



RUSSIA'S ROLE IN THE CONTEMPORARY INTERNATIONAL AGRI-FOOD TRADE SYSTEM

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Agri-Food Trade between the United States and Russia¹

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Abstract

U.S.–Russia agricultural trade has undergone significant change. This article provides an overview of bilateral agri-food trade. Particular attention is devoted to agri-food trade since 2000. The article concludes that American agricultural exports are now less important to Russian food security than at any time since 1992.

During the Cold War, the link between the U.S.–USSR political relationship and agri-food trade was often weak: agricultural exports held steady or increased even as the political relationship deteriorated. This divergence between worsening political relations and increasing agri-food exports ended in the post-Soviet period, whereupon the relationship between politics and U.S. agricultural exports to Russia became convergent: the political relationship and agri-food trade began to move in the same direction. Since 2014, U.S. agricultural exports to Russia have fallen to the point of being insignificant. This downward trend predates 2014 but has become more pronounced since then, reflecting the poor state of relations.

U.S. Agricultural Exports During the Soviet Period

During the 1970s and 1980s, the United States was a major supplier of grain to the Soviet Union. Much of this grain was used for animal feed, helping to support the regime's goal of increasing meat consumption. Starting in the 1970s, the USSR became a consistent importer of grain from the United States due to frequent harvest failures. Between 1972 and 1979, U.S. grain accounted for over 60 percent of Soviet grain imports.

Soviet purchases continued during the 1980s. The five-year period between 1980 and 1984 saw significant divergence between political relations, which fell to their nadir, and agricultural trade, which increased in value. Instead of the US maximizing its leverage at a time when Soviet agriculture was vulnerable, the value of U.S. agricultural exports increased from \$1.1 billion USD in 1980 to \$2.8 billion USD in 1984. Even as the two sides threatened each other militarily, the volume of U.S. grain sales increased from 6.6 million metric tons (mmt) in 1980 to over 18 mmt in 1984. Moreover, U.S. grain sales averaged 10.7 mmt in 1980–1984, more than double the level of the *détente* years 1970–1974, when

political tensions waned. Overall, U.S. grain sales to the USSR in 1981–1985 accounted for between 22 percent and 39 percent of total annual grain imports.

Good harvests in the USSR in the second half of the 1980s complicated the fulfillment of the 1983 Long Term Agreement between the US and USSR, under which the Soviets had agreed to purchase a minimum of 4 mmt per year. The agreement was further affected by a weak international market in which other countries heavily subsidized their grain sales to the USSR. Consequently, U.S. grain sales to the USSR declined in 1985–1986, although they rebounded thereafter, to the point that U.S. agricultural exports to the USSR totaled more than \$10.55 billion USD in 1988–1991, more than in any other four-year period. This high point in U.S. agricultural exports to the Soviet Union reflected the partial opening of the Soviet economy and improvement in the bilateral political relationship as divergence ended.

In 1989, the US sold a record value of grain—\$3.59 billion USD—to the USSR. In 1990, the United States and the Soviet Union signed a new grain agreement that raised the Soviet Union's minimum annual purchase to 10 mmt and included barley and sorghum for the first time. The Soviets were given the right to buy up to 14 mmt without advance notification, up from 12 mmt. The Soviets also agreed to buy a minimum of 4 mmt of wheat and feed grain. As a result, 1990–1991 witnessed continued high levels of U.S. agricultural exports to the USSR—more than \$4.5 billion USD—despite the Soviet Union's limited hard currency reserves.

U.S. Agricultural Exports During the 1990s

With the fall of communism and the emergence of a democratic and market-oriented government in Moscow, it was reasonable to expect that warmer political relations would be accompanied by significantly increased agricultural trade. In reality, however, the value of agricultural exports declined from \$2.45 billion

¹ This paper draws on a chapter titled “Agri-Food Trade between the United States and Russia: From Divergence to Irrelevance,” in *Russia's Role in the Contemporary International Agri-Food Trade System*, edited by Stephen K. Wegren and Frode Nilssen (London and New York: Palgrave Macmillan, 2022).

USD in 1991 to \$1.12 billion USD in 1992 and would not exceed \$1.5 billion USD in the rest of the decade. The value of U.S. agricultural exports to Russia during the 1990s was lower than 1990–1991 or 1980–1984. The volume of grain, which had historically been the principal U.S. agricultural export, declined precipitously, from 16.5 mmt in 1991 to about 6 mmt in 1992 and 1993, and thereafter did not come close to 500,000 tons for the rest of the decade. The primary reason for this was a significant reduction in livestock herds in Russia: during the first half of the decade, they fell by a greater percentage than during the first five years of Stalin's collectivization, when peasant households killed off their animals rather than turn them over to the state. In 1996, for example, the number of cattle stood at 70 percent of the 1990 level and the number of pigs at 59 percent. These figures would continue to decline, falling to 49 and 48 percent of the 1990 level, respectively, by 2000.

Grain exports were replaced by the export of poultry meat. Russia's poultry imports rose from about 46,000 tons in 1992 to 500,000 tons in 1994, and then to 1.14 million tons in 1997. By mid-decade, Russia was the world's largest purchaser of U.S. poultry. U.S. poultry exporters earned in excess of \$1 billion USD annually from trade with Russia from about mid-decade onward, despite periodic disputes spearheaded by the Russian side. In 1997, 70 percent of Russia's poultry imports came from the United States.

U.S. Agricultural Exports Since 2000

Since 2000, U.S. agricultural exports to Russia have gone through different stages. The first (2000–2006) was a decline compared to the 1990s, the second (2007–2012) was a brief and modest increase, and the third (since 2014) has been a continued decline to the point of irrelevance. U.S. agricultural exports declined for three reasons: (1) the recovery of Russia's agricultural sector, which began to not only meet domestic demand but also generate surplus for export; (2) a diversification in Russia's trading partners; and (3) a significant deterioration in the political relationship—stemming from the crisis in Ukraine in 2014—that continues to this day. U.S. agricultural exports to Russia in 2000–2020 are presented in Table 1 on p. 5.

In the first period (2000–2006), the value of U.S. agricultural exports did not exceed \$1 billion USD in any given year. For context, during this period the dollar value of Russia's agricultural imports increased from \$7.3 billion USD in 2000 to \$21.5 billion USD in 2006, a rise that reflects a rebound in consumer demand within Russia due to higher personal incomes. The European Union in particular became a major trading partner. In 2013, the EU exported €10.9 billion of agricultural goods to Russia, accounting for more than 10 percent

of its total agricultural exports. By 2016, however, EU food exports to Russia had declined to €5.4 billion before rebounding in 2019 to €7 billion, or about 3.9 percent of non-EU food exports.

In contrast, U.S. agricultural exports to Russia became progressively less important and by 2006 accounted for less than 5 percent of Russia's food imports by value. The relatively low level of U.S. agricultural exports to Russia marked a departure from the 1990s, when these exports surpassed \$1 billion USD in all but two years (1998–1999)—and then only because the financial crisis and the devaluation of the ruble made imports more expensive. Thus, the dollar value of U.S. agricultural exports to Russia in 2000–2006 was lower than in the 1980s and 1990s. During this first period, the overwhelming majority of U.S. agricultural exports to Russia consisted of foodstuffs.

During the second period (2007–2013), U.S. agricultural exports to Russia increased in value, quickly rising from \$832 million USD in 2006 to \$1.32 billion USD in 2007. Exports stayed above the \$1 billion USD threshold through 2013, though they never exceeded \$1.65 billion USD. During the period, foodstuffs remained the primary U.S. agricultural export to Russia, but their share of the total declined over time. Whereas foodstuffs accounted for 88–90 percent of U.S. agricultural exports to Russia in 2007–2009, this percentage declined to 71 percent in 2012 and 60 percent in 2013, even as the level of agricultural imports from the U.S. remained above \$1 billion USD.

The third period (from 2014) witnessed a significant decrease in U.S. agricultural exports to Russia brought about by Russia's countersanctions, which ban the importation of most agricultural products from the United States and other Western nations. Prior to Russia's food embargo in August 2014, U.S. agricultural exports were on track to surpass \$1 billion USD for the year, but the food embargo immediately curtailed this. After 2014, U.S. agricultural exports continued to decline, falling to just \$208 million USD—or about 0.1 percent of total American agricultural exports—in 2020. For its part, Russia imported more than \$29.7 billion worth of agri-food products in 2020, which means that purchases from the U.S. accounted for less than 1 percent of total Russian food imports.

Within the overall decline in the value of agricultural exports, American exports of foodstuffs to Russia fell from 55 percent of total U.S. agricultural exports in 2014 to 41 percent in 2020. Bulk goods, or crop products, declined from 27 percent in 2014 to 13 percent in 2020. Intermediate goods increased from 17 percent in 2014 to 45 percent in 2020. Thus, the third period brought about a significant redistribution in U.S. agricultural exports away from foodstuffs and toward processed intermediate goods, as shown in Table 2 on p. 6.

In sum, since August 2014 the U.S. has been almost entirely shut out of the 146-million-consumer Russian food market due to Russia's countersanctions. As a consequence of countersanctions and increased domestic food production within Russia, U.S. agricultural exports to Russia declined in value by more than 80 percent between 2013 and 2020. Quite simply, Russia needed less American food and, after 2014, wanted less American food. Russia's food embargo against the West has been widely discussed in the media and among scholars, but the fact is that even prior to 2014, American agricultural exports to Russia were declining in dollar amount and quantity. Russia's 2014 food embargo merely exacerbated the existing reality. In this respect, the decline in the agricultural trade relationship reflects the poor state of bilateral relations in general.

Outlook

U.S. agricultural exports have gone from being a pillar of the USSR's food security to being essentially irrelevant to Russian food security by 2020. This contemporary irrelevance is reflected in the low dollar valuation of U.S. agricultural exports to Russia and the transition away from the export of foodstuffs. The importance of the decline in U.S. agri-food exports to Russia is twofold. First, U.S. food exports—grain in the 1970s and 1980s, poultry meat in the 1990s—have helped to ensure Russian food security. While Russia has increased its domes-

tic food production and has not had a harvest catastrophe since 2010, the effects of climate change make another harvest disaster a question of when, not if. The current countersanctions against the US mean that its food reserves may not be available during the next food crisis in Russia. Nor will food reserves from other Western nations be available. As such, Russia's leaders will have to hope that alternative suppliers—such as Argentina, Brazil, or China—have surpluses to sell.

Second, trading patterns during the Cold War demonstrate that agricultural trade is not dependent on good political relations. However, the difference between then and now is that Russia now has a strong agricultural sector that provides food self-sufficiency in many basic commodities, including grain. For this reason, the outlook for U.S.–Russian agricultural trade appears reasonably clear. Russia's 2014 food embargo against the West, which has been extended through the end of 2022, has rendered U.S. agricultural exports insignificant to Russia.

It is difficult to see how U.S. exporters could regain significant market share in Russia's food market in the near to medium term even if political relations improve. Putin himself has noted that once markets are lost, they are hard to recapture. Thus, the contemporary story of U.S.–Russia agricultural trade represents the loss of the “food weapon” as leverage by the exporter, and the rise of the power of the importer.

About the Author

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Further Reading

Stephen K. Wegren and Frode Nilssen, eds., *Russia's Role in the Contemporary International Agri-Food Trade System* (London and New York: Palgrave Macmillan, 2022).

Table 1: U.S. Agricultural Exports to Russia after 2000 (dollar values are USD)^a

	Total value of US agricultural exports to Russia ^b	Value of grain exports to Russia	Quantity of grain exports to Russia ^c
2000	\$580 million	\$116 million	779.5 tt
2001	\$917 million	\$65 million	133.9 tt
2002	\$552 million	\$21 million	53.9 tt
2003	\$579 million	\$11 million	13.4 tt
2004	\$802 million	\$84 million	90.1 tt
2005	\$972 million	\$72 million	25.2 tt
2006	\$820 million	\$53 million	43.6 tt
2007	\$1.32 billion	\$86 million	60.2 tt
2008	\$1.83 billion	\$92 million	35.1 tt
2009	\$1.42 billion	\$90 million	116.7 tt
2010	\$1.13 billion	\$67 million	65.6 tt
2011	\$1.24 billion	\$71 million	69.1 tt
2012	\$1.65 billion	\$99 million	102.2 tt
2013	\$1.20 billion	\$230 million	309.0 tt
2014	\$900 million	\$246 million	362.0 tt
2015	\$426 million	\$236 million	524.8 tt
2016	\$250 million	\$95 million	164.7 tt
2017	\$193 million	\$24 million	6.6 tt
2018	\$233 million	\$17 million	5.1 tt
2019	\$191 million	\$17 million	4.7 tt
2020	\$208 million	\$28 million	6.2 tt

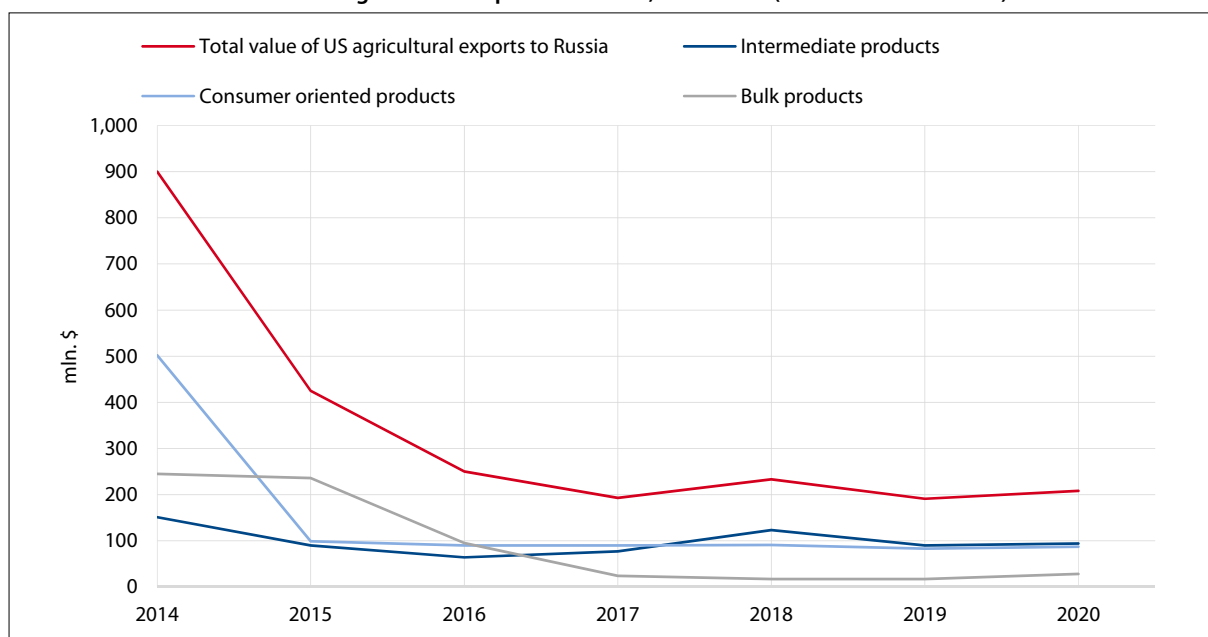
Notes:

a. Numbers have been rounded.

b. Total value of U.S. agricultural exports includes foodstuffs, intermediate products, and bulk goods. In this table, grain exports are defined as bulk goods. The value of U.S. exports excludes agriculture-related products that are non-food products as defined by the USDA. See Table 2 for full definitions.

c. tt=thousand metric tons

Sources: Kathryn A. Zeimet, USSR Agricultural Trade, Statistical Bulletin 808 (Washington, DC: United States Department of Agriculture, Economic Research Service, 1991), 37, 39; Foreign Agricultural Service database at <https://apps.fas.usda.gov/GATS/default.aspx>; and author's calculations.

Table 2: Distribution of U.S. Agricultural Exports to Russia, 2014-2020 (dollar values are USD)^a

	Total value of US agricultural exports to Russia ^b	Intermediate products ^c	Consumer oriented products ^d	Bulk products ^e
2014	\$900 million	\$151 million	\$502 million	\$245 million
2015	\$425 million	\$90 million	\$99 million	\$236 million
2016	\$250 million	\$64 million	\$90 million	\$95 million
2017	\$193 million	\$77 million	\$90 million	\$24 million
2018	\$233 million	\$123 million	\$91 million	\$17 million
2019	\$191 million	\$90 million	\$83 million	\$17 million
2020	\$208 million	\$94 million	\$87 million	\$28 million

Notes:

- Numbers have been rounded.
- Agriculture-related goods are excluded from the total value of agricultural exports. They are defined as: distilled spirits, ethanol, biodiesel, forest products, and fish products. All definitions are taken from United States Department of Agriculture.
- Intermediate goods include: soybean oil, soybean meal, vegetable oil, animal fat, live animals, hides and skins, hay, distiller grain, planting seeds, sugars and sweeteners, and other intermediate goods.
- Consumer-oriented goods are essentially foodstuffs and include: beef and beef products, pork and pork products, poultry and poultry products, eggs and egg products, dairy products, fresh fruit, fresh vegetables, processed vegetables, fruit and vegetable juices, tree nuts, chocolate and cocoa products, snack foods, breakfast cereals, condiments and sauces, prepared foods, wine and beer, non-alcoholic beverages, dog and cat food, and other consumer oriented products.
- Bulk goods are crop products and include: wheat, corn, coarse grains, rice, soybeans, cotton, pulses, tobacco, and other bulk commodities.

Source: Foreign Agricultural Service database at <https://apps.fas.usda.gov/GATS/default.aspx>.

Sino–Russian Geopolitical Rapprochement in Agri-Food Trade Relations

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Abstract

Food and agricultural trade has emerged as a battleground for geopolitics in recent years. Indeed, greater Sino–Russian trade cooperation in these sectors, amidst growing tensions with the West, raises the question of whether this sector is becoming a new focal point in their strategic partnership. But increased trade and market access belies the reality that the ties between the two powers in this sector are still marred by a range of tariff and non-tariff barriers and mismatched rather than complementary market profiles. Moreover, the sector replicates many of the asymmetric dynamics that mark the broader economic relationship. To the extent that the sector has increasingly been considered by authorities in strategic terms, however, Sino–Russian trade in this sector proves a useful indicator of both the possibilities and the limits of the broader bilateral rapprochement.

The Sino–Russian strategic partnership has been the object of ongoing attention, if not consternation, over the past few years, at a geopolitical “moment” that seems to mark the beginning of a lasting transition away from the liberal international order (Ikenberry 2018). In the economic realm, trade wars, long-term sanctions, and the de-coupling, shortening, and diversification of supply chains from East and West are evidence of a growing sense that the commercial is no longer clearly distinct from the geo-strategic and that interdependence and integration exacerbate vulnerability, rather than promote peace (Farrell and Newman 2012). Perhaps surprisingly, one of the economic sectors in which this has been playing out most dramatically is food and agriculture.¹

In August 2014, faced with Western sanctions over actions related to Ukraine, Russian President Vladimir Putin announced “counter-sanctions”: a wholesale ban on agricultural imports from sanctioning states in key product categories. This disrupted over \$8 billion worth of trade and one-third of Russian agricultural imports at the time. The import ban has been extended annually for the past seven years. A few years later, in 2018, China imposed its own punitive measures on Western trade partners, escalating U.S. President Donald Trump’s ongoing trade war with a “soybean battle” that effectively banned the United States’ number-one agricultural export to China. While the measures ended in early 2020 with the Phase 1 trade deal (which resulted in record Chinese purchases of U.S. farm products), Chinese politicians and analysts are open about imperatives to diversify the country’s food and agricultural trade partners and supply channels away from the US.

What does this mean for Sino–Russian agricultural relations and the Sino–Russian strategic partnership

more broadly? Certainly, geopolitical tensions with the West have been an impetus for deepening that partnership, and both sides have been open about ambitions to raise the level of bilateral agricultural trade and cooperation as part of improving relations to putative “unprecedented heights” (TASS 2020). In the eyes of Putin, U.S.–China tensions opened up a window of opportunity for Russian producers to fill the gaps in a major agricultural market from which, as he put it, the US had “voluntarily withdrawn” (Kremlin 2018). In 2020, the Chinese Minister of Commerce called for a “soybean industry alliance” between Russia and China “to cope with potential risks, including the China–US trade risks” (Global Times 2020). Over the past few years, agricultural relations between Russia and China have indeed reached a new high, with agriculture one of the fastest-growing sectors of resource cooperation between them. 2020 saw the highest level of bilateral agricultural trade in value terms, at around \$5.5 billion (Chatham House 2021; Xinhua 2021), though 2021 saw a loss in momentum, due in large part to new coronavirus-related restrictions.

But while one might consider this a sign of broader geopolitical convergence, several caveats apply. First, while agriculture is indeed an area of growing bilateral cooperation, trade growth in this sector is from a notably low baseline and agriculture is still a miniscule sector of cooperation compared to oil and gas. Second, although there has been continual growth in bilateral agricultural trade since 2014 that has been increasingly in favor of Russia (see Figure 1 on p. 10), the relationship still reflects the overall direction of economic dependence: China is the largest export market for Russian agri-food products, while Russia accounts for a miniscule propor-

¹ This article draws on the book chapter “Prospects for Agri-Food Trade Between Russia and China,” in *Russia’s Role in the Contemporary International Agri-Food Trade System*, eds. Stephen K. Wegren and Frode Nilssen (London and New York: Palgrave Macmillan, 2022), 195–223.

tion of China's agricultural imports (see Figure 2 on p. 10). Chinese exports mainly reflect its comparative strength in labor-intensive goods such as vegetables and fruits. In 2019, those two categories accounted for over half the value of Chinese agricultural exports to Russia.

Small volumes and values notwithstanding, bilateral trade has, on balance, increasingly tilted in favor of Russia as an exporter. The main Russian agricultural export to China over the past two decades has consistently been fish and seafood, which accounted for over 90 percent of Russian agricultural exports to China up until the early 2010s (Yu et al. 2015) and still comprised about half the value of Russian exports as late as 2019—though temporary restrictions on Russian fish and seafood have recently been introduced by China in response to coronavirus being found on shipment packaging. There has since been some diversification in the structure of Russian agri-food exports to China, particularly in the direction of oilseeds and fat products, which accounted for one-third of Russian agricultural exports to China in value terms in 2019, as well as some processed foodstuffs. This diversification reflects the fact that Russia has now gained access to the Chinese market in key product categories, clearing important phytosanitary hurdles over the past five years as protocols for staple grain, soybeans, poultry, beef, dairy, and other items have been signed.

This opening of the Chinese market can be seen as motivated in part by broader geopolitical factors. However, in this regard Sino–Russia agri-food trade over the last several years has been more marked by the removal of policy and technical bottlenecks, and hence is only reaching a baseline of normalized market-based relations. Moreover, negotiations laying the groundwork for greater market access take place over several years, and the fruits thereof are only now starting to be realized (Shtepin 2019). Increased accommodation and policy facilitation for Russian exporters should also be placed in the context of China's opening to a broader range of countries: in 2019, China expanded access to its market, allowing meat imports from an additional 16 countries (PRC State Council 2019).

Also tempering any speculation that the increase in agricultural trade represents a fundamental shift in the two countries' geoeconomic relationship is that high-level declarative cooperation and cooperation plans—such as the “Plan for Deepening Cooperation between Russia and China in Soybeans”—are driven more by the countries' respective national and domestic priorities than by any meaningful agricultural “alliance” in this sector. Most importantly, these national priorities include self-sufficiency imperatives that in both coun-

tries impose limits on how deep the partnership can become.

These insulating and import-substitution imperatives on the one hand limit Russian export of staple grain to a Chinese market that is largely closed to this most competitive of Russian agricultural products. China has had a policy of self-sufficiency in staple grain² categories, including wheat, corn, and rice, since the mid-1990s. It applies strict tariff-rate quotas (TRQs) to these sensitive commodities: within-quota tariffs are set at a low 1 percent, but outside-quota tariffs are a prohibitive 65 percent, and with limited licenses that usually go to the major Chinese state-owned enterprises. What imports do arrive are usually of very high quality and for a niche market. While soybeans are a markedly different commodity given China's high dependence on foreign imports, it is unlikely Russia could represent anything more than a miniscule supplier in what is a robustly developed—if not saturated—international market.

There is little indication that the Chinese authorities will loosen their food security principles. At the same time, basic staple commodities such as corn, rice, and wheat are becoming less important to the Chinese diet. Thus, according to Arkady Zlochevsky, the president of the Russian Grain Union, “there are no particular prospects for the growth of grain sales” (Ganenko 2019). Ironically, any impetus to open up the Chinese market for grain imports is likely to come not from Russian influence, but from U.S. pressure at the WTO.

Meanwhile, in Russia, long-term policy imperatives include not only export dominance, but also self-sufficiency and import substitution. This makes increasing Chinese agri-food imports unappealing to Russian officials and leaders.

Furthermore, even increased market access does not mean smooth sailing. A range of issues—non-tariff trade barriers, low competitiveness of Russian high-value products, different consumer preferences, and infrastructural issues—also limit cooperation. Now legally able to export a broader range of products to China, in many cases Russian companies still need to obtain individual export licenses. Russian exporters must also comply with tough technical regulations regarding quality certification, specific packaging and labelling requirements, and complicated customs formalities. Sanitary and phytosanitary measures for export to China are extremely strict, as evidenced by the ongoing ban on Russian fish and seafood. The same is true in the opposite direction: in 2019 and 2020, Russia imposed a number of restrictions on Chinese agricultural exports to Russia, including a ban on stone fruits in August 2019 and restrictions on citrus fruits as well as certain fish and seafood products in January

2 The category is “liangshi,” and although conventional, the English “grain” is an imperfect translation of this term.

2020. In early 2020, many Russian food retailers also suspended sales of Chinese agricultural products due to concerns over coronavirus (Burlakova and Romanova 2020).

Moreover, despite sharing a long land border with China, the bulk of Russian agricultural production is currently concentrated in the European part of the country. Transport either proceeds via freight through the body of the continent, which is quicker but more expensive, or via marine shipment from the West passing Europe, Africa, and the Indian Ocean. From the western part of Russia, it can take up to 60 days for products to reach their destination in China's eastern seaports.

As officials in Russia's Ministry of Agriculture acknowledge, "China is the country to which all export-oriented countries want to supply their products. We are no exception" (RIA Novosti 2018). Yet while China is often idealized as having unlimited absorptive capacity, it is a deeply challenging market not only to penetrate, but also to navigate (Karlova and Serova 2020). Understanding—if not meeting—specialized Chinese tastes and consumer preferences requires investment in baseline market analytics. As Russian Minister of Agriculture Dmitry Patrushev has admitted, "The Chinese are a difficult people; it takes a very long time to convince them that our products are better. They are picky and, of course, self-interested" (RIA 2018). Rising standards of living and changing dietary patterns in China

have increased demand for higher-value and higher-quality products, which have not historically been Russian strengths, although the situation is slowly changing. Hence, distinct from market access is the question of Russia's market competitiveness, which is limited (Karlova and Serova 2020). Russia faces competition from other, already dominant exporters of soybeans, oilseeds, meat, and dairy, as well as from emerging markets with which China has been cultivating closer agricultural trade ties in recent years.

Geopolitical turbulence and great power competition is clearly playing out in the food and agricultural sector in terms of both defensive and offensive measures by individual states, and opportunities for tightened resource relations between Russia and China are emerging. However, in food and agriculture as in the broader political relationship—whether characterized as a rapprochement, an entente or even an "axis"—the limits of integration are clear: both systems are largely oriented toward mitigating their individual geopolitical risks. Moreover, while wider geopolitical dynamics and any broader Russia–China entente are by no means irrelevant to the agri-food trade, in the medium if not long term, other factors loom larger. These include not only policy misalignment, but also the challenges of overcoming market barriers, as well as operational issues of both hard and soft infrastructure.

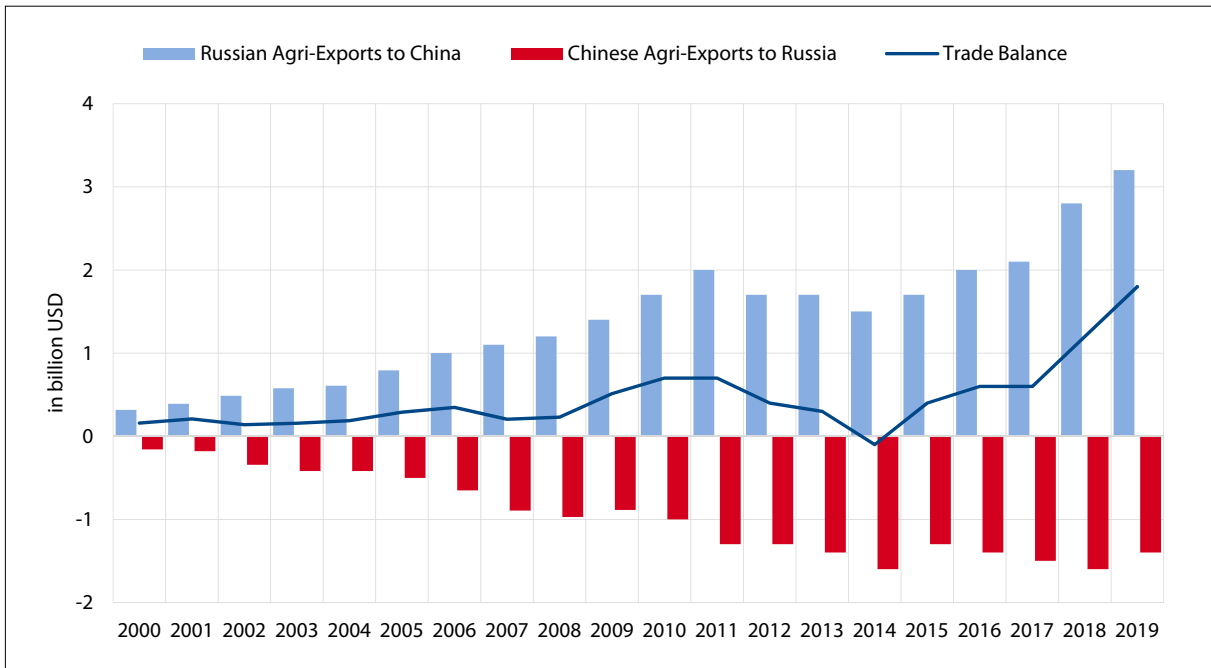
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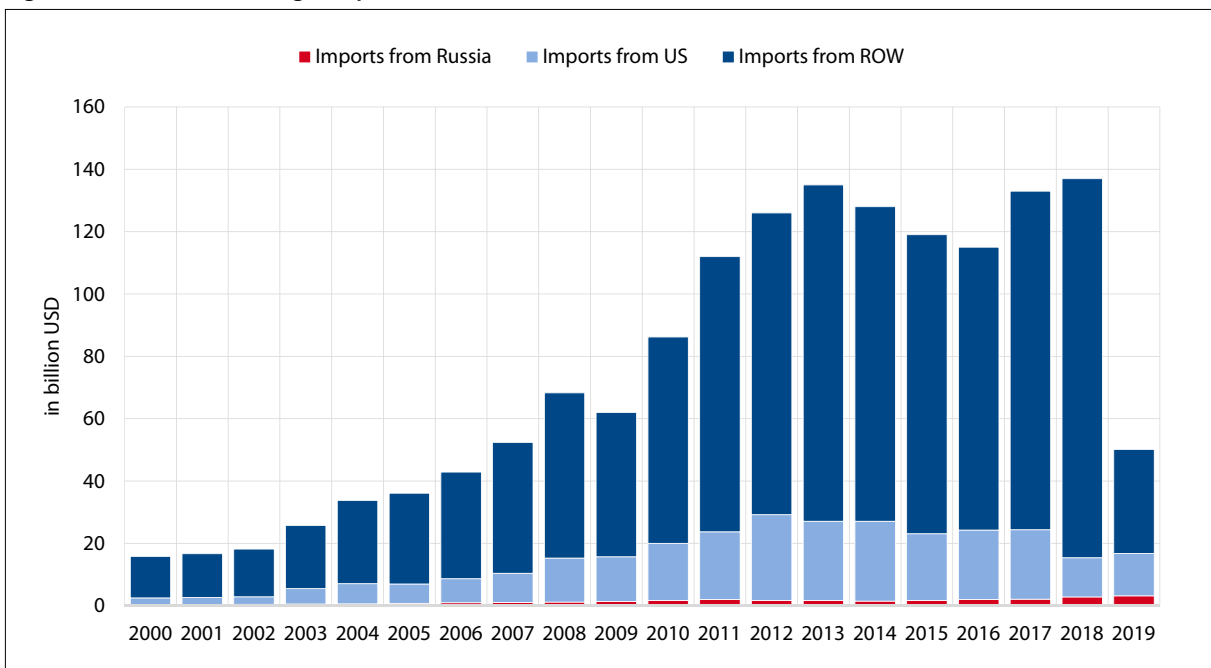
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Figure 1: Russia–China Agri-Trade Balance (in billion USD)



Source: Chatham House, researchtrade.earth (2021).

Figure 2: Total Chinese Agri-Imports (in billion USD)



Source: Chatham House, researchtrade.earth (2021).

Russia's Role in the International Fish and Seafood Trade¹

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Abstract

Russia's seafood trade policy has changed significantly over time. During the Soviet period, almost all production was directed to the domestic market. Since 2000, which marked the end of the "wild" Yeltsin period, Russia has increasingly pursued both import and export, although under increasing federal governance. This article predicts that Russia's seafood exports will increasingly tilt towards Asian markets, with European markets playing a much less important role.

The Food Embargo and Its Impact on Russia's Global Seafood Trade

Over the past 20 years, Russia's seafood trade policy has changed from open trade to a regulated system where exports and imports are governed by the federal authorities. In particular, imports are subject to regulations and restrictions—these are indirect but nevertheless quite effective.² At the federal level, Russia's main goal in imposing such regulations is to ensure Russia's food security: the government seeks to secure stable and sufficient domestic supplies of foodstuffs while preventing foreign suppliers from assuming a dominant role. An important and fundamental change in the Russian food import policy during this period has been the 2010 implementation of the Food Security Doctrine.³ The Doctrine gives the Russian government increased control over the import of foodstuffs to Russia. The executing body is the Federal Service for Veterinary and Phytosanitary Surveillance (known as Rossel'khozadzor). Within a few years of its establishment, the "nadzor" had worked out a system for tight control over approved foreign as well as Russian food exporters and importers.

Since 2012, Russian exports of fish and seafood have been growing steadily. Moreover, both commercial interests and the Russian government have advocated for even higher levels of seafood exports.⁴ Seafood exports play an important role in the country's trade with such neighboring regions as the European Union (EU) and Asia. For example, through December 27, 2020, Russia

had exported \$3.2 billion in food to the EU in 2020, of which fish and seafood accounted for \$1.1 billion. To the same date, Russia had exported \$3.9 billion of food to China, of which \$1.6 billion was fish and seafood.⁵

Russia became a member of the World Trade Organization (WTO) on August 22, 2012. When it took this step, there was an expectation that Russia would join the liberal global trading order and lower the barriers to entry to the Russian food market. After all, in the run-up to formal accession to the WTO, Russia had modified its laws and customs policies, promised to reduce tariffs and non-tariff barriers, agreed to limit its subsidies to agriculture, and indicated a willingness to open certain sectors of its economy to competition (banking, insurance, automobiles).

Yet it quickly became clear that the expected trade liberalization from Russia's accession to the WTO would not materialize. Less than two years later, on August 6, 2014, Russia banned the import of agri-food products from selected Western countries in response to Western sanctions that had targeted certain sectors of Russia's economy. Prior to the food embargo, Russia had been the second-most important destination for EU agricultural products, trailing only the United States. The main agricultural exports from the EU that were affected by Russia's countersanctions were pork (58.9 percent of Russia's total imports); milk and milk products (37.4 per cent of Russia's total imports); and vegetables and fruits (31.9 and 23.5 percent of Russia's total imports, respectively).⁶

1 This paper draws on "Russia's Role in International Fish and Seafood Trade," chapter 5 in *Russia's Role in the Contemporary International Agri-Food Trade System*, ed. Stephen K. Wegren and Frode Nilssen (London and New York: Palgrave Macmillan, 2022).

2 Indirect regulations mean that the import per se was not subject to regulation, but the Russian government relied on a system of strict approval of exporters to Russia which in practice limited the flow of seafood to the Russian market. See Christel Elvestad and Frode Nilssen, "Restricting Imports to the Russian Food Market: Simply an Act of Protectionism?" *Post-Communist Economies* 22, no. 3 (2010): 267–282, DOI: 10.1080/14631377.2010.498679.

3 Ibid.

4 Ivan Stupachenko, "Russia Wants to Double Revenues from Seafood Exports by 2024," *Seafood Source*, February 12, 2019, <https://www.seafoodsource.com/news/supply-trade/russia-wants-to-double-revenues-from-seafood-exports-by-2024>, accessed November 12, 2020.

5 Ministry of Agriculture, "Operativnyi obzor eksporta produktov APK," December 27, 2020, www.mcx.gov.ru, accessed January 10, 2021.

6 Susanne Kraats, "The Russian Embargo: Impact on the Economic and Employment Situation in the EU," *European Parliament Policy Briefing* PE 536.291, October 12, 2014, DOI: 10.2861/73046 (pdf).

Notably, Russia's food embargo (countersanctions) on the EU did not include seafood but focused on agriculture. Norway, however, was hit by Russian countersanctions for seafood exports because it is not part of the EU. As shown in Table 1, Russian imports of seafood from Norway—which had previously dominated the market, providing 45–50 percent of Russian imports—ceased almost immediately after countersanctions were introduced. To replace Norwegian seafood, Russia needed to find other suppliers. The decline in Russia's seafood imports in 2015 and 2016 reflects the initial struggle to secure alternative suppliers (as well as the devaluation of the ruble and an economic recession). Eventually, three smaller—but still substantial—producers of farmed Atlantic salmon and other farm-raised fish entered the Russian market: Greenland, the Faroe Islands, and Turkey. In addition, Chile significantly increased its market share compared to the pre-sanctions period. Greenland, the Faroe Islands (EU), and Chile supply farmed Atlantic salmon, while Turkey is a new supplier of farmed whitefish, such as sea bass and seabream. In addition, some Norwegian farmed salmon found its way to the Russian market through Belarus, although the volumes were marginal compared to previous direct exports to Russia. Norway was not the only country from which seafood transited through Belarus, which became a kind of legal trading hub for seafood from countries under sanctions. Table 1 on p. 14 indicates the countries of origin for Russia's seafood imports in 2001–2019.

The table shows three notable dimensions of the change in seafood trade in the aftermath of the 2014 embargo. First, there was a change from one dominant supplier (Norway) to a higher number of suppliers, each of which exported lower volumes of seafood to Russia than the one dominant supplier had in the pre-embargo period. Norway went from being the dominant supplier in 2013 to virtual irrelevance, with its seafood exports to Russia falling to 1 percent of market share in 2019. Second, after countersanctions were introduced, the main suppliers captured a much higher share of Russia's total seafood imports. Taken together, the group of main suppliers increased their market share from 72 percent in 2013 to 85 percent in 2019. Third, in the post-countersanctions period, the main seafood suppliers to Russia came to be distributed across a wider spectrum of geographical regions, including Asia, South America, and Europe. Chile increased its market share from 10 percent in 2013 to almost 22 percent in 2019; China's share rose too, from 9 percent in 2013 to nearly 15 percent in 2019. That said, countersanctions contributed to

a decline in the value of Russia's seafood imports from \$2.8 billion in 2013 to around \$1.6 billion in 2018 (the value includes fresh and frozen fish and seafood).⁷ This reduction in seafood imports is explicable by the combination of reduced import volumes and the purchase of less expensive seafood (the volume of farmed salmon, for instance, declined).

In the aftermath of the 2014 countersanctions, Russian seafood exports did not experience the same change as occurred with imports. On the contrary, the primary purchasers of Russia's seafood have remained stable, with the Asian countries representing by far the largest Russian export market. China, the Republic of Korea, and Japan have been particularly stable markets, buying 70–80 percent of total Russian seafood exports. The volume of seafood exports to Asia coincides with Russia's seafood resource base in the Russian Economic Zones in the Far East: in 2020, 71.8 percent of total Russian catches of seafood came from Russian Far East waters.⁸

The aforementioned three Asian countries buy large quantities of Alaska pollack, salmon, and pelagic species (mackerel and herring). In Europe, the traditional customers (Norway, Germany, Denmark, and the UK) are purchasers of Northeast Atlantic cod. Compared to the seafood trade in the Russian Far East, the value is quite small, but it is stable and did not change much as a result of countersanctions. Since 2013, the Netherlands has become a relatively large consumer of Russian seafood, increasing its share from about 10 percent in 2013 to over 17 percent in 2019. In total, European markets received about 20 percent of Russia's seafood exports in 2017–2019. The distribution of Russia's seafood exports between the main buyers is shown in Table 2 on p. 15.

The Putin period of consolidation also brought attempts to establish an institutional setup for governance of Russia's role in the global seafood trade. The federal government has tried to establish a system of incentives to provide control over seafood exports as a valuable asset. Russia's export of fish has played an important role in strengthening its relations with large trade partners in the Far East. Russia seems to have succeeded with the strategy of assuming some control of the export. It is evident that Russia's government intends to remain involved in the seafood trade as part of its overall food security strategy. In January 2020, President Putin signed a new Food Security Doctrine to replace the 2010 version. Notably, the target for self-sufficiency in seafood was raised from 80 percent to 85 percent (in live weight). The 2020 version, in the chapter "Strategic Goal and Key Objectives of Ensuring Food Security," states:

7 Rosstat, *Rossiiskii statisticheskii ezhegodnik 2019* (Moscow: Rosstat, 2019), 607.

8 "Itogi deiatel'nosti Federal'nogo Agenstva po Rybolovstvo goda 2020 i zadachi na 2021 god," <https://fish.gov.ru/about/kollegiya-rostybolovstva/>, accessed January 10, 2022.

The strategic goal of ensuring food security is to provide the country's population with safe, quality and affordable farm products, raw materials and food in quantities that satisfy balanced food consumption. Based on food independence requirements, the major sources of foodstuffs are products of agricultural, forestry, fishery and hunting sectors, as well as food industry products. The agricultural, fishery and food industries play central role in ensuring food security.⁹

Not only does the new food security doctrine provide more detail than the previous version, but it also contains several strategic measures and directions for the desired future development of the food sector.

In addition, April 2020 governmental order (*razporiazhenie*) No. 993-r laid out a new "Strategy for Development of the Agribusiness and Fishery Sectors of the Russian Federation to 2030."¹⁰ The Strategy, which considers economic models for development, is closely tied to the new food security doctrine and other official programs related to strategic development. Its goals include: increasing the share of value-added products and making them available to Russian consumers; and increasing exports of food products to at least \$45 billion per year, a goal that was subsequently modified to \$34 billion by 2024. To increase exports, the order advocates the elimination of trade barriers, the stimulation of export-oriented businesses, and the promotion of Russia's agricultural and fish products in export markets.¹¹

Outlook

Russia's role in the global seafood trade has changed over time. The first change is to its role as a seafood importer. Russia has stabilized as a less prominent importer in the global seafood market. The overarching theme of Russia's seafood trade since 2000 has been self-sufficiency—that is, producing enough to meet Russia's own needs.

The early post-Soviet era was characterized by heavy import of low-value seafood and the export of high-

value seafood. Since 2010, Russia's net production has exceeded domestic demand and consumption. Over the past decade and in particular since the 2014 embargo, Russia has reduced the value of its food imports: the dollar value of these imports fell from a post-Soviet high of \$43 billion in 2013 to less than \$25 billion in 2016.¹² The dollar value of Russia's food imports has increased since 2016 but has not come close to the pre-2014 level. The dollar value of seafood imports also fell due to counter-sanctions, although this has stabilized since 2017. The 2020 food security doctrine prescribes more self-sufficiency in seafood.

Seafood imports from Europe fell dramatically as a consequence of the food embargo, reinforcing Russia's reduced role as a seafood importer. The major seafood trade inflows most affected by the ban are imports of Atlantic salmon, herring, and trout from Norway and cold-water shrimp from Canada. Even if the import ban against the EU has been compensated for somewhat with imports from other countries, the big picture is still a reduction in seafood imports.¹³ A parallel trend in Russia's seafood imports is the gradual shift from European to Asian countries, where China has maintained its position as the second-largest foreign supplier of seafood to Russia, increasing the volume thereof by 23 percent in 2010–2016 (see Table 2 on p. 15). Newcomers among the top ten exporters of seafood to Russia are Vietnam, Peru, Morocco, Thailand, and India, allowing Russia to further distance itself from Western countries.¹⁴

Russian food security issue is clearly a political ambition strongly related to independence of seafood imports in order to self-supply the domestic market. As indicated above, the Russian model of food security emphasizes that reliance on foreign food sources makes the nation vulnerable.¹⁵ At the same time, the Russian economy's trade surplus in the seafood sector helps to bolster sectors that have a negative trade surplus (such as agriculture). Based on statements by government leaders,

9 "Ukaz Prezidenta Rossiiskoi Federatsii ot 21.01.2020 g. No. 20. Ob utverzhenii Doktrina prodovol'stvennoi bezapastnosti Rossiiskoi Federatsii," January 21, 2020, <http://kremlin.ru/acts/bank/45106>, accessed January 12, 2021.

10 Pravitel'stvo Rossiiskoi Federatsii, "Rasporiazhenie ot 12 Aprelia 2020 g. N 993-r, Strategii razvitiia agropromyshlennogo i rybokhoziaistvennogo kompleksov Rossiiskoi Federatsii na period do 2030 goda," April 12, 2020, <http://extwprlegs1.fao.org/docs/pdf/rus195965original.pdf>, accessed January 12, 2021.

11 Domestic fisheries (commercially farmed fish) are seen to hold great potential for increasing production of aquatic resources, the reason being that the wild catch at sea is limited and fluctuates naturally over time. That said, commercial aquaculture will continue to play an insignificant role in the production and economics of the fishery sector, even though its average annual production growth rate has been about 15 percent. Commercial aquaculture is a part of the total fish production that is possible to control and increase. Current output from this industry is, however, modest and not subject to export.

12 Stephen K. Wegren and Christel Elvestad, "Russia's Food Self-Sufficiency and Food Security: An Assessment," *Post-Communist Economies* 30, no. 5 (2018): 565–87.

13 Arina Motova and Fabrizio Natale, "Impacts of the 2014 Russian Trade Ban on Seafood," European Commission, JRC Science and Policy Report 94726 (2015), <https://publications.jrc.ec.europa.eu/repository/bitstream/JRC94726/lbna27113enn.pdf>.

14 Wegren and Elvestad, "Russia's Food Self-Sufficiency and Food Security."

15 Stephen K. Wegren, Alexander M. Nikulin, and Irina Trotsuk, "The Russian Variant of Food Security," *Problems of Post-Communism* 64, no. 1 (2017): 47–62.

official documents and plans, institutional arrangements, and business interests within Russia, I predict that Russia's role as a seafood importer will remain stable.

The second change is to Russia's role as a seafood exporter. Over the past 15 years, Russia has become an increasingly dominant seafood exporter. In 2003, Russia ranked 35th globally in dollar value of seafood exports. By 2020, Russia had risen to 6th, behind only the traditionally large seafood-exporting countries of China, Norway, the US, Chile, and India. Russia's rankings as seafood importer and exporter in 2003–2019 are shown in Table 3 on p. 15.

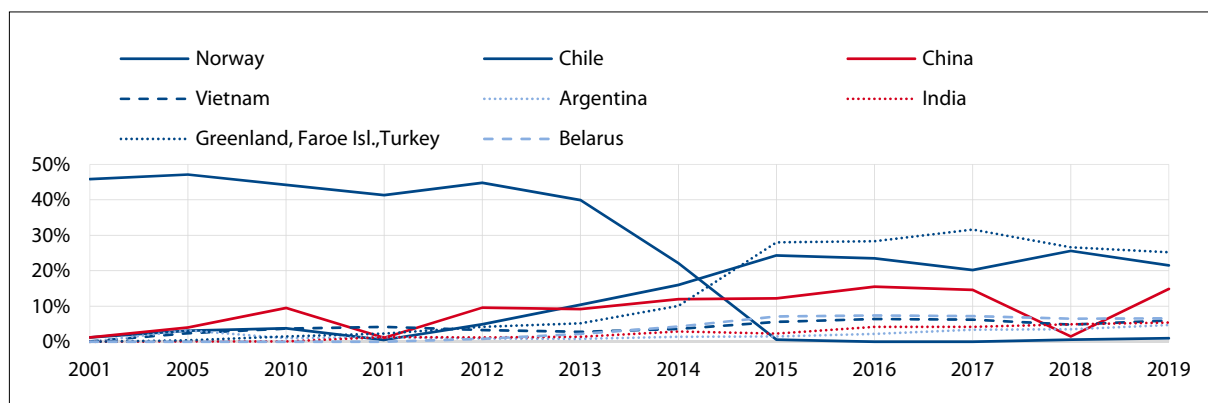
Going forward, Russia's room for maneuver as a global actor in the seafood trade will be affected by resource accessibility; organizational behavior; and the

state's political aims, goals, and institutional capabilities. The Russian government has made clear that it intends to play a direct role in seafood exports. Since 2000, a range of economic and institutional measures have been implemented. Legal institutions, regulations, and various incentive measures have been introduced, together with the transfer of power to such federal control organs as the Federal Customs Service, Rossel'khoz-nadzor, and more sector-specific organs that give the state the ability to move seafood exports in desired directions. With regard to seafood exports, there is little to suggest a pull-back in Russia's export orientation. Stable and high levels of fishing will allow Russia to maintain its role as a prominent actor in the global seafood trade.

About the Author

Frode Nilssen is a professor at Nord University Business School and has extensive experience of scientific collaboration and research related to the Arctic in general and the role and significance of the relationship with Russia in particular. The main topics on which he has been working for the past 30 years relate to the tension between economic behavior, bilateral and multilateral governance, and politics in the exploitation of natural resources. Nilssen has, among other roles, been Fisheries Counsellor at the Royal Norwegian Embassy in Moscow and a researcher and research director at the Norwegian Institute for Fisheries and Aquaculture.

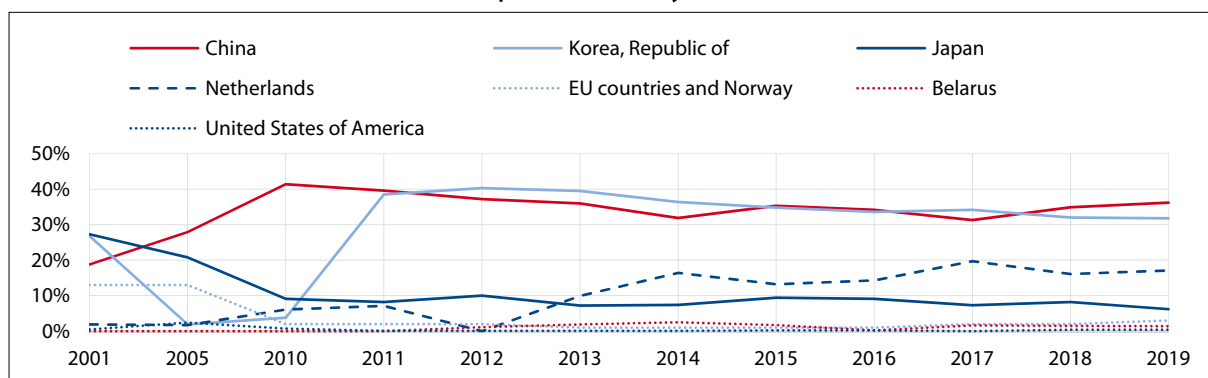
Table 1: Market Share of Main Suppliers of Russia's Seafood Imports, 2001–2019



	2001	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Norway	45.8%	47.1%	44.2%	41.3%	44.8%	39.9%	22.1%	0.6%	0%	0%	0.6%	1.0%
Chile	1.2%	3.1%	3.8%	0.5%	4.9%	10.4%	16.0%	24.3%	23.5%	20.2%	25.6%	21.5%
China	1.2%	4.0%	9.5%	1.1%	9.6%	9.2%	12.0%	12.2%	15.5%	14.6%	1.5%	14.9%
Vietnam	0.1%	2.4%	3.7%	4.2%	3.3%	2.8%	3.6%	5.6%	6.4%	6.2%	4.8%	6.0%
Argentina	0%	3.2%	1.0%	1.3%	0.9%	0.8%	1.4%	1.5%	2.2%	3.4%	3.5%	4.7%
India	0%	0.1%	0.1%	1.3%	1.2%	1.4%	2.9%	2.3%	4.2%	4.2%	4.9%	5.4%
Greenland, Faroe Isl., Turkey	0%	0.4%	1.5%	2.3%	4.2%	5.2%	10.1%	28.0%	28.3%	31.6%	26.6%	25.2%
Belarus	0%	0%	0%	0%	0.8%	2.2%	4.3%	7.1%	7.4%	7.2%	6.5%	6.6%
Sum	48.3%	60.3%	63.7%	51.8%	69.6%	71.9%	72.2%	81.7%	87.5%	87.5%	73.9%	85.4%

Note: Percentages are based on dollar value of imports.

Source: Trade statistics for international business development, <https://www.trademap.org/>.

Table 2: Distribution of Russia's Seafood Exports to Main Buyers, 2001–2019

	2001	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
China	18.8%	27.9%	41.4%	39.6%	37.2%	36.0%	31.9%	35.3%	34.2%	31.3%	34.9%	36.2%
Korea, Republic of	26.8%	1.9%	3.8%	38.5%	40.3%	39.5%	36.4%	34.8%	33.6%	34.2%	32.0%	31.8%
Japan	27.3%	20.8%	9.1%	8.2%	10.0%	7.2%	7.4%	9.4%	9.1%	7.3%	8.2%	6.2%
Netherlands	1.9%	1.7%	6.1%	7.1%	5.0%	9.9%	16.4%	13.2%	14.3%	19.7%	16.1%	17.1%
EU countries and Norway	13.0%	13.0%	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	3.0%
Belarus	0%	0%	0%	0%	1.1%	1.9%	2.5%	1.7%	0.2%	1.6%	1.5%	1.4%
United States of America	0.5%	2.4%	0.7%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0%	0.4%	0.4%
Sum	88.3%	67.5%	63.1%	95.8%	95.4%	95.7%	96.0%	95.8%	92.5%	95.7%	95.3%	95.9%

Note: Percentage of exports based on dollar value of exports.

Source: Trade statistics for international business development, <https://www.trademap.org/>.

Table 3: Russia's Place in the Global Seafood Trade**Ranking of the eight largest seafood-exporting countries**

	2003	2007	2010	2015	2019	2020
1	China	Norway	China	China	China	Norway
2	Norway	China	Norway	Norway	Norway	China
3	USA	USA	Vietnam	USA	Vietnam	Vietnam
4	Vietnam	Vietnam	USA	Vietnam	India	India
5	India	Canada	Canada	India	Chile	Chile
6	Canada	Chile	Thailand	Canada	USA	Russia (6)
7	Chile	Spain	Spain	Chile	Russia (7)	Canada
8	Sweden	Thailand	Chile	Sweden	Sweden	Sweden
	Russia (10)	Russia (35)	Russia (12)	Russia (10)		

Ranking of the eight largest seafood-importing countries

	2003	2007	2010	2015	2019	2020
1	Japan	Japan	Japan	USA	USA	USA
2	USA	USA	USA	Japan	China	China
3	Spain	Spain	Spain	China	Spain	Japan
4	France	China	France	Spain	Spain	Spain
5	Italy	France	China	France	France	France
6	China	Italy	Italy	France	France	Sweden
7	Sweden	Germany	Germany	Sweden	Sweden	Korea repub.
8	Hong Kong	Rep. of Korea	Sweden	Germany	Rep. of Korea	Italy
	Russia (21)	Russia (14)	Russia (11)	Russia (19)	Russia (18)	Russia (18)

Note: Ranking is based on U.S. dollar value

Sources: International Trade Statistics; Federal Customs Service, Russia; Rosstat; and UN Comtrade.

Russia's Agri-Food Trade: The Eurasian Dimension¹

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Abstract

Given its ambitious integration agenda, including the creation of a genuine internal market and a common external trade policy, the Eurasian Economic Union (EAEU) was expected to affect Russia's place in regional and global food trade. To date, however, the EAEU has performed below its potential as a vehicle for growth. This paper attributes this to the weakness of Eurasian institutions when it comes to removing regulatory distortions and their inability to constrain the politicization of Russia's food policy.

Introduction

Over the last two decades, increasing its influence in the global food trade has been a key priority of Russia's agri-food policy. This has resulted in a gradual reduction of trade with its former Soviet partners relative to trade with the rest of the world. At the same time, Russia has sought to invest in regional economic integration through the launch of the Customs Union with Belarus and Kazakhstan in 2010 and ultimately the Eurasian Economic Union (EAEU), to which Armenia and Kyrgyzstan also acceded, in 2015. While the main drivers behind Eurasian integration have been geopolitical, the project also promised the expansion of regional trade through the creation of an EU-style common market underpinned by an ambitious agenda for regulatory harmonization and the coordination of such policies as agriculture and transport. The EAEU similarly presented opportunities for more prominent participation in the international food system thanks to its common external tariff and common trade policy.

To date, however, progress on the ground toward achieving these goals has been modest or even disappointing. The launch of the EAEU was marked by a sharp currency depreciation against the dollar and the start of Russia's food embargo against the West. Russia, a net food importer from the EAEU, experienced a reduction of its agri-food imports. This trend gradually reversed after 2015 (see Figure 1 on p. xx), but the rate of recovery has been unequal across Russia's EAEU partners. Notably, the dynamics of imports from Belarus—Russia's most important food partner, with particular significance in the supply of dairy and meat products—show pronounced dips in trade (see Figure 2 on p. xx). The volumes of agri-food imports from Belarus have yet to return to the heights they reached in 2013–2014. Furthermore, the rate of increase in the value of EAEU imports has slowed down since 2017. Ultimately, the volume of external food trade dwarfs that of internal

trade (see Figure 3 on p. xx). Similarly, while Russia has increased its exports to the EAEU, this has occurred at a rate slower than the growth of its exports to the rest of the world. The low share of intra-Union trade stands in stark contrast to other integration groupings, such as the EU. There is also a trend toward other geographical regions replacing the countries subject to the import ban.

This overall picture can be attributed not only to the weakness of Eurasian institutions in tackling barriers to trade, but also to their inability to constrain the politicization of Russia's food policy, which has come at the expense of developing integration.

Institutional Obstacles to Internal Trade

The EAEU benefitted from the early achievements of the 2010 Customs Union, including the removal of internal customs controls and its early attempts to impose common mandatory requirements in relation to sanitary and veterinary matters. These developments contributed to a rise in mutual agri-food trade that peaked in 2013. The EAEU was expected to provide a further boost to trade by focusing on the removal of regulatory barriers to trade that related to food safety (technical regulations as well as sanitary and phyto-sanitary (SPS) and veterinary controls). The extent of the EAEU common regime and the powers of its common bodies, however, have not matched the ambition of the project.

First, while the mandatory requirements and procedures are developed and updated by the permanent regulator of the EAEU, the Eurasian Economic Commission (EEC), its autonomy is limited. Its progress in upgrading technical regulations is highly dependent on member states' consent and cooperation. In the EEC's own assessment, this is an area where delays and perfunctory attitudes of the member states abound (EEC 2019).

Second, even where EAEU technical regulations are adopted, there are no effective Union mechanisms to

¹ This paper draws on a chapter titled "Russia's Agri-Food Trade within the Eurasian Economic Union," in *Russia's Role in the Contemporary International Agri-Food Trade System*, ed. Stephen K. Wegren and Frode Nilssen (London and New York: Palgrave Macmillan, 2022).

ensure domestic compliance, resulting in discrepancies and inconsistent application of requirements. The EEC has no powers in this regard: control is the prerogative of national authorities in line with the national systems of food control (Article 57.4 of the EAEU Treaty). The possibility for divergence is even greater in relation to SPS requirements, as member states are allowed to impose additional requirements and additional processes for assessing conformity (Article 53.2 of the EAEU Treaty). The exercise of SPS and veterinary control is the province of domestic authorities, with the EEC having no power to audit national systems of control or participate in joint inspections.

Third, member states have the right to impose temporary SPS restrictions. This gives them the opportunity not only to apply protective measures *vis-à-vis* another member when notified of problems, but also to act upon their own findings of a violation of technical regulations or a “deterioration of the sanitary-epidemiological situation on the territory of member state” (Paragraph 6, Annex 12 of the EAEU Treaty). The result is wide discretion in the imposition of temporary SPS measures, subject only to the requirement, introduced in May 2016, to follow a process for mutual notification and consultation. This is especially problematic given the important gaps in the common SPS regime when it comes to the definition and justification of key terms (e.g., “deterioration” or “threat”) or the format of processes (e.g., how a risk analysis should be conducted).

Thus, food trade continues to be subject to a range of regulatory distortions and uncertainty. The weakness of the common bodies is compounded by the weakness of domestic institutions for inspection, certification, and enforcement in many EAEU member states. For example, there has been ample evidence of corrupt practices leading to a “market for documents” (EEK 2020). This further undermines the integrity of the common system, especially where market access is based on mutual recognition of certificates.

The Geopolitics of Food Trade

Another determinant of the food trade dynamics within the EAEU has been Russia’s food embargo against the West, which was imposed in August 2014 and has been extended until the end of 2022. The import ban led to two main effects working in opposition to each other. On the one hand, it created opportunities for an increase in EAEU imports to substitute for Western goods. On the other hand, it had significant deleterious effects on mutual trade: creating new obstacles, proliferating trade disputes, and undermining its previous achievements. Having failed to secure support for Union-level action, Russia imposed the import ban unilaterally. This represented a very visible departure from the principles of

a customs union, undermining its legitimacy. Yet in the absence of a developed common regime, Russia was dependent of the cooperation and capacity of its partners to enforce the ban at the external borders of the Union. While such cooperation was initially promised, it was soon overshadowed by the boom in “contraband” food trade through a variety of schemes, the most widely publicized of which is the case of Belarus.

Faced with the weakness of its partners’ institutions, but also their willingness to profit from the sanctions regime, Russia resorted to defensive measures. It reintroduced customs and food safety checks in areas bordering Belarus and Kazakhstan, causing delays in traffic and resulting in the emergence of a “de facto two-tier customs regime” (Kofner 2019). At the same time, it stepped up its use of temporary SPS measures to protect its market and pressure Belarus. This resulted in a number of high-profile trade disputes, with Russia’s measures often perceived as protectionist and politically motivated as well as contrary to EAEU common market requirements. Following the 2018 “milk war,” the EEC sided with Minsk. Yet given its limited powers, its notifications to the Russian side and subsequent attempts to address the underlining institutional problems have been largely inconsequential, with solutions ultimately hostage to the vagaries of the highest level of political bargaining.

Given the limits of Russia’s defensive responses, it also sought to promote improvements in the common regime to tackle contraband trade. Moscow was instrumental in promoting agreements on product marking, traceability of imported goods, and overall advances in the digital agenda of the EAEU. Yet the practical effect of such improvements is slow and uncertain due to persistent technical difficulties and opposing interests (Kofner 2019).

Finally, another byproduct of the sanctions war with the West has been Russia’s import-substitution policy, launched in October 2014. While the EAEU aims at a coordinated agricultural policy—including an attempt to formulate some common principles for the adoption of state support policies, especially in relation to sensitive agri-foods—this remains a distinctly decentralized process based on “soft” measures such as consultations and recommendations (Articles 94 and 95 of the EAEU Treaty). Certainly, the effort to coordinate national import-substitution programs has proceeded very slowly. Notably, to start with, Russia was reluctant to open its public procurement market to EAEU companies, attracting complaints about the resulting distortion of the common market. Although Russia admitted EAEU companies to its program in 2018, there remain substantial obstacles to their effective participation.

The External FTA Agenda

Externally, the EAEU has sought to develop active cooperation with partners across many geographical regions, thus potentially aiding not only Russia's quest for greater prominence in the international food system, but also the geographical reorientation of post-sanction imports.

To date, the EAEU has finalized free trade agreements (FTAs) with Vietnam (2015), Iran (2018), Singapore (2019), and Serbia (2019). These agreements promise to increase trade in agricultural products (with the exception of trade with Singapore, which already benefited from Singapore's liberal trade regime). In terms of imports, for example, the Vietnam FTA improves access for fish, rice, and fruit—and indeed, trade data show that Russia's total imports from Vietnam have grown. In terms of exports, it helps EAEU producers increase their market share in milk, poultry, and confectionary. However, these effects are minimal, for two main reasons.

First, the FTAs are not concluded with major trade partners and the primary reason for pursuing them was not economic. Instead, the agreements exist because they align with Russia's geopolitical objectives in particular regions. Thus, they account for small volumes of external trade: for example, Vietnam represents less than 1% of Russia's total trade (Dragneva and Hartwell 2021).

Second, the agreements' liberalizing ambition is limited. They exclude sensitive goods and leave wide scope for protectionism. The Vietnam agreement, for example, excludes competing goods, such as meat, milk, and sugar, but also provides for applying trigger safeguard measures to control the volume of imports, such as rice.

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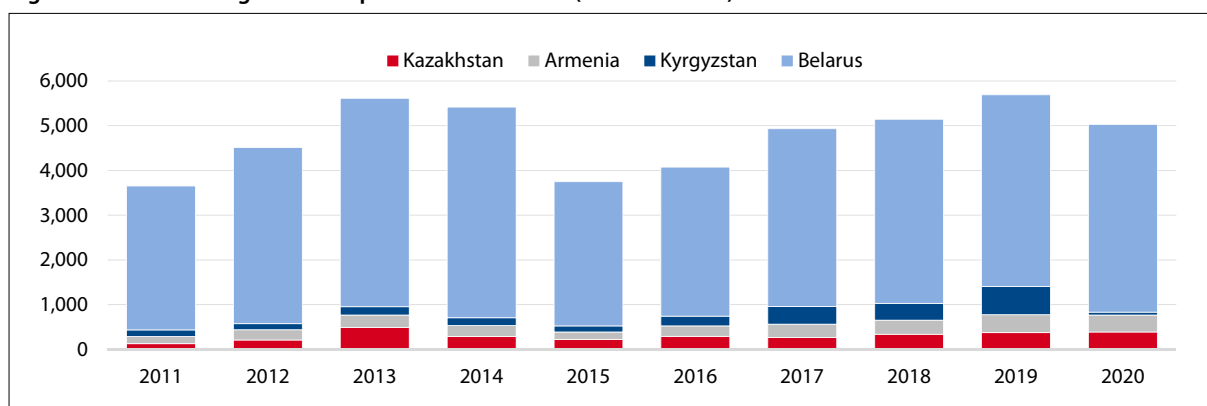
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In this sense, it is not surprising that the bulk of the growth in Russia's external markets since 2014 has been outside the framework of the EAEU's FTAs. The EAEU has also been negotiating with larger trade partners, such as Egypt and India. Yet negotiations have been slow and complicated. At the same time, while a cooperation agreement between China and the EAEU was signed in 2018, this was a non-preferential agreement; there is little appetite for a free trade deal at the Union level. An EAEU–EU trade agreement, while occasionally entertained by well-wishers as a way of depoliticizing the current crisis in Russia–EU relations, seems to be an even more distant prospect.

Conclusions

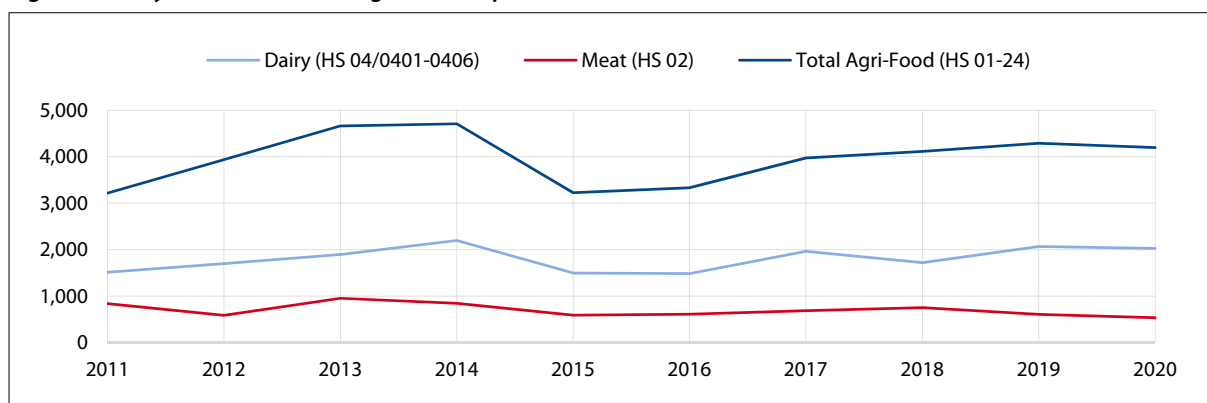
The EAEU has performed below its potential in growing regional trade and enhancing Russia's policy options in the global food system. Notably, it has failed to make significant advances toward eliminating non-tariff barriers to trade. At the same time, it has not been able to constrain the tide of food politicization and prevent new distortions through unilateral departures from commitments and the proliferation of trade disputes. While recent strategic documents of the Union seek to reignite the common market agenda, it seems questionable whether they will be able to deliver without a radical change to the Union's institutional backdrop. Against this background, it can be expected that Russia will continue to assert its policy priorities—in relation to agri-food but also wider geopolitics—through the EaEU where possible, but also *despite* the EAEU where necessary.

Figure 1: Russia's Agri-Food Imports from the EAEU (in million USD)



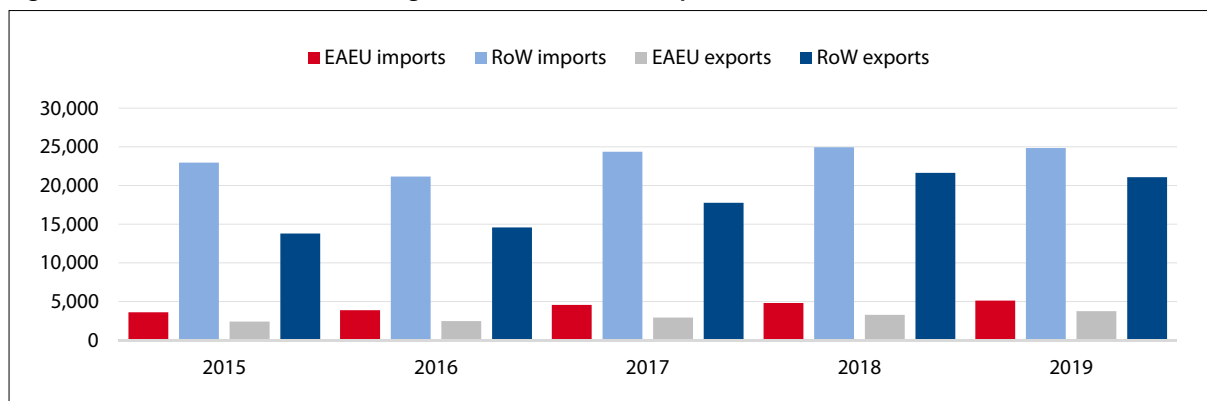
Source: Compiled by the author on the basis of the EEC's statistics on trade in agri-food products (HS codes 01-24).

Figure 2: Dynamics of Russia's Agri-Food Imports from Belarus (in million USD)



Source: Compiled by the author on the basis of the EEC's statistics on trade in agri-food products (HS codes 01-24).

Figure 3: The Structure of Russia's Agri-Food Trade: EAEU Compared to the Rest of the World (RoW) (in million USD)



Source: Compiled by the author on the basis of the EEC's statistics on trade in agri-food products (HS codes 01-24).

Russia's Food Trade with the Middle East and North Africa¹

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Abstract

The Middle East and North Africa (MENA) region is the top destination for Russian food exports. Focusing on Turkey, Egypt, Iran, and Saudi Arabia, this article shows that Russian exports of wheat, barley, and maize are the key component of these bilateral food trade relationships; Russian food imports are typically minor in comparison. Russia's agricultural trade ties with the MENA countries under study have repeatedly been affected by the improvement and deterioration of political relations. For example, Russia banned most food imports from Turkey over a political conflict in 2016, which prompted counter-measures by the Turkish side. It can generally be observed that Russia is successfully working to open additional destination markets in the region and beyond, while simultaneously impeding imports of specific food products that it aims to produce domestically.

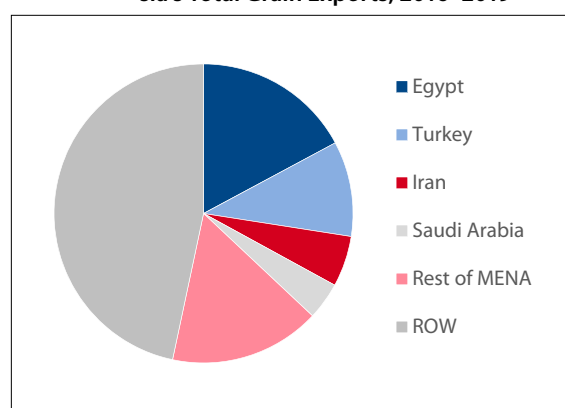
Introduction

As Russia's food and particularly grain exports started to increase with the turn of the millennium, the Middle East and North Africa (MENA) became the country's most important destination region. This article focuses on Russia's top four destination markets within the MENA region, namely Egypt, Turkey, Iran, and Saudi Arabia, which accounted for close to three-quarters of Russia's grain exports to the region between 2016 and 2019 (see Figure 1), as well as 55% of Russia's food imports therefrom. Egypt and Turkey are Russia's top two wheat export markets, while Saudi Arabia is the primary destination for Russian barley. Russia's food trade with Egypt, Iran, and Saudi Arabia is largely unidirectional, while its trade with Turkey—which supplies significant quantities of fruits and vegetables to Russia—is more bilateral. Overall, Turkey is Russia's most important destination market for food exports, followed by China and Egypt; Iran and Saudi Arabia also fall into the top ten. On the list of Russia's most important suppliers of food, Turkey comes in fifth, behind Belarus, Brazil, China, and Germany (UN Comtrade 2022).

Egypt

Egypt is the world's largest wheat importer, buying around 12.5 million tons per season, as its domestic production only covers 42% of its total consumption (IGC 2022). Around half of Egypt's wheat imports are handled by the General Authority for Supply of Commodities (GASC), a state trade enterprise responsible for the procurement of foodstuffs. In fulfilling its mandate,

Figure 1: Individual MENA Countries' Shares of Russia's Total Grain Exports, 2016–2019



Note: In aggregate, Russia's grain exports between 2016 and 2019 amount to 171.5 million tons (UN Comtrade 2022).

the GASC imports as much wheat as the whole of Japan, making the agency a dominant single player on the international market. To purchase wheat, as well as other food commodities such as rice, soy oil or sunflower oil, the agency employs a tender system. The GASC usually issues wheat tenders every two weeks, buying three to four cargoes of 60,000 tons from the countries that are currently most competitive. GASC tenders are closely watched by the global grain trade, as Egypt is geographically located at a vital chokepoint of international trade, namely the Suez Canal. As such, being competitive in GASC tenders typically also implies competitiveness in destination markets beyond the canal, giving the outcome of Egypt's wheat tenders high informational value (Heigermoser et al. 2021).

¹ This article draws on a chapter titled "Russia's Food Trade with the Middle East and North Africa" in *Russia's Role in the Contemporary International Agri-Food Trade System*, eds. Stephen K. Wegren and Frode Nilssen (London and New York: Palgrave Macmillan, 2022).

The wheat the GASC purchases is utilized domestically to produce *baladi* flat bread. This staple food is sold at subsidized prices to Egyptians with lower incomes. Egypt's bread subsidy program is a politically sensitive issue and efforts to abolish or reform the subsidy system have caused repeated uprisings and riots (Ghonein 2015). Over the past two decades, Russia and further Black Sea exporters such as Ukraine and Romania have steadily increased their shares of the GASC tender market, mostly at the expense of the US, which had for decades been the leading supplier of wheat to Egypt. From the 2015/16 season onwards, at least 80% of wheat imported by the GASC originated from the Black Sea region, with Russia alone accounting for between 40% and 80%. This compares to an average share of 33% between the 2005/06 and 2008/09 seasons. As a result of the increasing share of Black Sea wheat in the Egyptian market, the United States Wheat Associates, the U.S. wheat industry's export market development agency, closed their Cairo office in December 2017 (World Grain 2017).

Turkey

Turkey is Russia's most important trading partner in the MENA region, with an average annual food trade volume of \$3.15 billion between 2017 and 2019 (UN Comtrade 2022). Food trade, however, constituted only 13% of total trade between the two countries over the past decade, as Turkey—a country dependent on energy imports—predominantly buys natural gas and crude oil from Russia, making energy trade the primary component of the economic relationship between the two Black Sea countries. Turkey is mostly self-sufficient in wheat and barley production, while total corn consumption exceeds domestic production by around 40%. However, grains—particularly wheat—still account for more than 55% of Turkey's food imports from Russia, with excess wheat quantities being processed into wheat flour, which Turkey exports to destination markets in the MENA region, chief among them Iraq, as well as Syria and Yemen. With a market share of 20% and exports worth \$1 billion per year, Turkey is the world's largest wheat flour exporter, followed by Kazakhstan (10.5%) and Germany (6.5%) (UN Comtrade 2022).

Despite the generally strong economic ties between Russia and Turkey, bilateral food trade has been heavily affected by political tensions between the two countries in recent years. In November 2015, Russia responded to the downing of a fighter jet by introducing an extensive package of sanctions against Turkey, including a ban on imports of Turkish food products such as tomatoes, onions, and cucumbers. After a meeting between the two countries' presidents in St. Petersburg in early August 2016, the intent to "normalize" the bilateral relationship and a gradual lifting of the Russian import

restrictions were announced (Reuters 2016a). However, while restrictions on other food items were lifted, Turkish tomato exports remained impeded. Exempting tomatoes from the resumption of food trade is in line with the logic of Russia's agricultural import-substitution policy, which applies to many agricultural sectors (Götz et al. 2022): tomato imports are banned and the Russian government financially supports domestic tomato production with a view to achieving self-sufficiency.

Saudi Arabia

Until 2016, the food trade between Russia and Saudi Arabia was mostly limited to Russian barley exports. For several decades, Saudi Arabia has been the world's largest barley importer, with annual imports amounting to around 7.5 million tons and a market share of around 30%. Today, Saudi Arabia is entirely dependent on imports of barley, which is used as animal feed in the country. Since the early 2000s, Saudi Arabia has sourced around 40% of its barley from the Black Sea region, primarily Ukraine, followed by Russia. In some years, the Black Sea market share has even exceeded 60%. While Saudi Arabia is still the top destination for Russian barley exports, its share has decreased from 60% between 2011 and 2015 to 40% since 2016, while exports to other MENA countries, particularly Iran and Jordan, have increased substantially.

After years of bilateral negotiations, Russian wheat was approved to be offered in Saudi state wheat tenders on August 8, 2019 (Reuters 2019). The opening of the Saudi Arabian market for Russian wheat must be seen in the context of a steadily improving relationship between the two countries in recent years. After bilateral relations reached a low point due to the two countries being on opposite sides in the Syrian civil war, Saudi Arabia and Russia—the world's two largest crude oil exporters—began to cooperate in oil markets in 2016 when crude oil prices fell to historically low levels (Reuters 2016b). As their diplomatic ties have improved, food exports from Russia to Saudi Arabia, which had halved from around \$500 million annually between 2012 and 2015 to \$250 million in 2016, returned to their previous levels. Going forward, Russian and Saudi Arabian officials have affirmed their intention to further increase and diversify the bilateral food trade.

Iran

Following the collapse of the Soviet Union, there was bilateral political will to expand trade relations between the Russian Federation and the Islamic Republic of Iran (hereafter Iran). The "Look to the East" policy defined by Tehran in 2006 (Adami 2010) promoted the improvement of Iran's economic and political relations with Russia and China after many years of a no-alliance policy

(Tarock 2017). However, while the bilateral economic relationship remains insignificant as a share of total trade, agricultural and food trade has increased substantially since 2017. In 2018, Iran imported food products worth \$856 million from Russia, while food exports to Russia stood at \$450 million.² As such, food trade accounted for around two-thirds of Russian-Iranian trade between 2017 and 2019. Russia and Iran both have large oil and natural gas reservoirs, and both depend on fossil fuel exports. However, Iran has an arid to semi-arid climate and faces severe water scarcity issues. Despite this, Iran has implemented self-sufficiency policies, particularly for its domestic grain production, which is affected by varying levels of precipitation. As Russia turned into a major grain exporter, Iran started to diversify its cereal import portfolio by relying more heavily on Russia, although imports from other countries remain substantial (ITC 2020). In 2018, maize was Iran's primary food import from Russia, followed by sunflower oil and barley. The top food exports from Iran to Russia are fruit, nuts, and vegetables. It must be added that Iranian wheat imports from Russia are highly volatile, as Iran's domestic wheat production varies widely due to fluctuating precipitation levels.

Conclusions

In this article, we have portrayed Russia's food trade with its top four destination markets in the MENA region. Food trade dominates Russia's bilateral trade relationships with Saudi Arabia, Iran, and Egypt, which—like Russia—are net energy exporters. In the case of Turkey, the sole net energy importer of the countries under study, food trade only accounts for 13% of total trade with Russia, as the vast majority of trade is in energy. In all four cases, Russia's food exports clearly outweigh its

food imports. Due to unfavorable climatic conditions, grain production in the MENA countries often does not meet the demand of the growing populations; Russia has thus emerged as a major supplier of wheat, as well as barley and maize, to the neighboring region. Since Saudi Arabia approved the import of Russian wheat in August 2019, only a few MENA countries maintain a prohibition on importing Russian wheat, most notably Algeria, the world's third-largest wheat importer, as well as Iraq.³ Unless Algeria approves wheat imports from Russia, and leaving aside increasing demand due to population and economic growth in the MENA region, Russia's overall grain exports to the MENA region are unlikely to increase substantially in the future, as the region already sources most of its grain from Russia or competing Black Sea exporters such as Ukraine, Kazakhstan or Romania.

By exporting wheat and other grains to the import-dependent MENA region, Russia has managed to build meaningful economic trade relationships with countries that are also primarily energy exporters—and thus competitors. After reaching low points in 2016 due to, inter alia, Russia's involvement in the Syrian civil war, a stand-off in international energy markets, and various disputes over product quality, the food trade relationships with the selected MENA countries have largely improved in recent years. While the food trade has repeatedly been disrupted by political interventions (see Heigermoser et al. 2022 for details), its central component, the grain trade, can be expected to remain stable in the long run due to its unequivocal mutual benefit: because of climatic and geographic advantages, Russia can competitively produce and ship grains to the MENA countries, which lack sufficient grain production of their own to meet domestic consumption.

About the Authors

PD Dr. *Linde Götz* is Deputy Head of the Department of Agricultural Markets at the Leibniz Institute of Agricultural Development in Transition Economies (IAMO) and a Lecturer at Martin Luther University of Halle-Wittenberg. She obtained her PhD in Agricultural Economics from the University of Göttingen and studied at Humboldt University of Berlin and the University of Minnesota in Minneapolis, USA. Her research interests include price formation and competition on agricultural markets and in food supply chains, international trade, and the effectiveness of agricultural policies. She has led several research projects on the development of the agricultural sectors and food industries of Russia and the countries of the Black Sea region and the implications thereof for global food security.

Maximilian Heigermoser joined IAMO as a doctoral researcher in 2017. His dissertation focused on the rise of Russia and further Black Sea exporters as top exporters on global grain markets and the implications thereof for market integration, global food security, and price volatility. He successfully defended his thesis in 2021 and today works at a software company developing risk management and controlling solutions for cooperative banks.

2 The data available in Iranian sources list different trade volumes than the data provided by the UN Comtrade Database. According to these sources, Iran imported \$661 million of agricultural and food products from Russia and exported \$218 million of the same commodity groups to Russia in 2018 (AWNRC 2019).

3 Iraq, however, imports large quantities of wheat flour from Turkey, which in turn imports more wheat than it needs from Russia. Thus, Iraq indirectly imports Russian wheat.

Dr. *Tinoush Jamali Jaghdani* received his PhD in agricultural economics from the Faculty of Agricultural Sciences (with a minor in applied statistics from the Faculty of Mathematics) at the University of Göttingen, Germany, in 2012. He previously earned an MSc. in rural development from the University of Göttingen in 2007. He received his BSc. in agricultural economics from Tehran University, Iran, in 2001. Between 2012 and 2017 he was a postdoctoral fellow at the University of Göttingen on the projects ULYSSES and AgriCareerNet. Before that, he worked as a consultant for the private sector and the World Bank in Iran (2001–2004) and for the FAO in Turkey (2015). He joined IAMO as a research associate on the STARLAP project in October 2016 and has also been working since 2017 on the ongoing VALUMICS project. To date, Dr. Jamali Jaghdani's research has focused on water economics, food price volatility, food supply chains, and agri-food trade.

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ABOUT THE RUSSIAN ANALYTICAL DIGEST

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