

# Chapter 10

## Influence of Tariff Liberalization on Bilateral Trade: Implications for Russia and Its Asian Trade Partners

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### ABSTRACT

*The study aims at evaluating and comparing trade effects of tariff liberalization on bilateral trade between Russian and its Asian trade partners: China, India, Thailand and Vietnam. The partial equilibrium model - the Software for Market Analysis and Restrictions on Trade (SMART) model - underlies the research methodology. The authors calculate the trade effects of 1% linear cut of customs duties imposed on key commodity groups of mutual import flows and identify elasticities of bilateral import of different commodity groups on customs duties. On the basis of a comparative analysis of the results obtained, the authors formulated a set of conclusions regarding the efficiency of tariff regulation of imports in different countries and industrial sectors, tracking the changes of the influence of tariff liberalization on the dynamics of import of various categories of goods (depending on the value added and technological effectiveness).*

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## **INTRODUCTION**

Tariffs are the most common kind of barrier to trade. Moreover, they remain the main instrument of trade regulation in Russia (and EAEU on the whole), as the use of non-tariff measures is limited. The number of Russian non-tariff barrier, imposed on import goods accounted for 365 in the early 2019, compared with 2724 in China, 1795 in the Republic of Korea, 1739 in Japan, or 750 in India.

Foreign trade policy conducted by the government, predetermines the country's positions on global markets and in international division of labor and remains one of the key instruments for achieving the country's long-term strategic priorities.

The contemporary strategic priorities of Russia's foreign trade are declared in its main long-term planning documents: The Road Map "Supporting Access to Foreign Markets and Export Support," The Federal programs "Development of foreign economic activity" and "Industrial development and increase of its competitiveness", Priority projects "International cooperation and export in industrial sector" and "Export of agricultural products", The strategy of scientific and technological development of the Russian Federation etc. The long-term goals can be formulated as follows:

- Achieving a geographical balance of Russian foreign trade,
- Increasing exports of manufacturing products, especially engineering products;
- Reducing dependence on the export of raw materials, expanding non-oil and non-energy exports,
- Ensuring the competitiveness of domestic products in global agricultural markets.

The study aims at quantitative evaluating and comparing trade creation effects of tariff liberalization (the elasticities of mutual trade flows on import tariffs) in Russia's relations with its three Asian partners: China, India and Thailand. The authors make an attempt to compare potential effects of tariff liberalization on bilateral trade of different commodity groups (trade creation effects), as well as make conclusions, to which extent the mutual tariff liberalization can contribute to attaining the strategic priorities, declared above.

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