another researcher, Turban G.V., has a completely different viewpoint. He attaches key importance to non-tariff measures and restrictions to be used for protection of the internal market in international trade relations. One can assert, on the basis on the results obtained in the present research, that customs tariff regulation occupies a special place in the system of internal market protective measures. Undoubtedly, customs tariff regulation contains, along with the fiscal function of replenishing the state budget, a protectionist component aimed to guard the national producers' interests from foreign competition and the overall progressive development of the internal market. Previously, tariff regulation mechanisms successfully performed a protective function; however, at present, under the pressure of commitments to the WTO undertaken by the Russian Federation, as well as the strict framework for the use of tariff measures in respect of foreign trade activities along with the increasing sanctions by a number of states against Russia, the protectionist option of the customs tariff regulation has weakened, and its potential has been virtually exhausted (Akhmedzyanov, Migel & Kondrashova, 2019; Gomon, 2019)

Currently one can observe a decline in global trade and economy under the influence of the geopolitical tension, the growing protectionism and toughened sanctions policy on the part of some countries. This poses certain risks to the economic development of the Russian Federation. In order to overcome the emerging challenges, it is necessary to focus the efforts on sustainable development of economic sectors and material production, growth of intra-union consumption, development of scientific and technological potential, realisation of strategic objectives.

5. Conclusion

Thus, the undertaken analysis confirms that the state is the main organiser, regulator and controller of foreign economic activities, and the Russian Federation customs service is the main participant of the system built for the protection of the country's interests. It was noted in the course of the research that, in order to efficiently pursue the national foreign trade policy, the customs service makes a wide use of the methods of customs tariff and non-tariff regulation, trade restrictions and bans. The research demonstrated the niches of application of particular regulatory tools, revealed their importance and efficiency. The regulatory activities of the Eurasian Economic Union's supranational bodies have been reviewed, with identification of significant shortcomings.

The following research conclusions have been expounded:

- In order to engage in efficient foreign trade activities, the Russian Federation needs a broad range of differing regulatory instruments and their comprehensive and productive use.
- Russia should pursue tougher and more principled positions for defending its national interests in negotiations on further integration of the EAEU with other Union members and its due development.
- The elaboration of Russia's concept of action in the face of the increasing sanctions pressure by some unfriendly countries is deemed to be a relevant area for further research in the sphere of internal market protection.

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