



**TRADE POLICY DEVELOPMENTS PAPER NO. 74**

**TRADE POLICY MONITORING REPORT**

**OF**

**RUSSIA**

**(April 2014 – June 2014)**

**VOLUME X**

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*This report has been prepared by the Centre for International Trade and Economic Laws (CITEL), Jindal Global Law School, Sonapat, NCR of Delhi under a consultancy project awarded by the Centre for WTO Studies, Indian Institute of Foreign Trade (IIFT).*

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## **ABBREVIATIONS**

AD	-	Anti-Dumping
APEC	-	Asia Pacific Economic Cooperation
BIT	-	Bilateral Investment Treaty
CBP	-	Customs and Border Protection
CBR	-	Central Bank of Russia
CCC	-	Commodity Credit Corporation
COMESA	-	Common Market for Eastern and Southern Africa
CVD	-	Countervailing Duties
DSB	-	Dispute Settlement Board
EPA	-	Environmental Protection Agency
EU	-	European Union
FTA	-	Free Trade Agreement
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
IP	-	Intellectual Property
SPS	-	Sanitary and Phytosanitary Measures
TBT	-	Technical Barriers to Trade
US	-	United States
USTR	-	United States Trade Representative
WIPO	-	World Intellectual Property Organization
WTO	-	World Trade Organization

## EXECUTIVE SUMMARY

- GDP growth of Russia declined by 0.9% this quarter compared to the previous quarter, which was 2% and the Consumer Price Index (CPI) rose from 415.3 in March 2014 to 425.5 in June 2014.
- Russia entered into an agreement with Kazakhstan and Belarus, for the creation of a Eurasian Economic Union. The alliance envisages the formation of a “single economic space” that would ultimately broaden the scope of operation of the Customs Union to cover financial, industrial, and agricultural policies.
- Russia signed a historic 30-year natural gas deal with China.
- A series of export restrictions on Russian goods, were imposed by the U.S. Department of Commerce in response to Russia's continued actions in southern and eastern Ukraine. These included licensing requirements on high technology items.
- The Eurasian Economic Commission amended the Customs Union Technical Regulation "On safety of food products" after considering proposals from members of the Customs Union and the Single Economic Space within the period of public discussion of draft amendments to the technical regulation finished on 12 July 2013.
- The Russian Government approved several subsidies and financial aid measures for strengthening domestic industries reeling under competition with foreign imports. The vegetable oil industry and the flour milling industry are some of the industries boosted by state assistance measures.
- Russia passed two noteworthy federal laws, one introducing accreditation requirements for certain foreign companies wishing to operate in Russia and the second introducing simplified procedures under which foreign journalists may be hired.
- Russia requested consultations with the European Union and its member States regarding measures relating to the energy sector while the European Union requested consultations with Russia regarding measures on importation of live pigs and their genetic material, pork, pork products and certain other commodities from the European Union and levy of anti-dumping duties on light commercial vehicles from Germany and Italy

## **AGENDA FOR THE NEXT REPORT**

- Update on Obama announcement for New Russian Sectoral Sanctions.
- Update on Russian Federation measures to increase the output of farm products.
- Update on Russian Central Bank proposal regulating foreign rating agencies.
- Update on Russia and Iran memorandum of understanding on closer trade and economic cooperation.
- Update on Russia's response to the European Union request for Panel in the dispute over light commercial vehicles.
- Update on European Union panel request against Russian Federation measures on the importation of live pigs, pork and other pig products from the European Union.
- Update on Russian Federation ban on all confectionary imports from Ukraine.
- Update on Russian ban on agricultural products from EU, USA, Australia, Norway and Canada which is proposed to last a year, starting August 7 2014.

# TRADE POLICY MONITORING REPORT OF RUSSIA FOR THE QUARTERLY PERIOD FROM APRIL TO JUNE 2014

## I. INTRODUCTION

This is the Thirteenth Quarterly Trade Policy Monitoring Report prepared by the Centre for International Trade and Economic Laws (CITEL), Jindal Global Law School. This report will monitor and discuss the trade and macroeconomic policy developments that took place in Russia during the period of April-June 2014.

## II. GENERAL ECONOMIC ENVIRONMENT

### II.A. GROSS DOMESTIC PRODUCT (GDP)

During April – June quarter, GDP of Russia is estimated at 17.697 trillion rubles<sup>1</sup>. According to Central Bank of Russia estimates, Russia's GDP growth declined by 0.9%. Y-o-Y GDP growth slowed from 2% in Q4 2013 to 0.9% in 2014 Q1 which was below Bank of Russia estimate.<sup>2</sup>

### II.B. CURRENCY

The Russian Ruble (RUB) had been steadily strengthening since mid-March. However Ruble weakened 8.6% this year against dollar trade since then. Capital outflows amounted to \$50.6 billion for the quarter as compared to \$63 billion for the whole of 2013<sup>3</sup>. This exodus of capital is partly due to sanctions imposed by various countries in relation to heightened military-diplomatic tensions with Ukraine.

### II.C. GOVERNMENT DEBT

Government Debt for the month of June is estimated by Central Bank of Russia to be at 729,926 billion USD.<sup>4</sup> Standard and poor downgraded Russia's sovereign debt rating to the lowest investment grade "BBB-". This can be attributed to the large capital outflows as a result of tension with Ukraine & economic sanctions by various countries.<sup>5</sup>

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<sup>1</sup> *Russian watchdog confirms April-June GDP growth*, ITAR-TASS News Agency, Sept. 8, 2014, available at <http://en.itar-tass.com/economy/748606> (last visited Sept.30,2014).

<sup>2</sup> *After Crimea: Calculating Gains & Losses*, Raiffeissen Research, June 2014, available at <http://swedishrussian.com/wp-content/uploads/2014/07/Russia-country-report.pdf> (last visited Sept.30,2014).

<sup>3</sup> Anna Andrianova, *Russia Debt Rating Cut to Step Above Junk at S&P*, Bloomberg, Apr. 25, 2014, available at <http://www.bloomberg.com/news/2014-04-25/russia-s-rating-cut-to-bbb-by-standard-poor-s.html> (last visited Sept.30,2014).

<sup>4</sup> [http://www.cbr.ru/eng/statistics/print.aspx?file=credit\\_statistics/debt\\_est\\_new\\_e.htm&pid=svs&sid=itm\\_44271](http://www.cbr.ru/eng/statistics/print.aspx?file=credit_statistics/debt_est_new_e.htm&pid=svs&sid=itm_44271) (last visited Sept.30,2014).

<sup>5</sup> *Supra* note 3

## II.D. CONSUMER PRICE INDEX

Consumer Price Index (CPI) rose from 415.3 in March 2014 to 425.5 in June 2014<sup>6</sup> and Producer Price Index (PPI) increased to 506.5 in June from 496.6 in March.<sup>7</sup>

## II.E. INFLATION

Inflation rose from 5% to 7.6% during the quarter. This makes achieving end 2015 target of 4.5% difficult.<sup>8</sup> Heightened currency market volatility, steep capital outflows and persistently tight labour market conditions were key factors impairing the inflation context. In response to growing market distress, Central Bank of Russia intervened decisively by raising the central bank key rate by 200 basis points to the current level of 7.5% in two moves in March and April.<sup>9</sup>

## II.F. INDUSTRIAL PRODUCTION INDEX

The Industrial Production Index remained comparatively stable over the quarter at 7.9, 7.5 & 7.4 points but compared to 2013 Q4 the output decreased from 1.8% to 0.3%.<sup>10</sup> Wholesale trade, mining, agriculture, transportation sectors all made significant contribution to negative economic growth while the negative contribution of construction increased.<sup>11</sup>

## II.G. EMPLOYMENT

The registered unemployment rate in June was 0.34 of the population and the labour coefficient being 0.17 of unemployed people per vacancy. The Department for Labour and Employment is planning to reduce the number of foreign workers in the country to improve the employment situation.<sup>12</sup>

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<sup>6</sup> *Consumer price indices for goods and services*, Russian Federal State Statistical Service, June 2014, available at [http://www.gks.ru/bgd/free/B00\\_25/IssWWW.exe/Stg/d000/000714.HTM](http://www.gks.ru/bgd/free/B00_25/IssWWW.exe/Stg/d000/000714.HTM) (last visited Sept.30,2014).

<sup>7</sup> *Producer price indices for industrial goods*, Russian Federal State Statistical Service, June 2014, available at [http://www.gks.ru/bgd/free/B00\\_25/IssWWW.exe/Stg/d000/000814.HTM](http://www.gks.ru/bgd/free/B00_25/IssWWW.exe/Stg/d000/000814.HTM) (last visited Sept.30,2014).

<sup>8</sup> Neil Shearing, *Russia leaves rates on hold as another "gas war" looms*, Dealing Cube, Dealing Cube, June 17, 2014 available at <http://dealingcube.com/macro/russia-leaves-rates-hold-another-gas-war-looms/> (last visited Sept.30,2014).

<sup>9</sup> *Executive Briefing: Russia*, Scotiabank, July 2014, available at [http://www.gbm.scotiabank.com/English/bns\\_econ/russia-execbriefing.pdf](http://www.gbm.scotiabank.com/English/bns_econ/russia-execbriefing.pdf) (last visited Sept.30,2014).

<sup>10</sup> *Index of Industrial Production*, Russian Federal State Statistical Service, June 2014, available at [http://www.gks.ru/bgd/free/B00\\_25/IssWWW.exe/Stg/d000/prom2014.htm](http://www.gks.ru/bgd/free/B00_25/IssWWW.exe/Stg/d000/prom2014.htm) (last visited Sept.30,2014).

<sup>11</sup> *Monetary Policy Report*, Bank of Russia, June 2014, available at [http://www.cbr.ru/Eng/publ/ddcp/2014\\_02\\_ddcp\\_e.pdf](http://www.cbr.ru/Eng/publ/ddcp/2014_02_ddcp_e.pdf) (last visited Sept.30,2014).

<sup>12</sup> Moscow ranks among Russian regions with the lowest level of general and registered unemployment, Moscow City Government, June 26, 2014 available at [http://www.mos.ru/en/authority/activity/social/index.php?id\\_14=29617](http://www.mos.ru/en/authority/activity/social/index.php?id_14=29617) (last visited Sept.30,2014).

### III. TRADE AGREEMENTS AND AGREEMENTS

#### III.A. BILATERAL AND REGIONAL AGREEMENTS

##### III.A.1. Russia and China sign a thirty year gas deal worth \$400 Billion

On 21 May 2014, the President, on a two-day visit to Shanghai, oversaw the signing of the contract between Gazprom and the China National Petroleum Corporation<sup>13</sup>. The contract culminated in the biggest natural gas deal Russia has signed since the collapse of the Soviet Union. The \$400 billion contract will run for 30 years and calls for the construction of pipelines and other infrastructure.<sup>14</sup>

The impetus to complete the gas deal, which has been talked about as a game-changing accord for more than a decade, finally came together after the Ukrainian crisis forced Russia's president, to urgently seek an alternative to Europe, Moscow's main energy market. This comes in the backdrop of Europe imposing sanctions on Russia and making clear its intention of seeking ways to reduce its dependence on Russian energy, as a retaliatory measure to the violence induced by Russia in Ukraine.

#### **BOX I: Economic and Geopolitical Consequences of the Russia China gas deal**

The agreement signed by the presidents of China and Russia on 21 May 2014, which will provide Russian natural gas to China for the first time, carries major economic and geopolitical implications:

- The pact will bolster President Vladimir Putin's 'Eurasian Economic Union' by helping to draw Russia and China closer, forming a more powerful economic counterweight to the United States and Europe. This comes at a time when the Obama administration is trying to isolate Russia economically over the crisis in Ukraine and as American tensions with China are rising over cyber spying and China's territorial disputes with its neighbors.
- Russia secures a contract, worth an estimated \$400 billion over 30 years that is the biggest in the history of its natural gas industry and provides Mr. Putin with an important new market for natural gas just when the European Union, its most important Western customer, is seeking to diminish its reliance on Russian gas.
- China, the world's leading consumer of energy, secures an important source of clean fuel at an advantageous price, decreasing the country's reliance on imported coal and oil.

*Source : New York Times*

##### III.A.2. Russia, Belarus and Afghanistan sign the creation of a Eurasian Economic Union

<sup>13</sup> Jane Perlez, *China and Russia Reach 30-Year Gas Deal*, [http://www.nytimes.com/2014/05/22/world/asia/china-russia-gas-deal.html?\\_r=0](http://www.nytimes.com/2014/05/22/world/asia/china-russia-gas-deal.html?_r=0) (last visited Sept.30,2014).

<sup>14</sup> *Id.*,



On 29 May 2014, at a meeting in Kazakhstan's capital, Astana, Russia, Belarus and Kazakhstan signed an agreement establishing the Eurasian Economic Union.<sup>15</sup> The main purpose of signing this agreement was to create an alliance for free trade and coordinating important economic policies. In essence, the agreement was signed to form a “single economic space” that would ultimately broaden the customs union to encompass financial, industrial, and agricultural policies.<sup>16</sup>

Nursultan A. Nazarbayev, the President of Kazakhstan, first floated the idea of a Eurasian union twenty years ago. As the Soviet Union disintegrated, Mr. Nazarbayev suggested that a Eurasian Union could provide the economic, national and military security that had disappeared. With Armenia and Kyrgyzstan set to join by the end of this year, the Union is set to link five of the fifteen former Republics of the Soviet Union. The absence of Ukraine from the agreement however, is a loss of 50 million potential customers for goods produced in the new economic union. It also means the union's economic activity will be driven primarily by the exploitation and sale of hydrocarbons, making the economies susceptible to shocks in commodity prices. Thus, with the absence of Ukraine, which also has a population of 46 million people i.e. 10 million more than the combined populations of Armenia, Belarus, Kyrgyzstan and Kazakhstan, it remains to be seen whether the proposed alliance will achieve its aim of creating a flourishing economic bloc or will it merely be reduced to a pale imitation of what the members first envisioned: an eastern version of the 28-member European Union. The alliance is slated to come into force on 1 January 2015.<sup>17</sup>

#### **BOX II: EU – Ukraine Trade Pact: Russia’s fears and response**

Dealing a defiant blow to the Kremlin, Ukrainian President Petro O. Poroshenko of Ukraine signed a long-delayed trade pact with the EU on 27 June 2014 that Moscow had bitterly opposed.

Georgia and Moldova signed similar deals, holding out the prospect of deep economic integration and unfettered access to the EU's 500 million citizens, and at the same time becoming a cause of alarm for Moscow which is concerned about losing influence over former Soviet republics. All three countries have made clear their ultimate goal as membership of the bloc.

Ukraine's former pro-Moscow President Viktor Yanukovich turned his back on signing the EU agreement in November last year in favor of closer ties with Moscow, which prompted months of street protests that eventually led to his fleeing the country. Soon afterwards, Russia annexed Ukraine's Crimea region, drawing outrage and sanctions from the United States and the EU, and pro-Russian separatists began an uprising in eastern Ukraine that has claimed hundreds of lives.

<sup>15</sup> Neil MacFarquhar, *Russia and 2 Neighbors Form Economic Union That Has a Ukraine-Size Hole*, <http://www.nytimes.com/2014/05/30/world/europe/putin-signs-economic-alliance-with-presidents-of-kazakhstan-and-belarus.html?hp> (last visited Sept.30,2014).

<sup>16</sup> Nate Schenkan, *How Sanctions Will Strengthen Putin's Regional Clout*, <http://www.foreignaffairs.com/articles/141941/nate-schenkan/band-of-outsiders> (last visited Sept.30,2014).

<sup>17</sup> *Id.*,

Kremlin spokesman Dmitry Peskov released a statement saying that Russia would take measures to protect its economy if it is negatively affected by the agreements. "As soon as the implementation starts, there can be talk of some protective measures, everything needed to protect our economy will be undertaken", he said. European Council President Herman Van Rompuy said there was nothing in the agreements that would harm Russia in any way. Ukrainian President urged the EU to reward Ukraine for its sacrifices by promising the country would be eligible for membership of the EU once it was ready. Moldovan Prime Minister Iurie Leanca has also set his sights on EU membership, saying on 26th June 2014 that he hoped his country would apply to join in the second half of 2015.

EU officials have stated that, in diplomatic talks, Russia has threatened to withdraw the duty-free treatment that Ukraine currently benefits from as a member of the Commonwealth of Independent States (CIS) free trade pact. One senior EU official called the Russian threat "deeply shocking" while another said such a move would violate the CIS agreement and World Trade Organisation rules.

If Russia imposed customs duties, it would put at risk some of Ukraine's exports, which mainly consist of base metals, grains, machinery, equipment and processed food. Ukraine sends 24 percent of its exports to Russia, worth \$15 billion a year.

Last year, Russia briefly imposed onerous customs checks at the Ukraine border and responded to Moldova's overtures to Brussels by cutting off imports of Moldovan wine. Russian energy giant Gazprom cut off gas supplies to Kiev early June this year after Ukraine failed to pay its gas debts.

Moscow on the other hand, fears that an influx of EU products into Ukraine will lead Kiev to dump its own production in Russia. It is also concerned that Ukraine may re-export EU products into Russia, avoiding duties that Russia imposes to protect its own output. The EU exported 23.9 billion euros (\$33 billion) of goods to Ukraine in 2013 and imported 13.8 billion worth, EU data shows.

*Source: Reuters*

## **IV. MEASURES DIRECTLY AFFECTING IMPORTS**

### **IV.A. NON-TARIFF BARRIERS**

#### **IV.A.1. Rules of Origin**

In this quarter, the Russian Federation issued the following notifications to the WTO Committee on Rules of Origin:

- The rules of origin for Tariff heading 2523 cement set forth in the Agreement on the Rules for Determination of the Country of Origin of Goods in the Commonwealth of Independent States of 20 November 2009 have been changed.<sup>18</sup>
- Some amendments into the list of conditions on manufacturing and technological operations necessary to fulfill for conferring the country origin of the good (Annex to the Rules for

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<sup>18</sup> Committee of Rules of Origin, *Notification under the rules of origin*, G/RO/N/115, <http://www.wto.org.tw/SmartKMS/fileviewer?id=140615> (last visited Sept.30,2014).

Determination of the Country of Origin of Goods in the Commonwealth of Independent States of 20 November 2009 have been made.<sup>19</sup>

- These changes were approved by the Protocol to the Agreement on Rules for Determination of the Country of Origin of Goods in the Commonwealth of Independent States of 20 November 2009 dated 28 September 2012 and by the Protocol to the Agreement on Rules for Determination of the Country of Origin of Goods in the Commonwealth of Independent States of 20 November 2009 dated 20 November 2013.<sup>20</sup>

## IV.B. CONTINGENCY MEASURES

### IV.B.1. Anti-dumping

According to the semi-annual report submitted by the Russian Federation under Article 16.4 of the Anti-dumping Agreement, no new investigations were initiated during this quarter. However, partial review was conducted for certain steel products originating from China, Chinese Taipei and Hong Kong.<sup>21</sup>

**Table I: Partial Review (Anti-dumping Investigations)**

Country	Product	Date of Partial Review
China	Cold-rolled flat steel products with polymer coating ID: AD-8-CN	29 April 2014
Hong Kong, China	Cold-rolled flat steel products with polymer coating ID: AD-8-HK	29 April 2014
Macao, China	Cold-rolled flat steel products with polymer coating ID: AD-8-MO	29 April 2014
Chinese Taipei	Cold-rolled flat steel products with polymer coating ID: AD-8-TW	29 April 2014

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<sup>19</sup> *Id.*,

<sup>20</sup> *Id.*,

<sup>21</sup> Committee on Anti-Dumping Practices, Semi-Annual Report, G/ADP/N/259/RUS, [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?language=E&CatalogueIdList=126219,126221,126220&CurrentCatalogueIdIndex=1&FullTextSearch=](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=126219,126221,126220&CurrentCatalogueIdIndex=1&FullTextSearch=) (last visited Sept.30,2014).

#### **IV.C. SANITARY AND PHYTOSANITARY MEASURES**

Various sanitary and phytosanitary measures were adopted during the quarter containing measures relating to plant and food safety, various edible products, use of certain chemicals and substances in food, etc. according to the standards of relevant international conventions. For detailed information, please refer **Annexure A**.

#### **IV.D. TECHNICAL BARRIERS TO TRADE**

On 28 April 2014 the Eurasian Economic Commission amended the Customs Union Technical Regulation "On safety of food products" after considering proposals from members of the Customs Union and the Single Economic Space within the period of public discussion of draft amendments to the technical regulation finished on July 12, 2013; as well as for elimination of contradictions in the requirements established by the technical regulation and Common sanitary and epidemiological and hygienic requirements for products subject to sanitary and epidemiological surveillance (control), adopted by the Decision of the Customs Union Commission No 299 on 28 May 2010.<sup>22</sup>

#### **V. MEASURES DIRECTLY AFFECTING IMPORTS**

##### **V.A. EXPORT RESTRICTIONS**

On 28 April 2014, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) announced that as part of a series of sanctions announced by the United States, it is expanding its export restrictions on items subject to the Export Administration Regulations (EAR) in response to Russia's continued actions in southern and eastern Ukraine.<sup>23</sup> The Department of Commerce has also added 13 companies to the Entity List. The BIS announcement said:

“Effective immediately, BIS will deny pending applications for licenses to export or re-export any high technology item subject to the EAR to Russia or occupied Crimea that contributes to Russia’s military capabilities. In addition, the Department is taking actions to revoke any existing export licenses, which meet these conditions. All other pending applications and existing licenses will receive a case-by-case evaluation to determine their contribution to Russia's military capabilities. In addition, 13 companies have been designated on the Entity List based on a determination they are involved, or pose a significant risk of becoming involved, in activities contrary to the national security and foreign policy interests of the United States. Designation on the Entity List imposes a license requirement for the export, re-

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<sup>22</sup> Committee on Technical Barriers to Trade, Notification, G/TBT/N/RUS/36, <http://www.sfs.fi/files/5329/GTBTN14RUS36.pdf> (last visited Sept.30,2014).

<sup>23</sup> Backer and Mckenzie, International Trade Compliance Newsletter, May 2014.

export or other foreign transfer of items subject to the EAR to the designated companies, with a presumption of denial. Today's additions to the Entity List are: Stroytransgaz Holding, located in Cyprus; Volga Group, located in Luxembourg and Russia; and Aqanika, Avia Group LLC, Avia Group Nord LLC, CJSC Zest, Sakhatrans LLC, Stroygazmontazh, Stroytransgaz Group, Stroytransgaz LLC, Stroytransgaz-M LLC, Stroytransgaz OJSC, and Transoil, all located in Russia.”<sup>24</sup>

The announcement said that the United States would continue to adjust its export licensing policies toward Russia as warranted by Russia's actions in Ukraine.

## **VI. MEASURES AFFECTING PRODUCTION AND TRADE**

### **VI.A. STATE AID MEASURES**

#### **VI.A.1. Russian Government approves a list of priority investment projects for industries supplying children's products**

On 5 April 2014, with decree Nr. 544-p, the Russian government approved state support for 17 projects of Russian enterprises engaged in the production of children's furniture, toys, shoes, uniforms, street play equipment.<sup>25</sup> This measure will allow the state to subsidize the R&D and construction-experimental costs incurred by the concerned enterprises. In addition, the measure also allows the state to reimburse the companies' interest rates on loans used for the purchase of technological equipment. This measure was introduced in the background of domestic Russian market being dominated by imported children's goods. Currently, importers supply 60 per cent of the children's cosmetics and baby products; this share is 90 per cent for children's shoes, clothes and toys, China being a key supplier of these goods.<sup>26</sup>

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<sup>24</sup> *Id.*,

<sup>25</sup> Russian Federation: Approved list of priority investment projects in industry supplying children's products, Global Trade Alert, <http://www.globaltradealert.org/measure/russian-federation-approved-list-priority-investment-projects-industry-supplying-childrens-p> (last visited Sept.30,2014).

<sup>26</sup> *Id.*,

## **VII. TRADE POLICY BY SECTOR**

### **VII.A. AGRICULTURE**

#### **VII.A.1. Russian Government facilitates subsidies for domestic milk producers**

On 2 April 2014, the Government of the Russian Federation approved Decree Nr 256 authorising the subsidization of milk producers.<sup>27</sup> To become eligible for the scheme, the loans must be used for investment in milk production with a maturity of no greater than 15 years. The purpose of the state subsidies is to alleviate the difficult situation the Russian milk production and processing sector faces. Andrej Danilenko from the National Union of Milk Producers explains that the negative development of the sector is a consequence of rising prices of raw milk since 2012 due to reduced number of dairy cattle provoked by a lack of mixed fodder and fodder grain. As a result, the Russian milk producers started experiencing sharp cash deficits. As Danilenko further clarified, the crisis on the local milk market had led to a marked increase in the quantity of milk being imported.<sup>28</sup>

#### **VII.A.2. Government launches a program for the development of vegetable oil industry of Russia**

On 23 May 2014, the Russian Ministry of Agriculture, approved decree N 170, which provided for a sectorial program called the 'Development of the oils and fats industry of the Russian Federation for the period 2014-2016'.<sup>29</sup> The purpose of the program is to supply the population with products of these industries and to increase their competitiveness on the domestic and international food markets. Among the key state support activities to be implemented in the period 2014-2016 are:

- a. Subsidizing part of the cost of acquisition of elite seeds of soybean and rapeseed;
- b. Subsidization of interest payments on short-term loans received from Russian credit institutions and agribusiness organizations for the purchase of agricultural raw materials for primary and industrial processing of crops;
- c. Subsidization of interest rates on investment loans received from Russian credit organizations by enterprises, belonging to vegetable oil industry, for construction, reconstruction and modernization of production facilities;
- d. Construction of buildings for deep processing of high-protein crops, for storage and handling of oil crops, as well as for construction and reconstruction of feed enterprises and workshops;

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<sup>27</sup> Russian Federation: State-subsidised investment loans to milk producers, Global Trade Alert, <http://www.globaltradealert.org/measure/russian-federation-state-subsidised-investment-loans-milk-producers> (last visited Sept.30,2014).

<sup>28</sup> *Id.*,

<sup>29</sup> Russian Federation: State-subsidised investment loans to milk producers, Global Trade Alert, <http://www.globaltradealert.org/measure/russian-federation-state-subsidised-investment-loans-milk-producers> (last visited Sept.30,2014).

- e. Subsidies for reimbursement of the costs of agricultural producers for payment of insurance premiums;
- f. Subsidies for regional programs of the Russian Federation;
- g. Provision of decoupled financial support to agricultural producers.

"Decoupled subsidies" is a key concept introduced by the Agricultural Program 2013-2020. Within this concept, subsidies will support farmers' income in general without being linked to any production performance indicators. The total funding of the program is at the amount of 34.52 billion roubles in current prices (approximately 1 billion USD). The expected outcomes of the program and indicators of socio-economic efficiency are defined quantitatively as an increase of production volumes per product as follows:

- Production of up to 15 million tons of oilseeds, from which sunflower - 10.2 million tonnes, rapeseed - 1.9 million tons, soybeans - 2.2 million tons;
- Production of up to 4.5 million tons vegetable fats, from which: sunflower - 3.5 million tons, rapeseed - 0.35 million tons, soybean - 0.37 million tons;
- Production of up to 480 tons of margarine;
- Production of up to 400 tons of mixtures of rendered fats;
- Production of up to 140 tons of spreads;
- Production of up to 860 tons of mayonnaise, sauces, mayonnaise, sauces based on vegetable oils, creams on vegetable oils.

This state measure is in line with the 2012 statement of the President Putin, that the interests of the economic sectors, including agriculture, that face the most intensive competition from abroad after the WTO accession, will be considered. Furthermore, in the Annual Presidential Address to the Federal Assembly held on 12 December 2013, Mr. Putin declared: "Companies, registered in foreign jurisdictions, must not benefit from state support, including from Vnesheconombank and state guarantees. Their access to contracts for state orders and for contracts with structures with state participation must be eliminated".<sup>30</sup>

### **VII.A.3. Ministry of Agriculture invests in the development of the flour milling industry**

On 23 May 2014, the Ministry of Agriculture, approved with Order N 166, the sectorial programme 'Development of the flour milling industry of the Russian Federation for 2014-2016'.<sup>31</sup> The Programme plans to allocate total investments (towards self-financing by millers and guaranteed state loans) for the

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<sup>30</sup> *Id.*,

<sup>31</sup> Russian Federation: Approved programme for development of the flour milling industry in 2014-2016, Global Trade Alert, <http://www.globaltradealert.org/measure/russian-federation-approved-programme-development-flour-milling-industry-2014-2016> (last visited Sept.30,2014).

development of the flour milling industry in 2014-2016 at an estimated cost of RUB 6.8 billion (approximately USD 200 million). The concrete state support measures include:

- a. Reimbursement of costs related to short-term loans for the purchase of Russian agricultural raw materials for primary and industrial processing;
- b. Interest rate subsidies related to investment loans for construction, reconstruction and modernisation of existing enterprises, received by enterprises in the milling industry from Russian credit organisations;
- c. Subsidisation of regional programs for temporary storage and processing of grain.

The primary goals of the programme are to increase the domestic production of flour and cereals, to diversify and improve the product quality in this industry, to enhance the import-substitution and to stimulate the exports of flours and cereals.<sup>32</sup>

## **VII.B. SERVICE SECTOR**

### **VII.B.1. Russia introduces a migration measure in the Air Transport Services**

On 21 April 2014, President Putin signed Federal Law "On Amending Article 56 of the Air Code of the Russian Federation and Article 14 of the Federal Law On the Legal Status of Foreign Citizens in the Russian Federation".<sup>33</sup> This law has the stated aim of eliminating staff shortages in the local civil aircraft transportation industry. The measure in question will have the effect of introducing the possibility of foreign citizens being hired as a flight crew, including as flight commanders, on board of a civil aircraft of a Russian legal entity or an individual entrepreneur who carries out commercial air transportation services.

### **VII.B.2. New Federal Law introduces simplified procedures for hiring of journalists and IT specialists**

On 23 June 2014, Federal Law no. 164-FZ entered into force. This law simplified the procedures for hiring qualified specialists by Russian IT companies. Furthermore, foreign journalists who work in media organizations, established specifically for the dissemination of information in foreign languages, may be hired under the simplified procedures.<sup>34</sup>

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<sup>32</sup> *Id.*,

<sup>33</sup> Russian Federation: Migration measure in aviation, Global Trade Alert, <http://www.globaltradealert.org/measure/russian-federation-2> (last visited Sept.30,2014).

<sup>34</sup> Russian Federation: Simplified hiring procedures for journalists and IT specialists, Global Trade Alert, <http://www.globaltradealert.org/measure/russian-federation-simplified-hiring-procedures-journalists-and-it-specialists> (last visited Sept.30,2014).



### **VII.B.3. Russian Law introduces accreditation requirements for foreign legal entities**

On 5 May 2014, the President of the Russian Federation, Mr. Vladimir Putin, signed Federal Law 106-FZ ‘On Amendments to Certain Legislative Acts of the Russian Federation’.<sup>35</sup> This law will require foreign companies wishing to operate in Russia to receive accreditation for their professional activity.

## **VIII. DISPUTE SETTLEMENT UPDATE**

### **VIII.A. Russian Federation — Measures on the Importation of Live Pigs, Pork and Other Pig Products from the European Union**

On 8 April 2014, the European Union requested consultations with Russia concerning certain measures adopted by Russia affecting the importation of live pigs and their genetic material, pork, pork products and certain other commodities from the European Union, purportedly because of concerns related to cases of African swine fever.<sup>36</sup>

The European Union claims that the measures at issue are inconsistent with:

- i. Articles 2.2, 2.3, 3.1, 3.2, 3.3, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 6.1, 6.2, 6.3, 7, 8, Annex B, and Annex C of the SPS Agreement; and
- ii. Articles I: 1, III:4 and XI:1 of the GATT 1994.

On 27 June 2014, the European Union requested the establishment of a panel.

### **VIII.B. European Union and its Member States — Certain Measures Relating to the Energy Sector**

On 30 April 2014, Russia requested consultations with the European Union and its member States regarding measures relating to the energy sector through the so-called “Third Energy Package” Directives, Regulations, implementing legislation and decisions.<sup>37</sup>

Russia claims that the measures are inconsistent with the European Union's obligations under:

- i. Articles II, VI, XVI and XVII of the GATS and their specific commitments under the GATS;
- ii. Articles I, III, X and XI of the GATT 1994;
- iii. Article 3 of the SCM Agreement;

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<sup>35</sup> Russian Federation: Introduced accreditation of foreign legal entities , Global Trade Alert, <http://www.globaltradealert.org/measure/russian-federation-introduced-accreditation-foreign-legal-entities> (last visited Sept.30,2014).

<sup>36</sup> Russian Federation — Measures on the Importation of Live Pigs, Pork and Other Pig Products from the European Union , DS475, [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds475\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds475_e.htm) (last visited Sept.30,2014).

<sup>37</sup> European Union and its Member States — Certain Measures Relating to the Energy Sector, DS476, [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds476\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds476_e.htm) (last visited Sept.30,2014).

- iv. Article 2 of the TRIMs Agreement; and
- v. Article XVI:4 of the WTO Agreement.

### **VIII.C. Russia — Anti-Dumping Duties on Light Commercial Vehicles from Germany and Italy**

On 21 May 2014, the European Union requested consultations with Russia with respect to the levy of anti-dumping duties on light commercial vehicles from Germany and Italy by Russia pursuant to Decision No. 113 of 14 May 2013 of the College of the Eurasian Economic Commission.<sup>38</sup>

The European Union claims that the measures are inconsistent with:

- i. Articles 1, 2.2, 2.3, 2.4, 3.1, 3.2, 3.4, 3.5, 4.1, 6.2, 6.4, 6.5, 6.5.1, 6.8, 6.9, 6.10, 9.2, 9.3, 12.2, 12.2.2, 18.4 and Annex II of the Anti-Dumping Agreement;
- ii. Article VI of the GATT 1994.

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<sup>38</sup> Russia — Anti-Dumping Duties on Light Commercial Vehicles from Germany and Italy, DS479, [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds479\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds479_e.htm) (last visited Sept.30,2014).

## ANNEXURE

### Annexure A

Notification	Agency Responsible	Product	Regions	Purpose	Description	International Regulating Authority
G/SPS/N/RUS/50	The Ministry of Agriculture of the Russian Federation	Residues - Miscellaneous products	All trading partners	Food Safety	The document introduces amendments to Common sanitary-epidemiological and hygienic requirements for products, subject to sanitary-epidemiological supervision. Chapter II of the mentioned document is adjusted with the following: 1. Section 15 (Annex 15.1) is amended with the list of active substances in pesticides in environmental objects, food raw materials, food products; 2. Annex 15 to Section 22 of Common sanitary requirements to "Meat products" (including sausages), excluding "non-processed and minced meat" is amended by MRL for phosphoric acid and food phosphates 3. Point 7.1 "Vegetable oil (all types)" of Section 1 is amended by norms for "peroxide number" for refined deodorized palm-oil (not more than 0.9 mmol of active oxygen/kg).	CODEX
G/SPS/N/RUS/51	Federal Service for Veterinary and Phytosanitary Supervision	Horses and other odd-toed animals, cattle, sheep, pigs, sperm and embryos of mentioned types of animals	Municipality Campinas do Piauí (Brazil)	Animal Health	Introduces a temporary restriction due to registration of vesicular stomatitis disease on the territory of municipality Campinas do Piauí, Brazil. This measure applies on import of horses and other odd-toed animals, cattle, sheep, pigs, sperm and embryos of mentioned types of animals. This measure is to avoid the introduction of vesicular stomatitis into the territory of the Russian Federation.	World Organization for Animal Health
G/SPS/N/RUS/52	Federal Service for Veterinary and Phytosanitary Supervision	Live poultry, hatching eggs, fluff and feather, poultry and all types of poultry products meat, feed and feed	County of Bentheim of Lower Saxony (Germany)		Introduces a temporary restriction due to the outbreak of low pathogenic avian influenza H5N1 on the territory of County of Bentheim of Lower Saxony state, Germany. This measure applies to import of live poultry, hatching eggs, fluff and feather, poultry and all types of poultry products meat, which were not heat treated (no less than 70°C), feed and feed additives for poultry (except feed additives of chemical and microbiological synthesis), equipment previously used for maintenance, slaughter and cutting of poultry.	World Organization for Animal Health

		additives for poultry, equipment previously used for maintenance, slaughter and cutting of poultry			This measure is to avoid introduction of low pathogenic avian influenza H5N1 into the Russian Federation.	
G/SPS/N/RUS/53	Federal Service for Veterinary and Phytosanitary Supervision	Chilled beef	Australia	Food Safety	Introduces a temporary restriction due to detection of acetate trenbolone residues (hormonal stimulator of growth) in products, imported from Australian establishments. This anabolic steroid is forbidden for use on the territory of the Customs Union in accordance with the Decision of the Customs Union Commission No. 299 as of 28 May 2010 "On application of sanitary measures in the Customs Union". This measure is to secure food safety of chilled beef, imported to the territory of the Russian Federation.	CODEX
G/SPS/N/RUS/54	Federal Service for Veterinary and Phytosanitary Supervision	Live sheep and goats; products produced from meat of sheep and goats; milk and milk products; feed of animal origin and other raw materials and products obtained from sheep and goats slaughter; equipment previously	Evros and Rhodope regional units, region of East Macedonia and Thrace (Greece)	Food Safety and Animal Health	Introduces a temporary restriction due to the outbreak of sheep pox and goats' pox on the territory of Evros and Rhodope regional units of East Macedonia and Thrace region, Greece. This measure applies to import of: <ol style="list-style-type: none"> <li>1. Live sheep and goats</li> <li>2. Products produced from meat of sheep and goats</li> <li>3. Milk and milk products</li> <li>4. Feed of animal origin and other raw materials and products, obtained from sheep and goats slaughter</li> <li>5. Equipment previously used for maintenance, slaughter and processing of sheep and goats.</li> </ol> This measure is to avoid introduction of sheep pox and goats' pox into the Russian Federation.	World Organization for Animal Health

		y used for maintenance, slaughter and processing of sheep and goats				
G/SPS/N/RUS/55	Federal Service for Veterinary and Phytosanitary Supervision	Frozen beef	Australia	Food Safety	Introduces a temporary restriction due to detection of acetate trenbolone residues (hormonal stimulator of growth) in products, imported from Australian establishments. This anabolic steroid is forbidden for use on the territory of the Customs Union in accordance with the Decision of the Customs Union Commission No. 299 as of 28 May 2010 "On application of sanitary measures in the Customs Union". This measure is to secure food safety of frozen beef, imported into the territory of the Russian Federation.	CODEX
G/SPS/N/RUS/56	Ministry of Agriculture of the Russian Federation	Veterinary Control	All trading partners	Food Safety and Animal Health	establishes deadlines and a sequence of administrative procedures (actions) by the Federal Service for Veterinary and Phytosanitary Supervision and its territorial offices, as well as by customs services exercising veterinary state supervision at the state border of the Russian Federation. The proposed Regulation sets procedures for cooperation between units and officials of the above mentioned authorities, cooperation with legal and natural persons, other governmental authorities and institutions of local government, establishments and organizations in the import, export and transit of controlled goods.	World Organization for Animal Health
G/SPS/N/RUS/57	Federal Service for Veterinary and Phytosanitary Supervision	Processed meat products	Republic of Moldova	Food Safety	Introduces a temporary restriction due to violations of veterinary-sanitary requirements of the Customs Union, the Russian Federation and international requirements. Such violations deal with certification of controlled goods subject to veterinary supervision. This measure is to secure food safety of processed meat products, imported to the territory of the Russian Federation.	World Organization for Animal Health
G/SPS/N/RUS/58	Federal Service for Veterinary and Phytosanitary Supervision	Pedigree pigs, boars sperm, pork and pork meat	Latvia	Animal Health	In connection with the worsening of epizootic situation in Latvia on classical swine fever (CSF) and repeated cases of registration of the mentioned disease on the territory of Dagdas, Kraslavas and Zilupes municipalities in Latvia, in accordance with the information of the	World Organization for Animal Health

		products, meat of wild boars, hunting trophies made from susceptible kinds of animals, all types of feed and feed additives (excluding feed additives of chemical and microbiological synthesis and prepared feed for cats and dogs), previously used equipment for maintenance, slaughter and cutting of pigs			World Organization for Animal Health (OIE) as of 15 April 2014, a temporary restriction was introduced on certain products from Latvia. This measure applies on import of: <ol style="list-style-type: none"> <li>1. Pedigree pigs</li> <li>2. Boars sperm</li> <li>3. Pork and pork meat products</li> <li>4. Meat and wild boars</li> <li>5. Hunting trophies made from susceptible kinds of animals, which were not subjected to full taxidermy treatment.</li> <li>6. All types of feed and feed additives (excluding feed additives of chemical and microbiological synthesis and prepared feed for cats and dogs that were properly heat treated, i.e. no less than 70C for at least 20 min)</li> <li>7. Previously used equipment for maintenance, slaughter and cutting of pigs.</li> </ol>	
G/SPS/N/RUS/59	Federal Service for Veterinary and Phytosanitary Supervision	Live cattle, blood and blood containing products, bone-in beef, beef by-products, intestines raw materials, mechanically	State of Mato Grosso (Brazil)	Food Safety and Animal Health	Introduces a temporary restriction due to the outbreak of the Bovine Spongiform Encephalopathy (BSE) in May 2014 on the territory of Brazil (State of Mato Grosso) . This measure applies on import of: <ol style="list-style-type: none"> <li>1. Live cattle</li> <li>2. Blood and blood containing products</li> <li>3. Bone-in beef</li> <li>4. Beef by-products</li> <li>5. Intestinal raw materials derived from cattle, except for trimmed membranes</li> <li>6. Mechanically separated beef</li> <li>7. Processed proteins, made as a feed for productive animals and</li> </ol>	World Organization for Animal Health

		separated beef, processed proteins			feeds for productive animals, which include processed proteins, except for milk proteins.	
G/SPS/N/RUS/60	Federal Service for Veterinary and Phytosanitary Supervision	Breeding and production pigs, pig blood products	Canada, Japan, Republic of Korea, Mexico, South Africa and United States of America	Animal Health	Introduces a temporary restriction due to detection of the porcine epidemic diarrhoea (PED) in Canada, Japan, Republic of Korea, Mexico, South Africa and the United States of America. This measure applies on import of: <ol style="list-style-type: none"> <li>1. Breeding and production pigs</li> <li>2. Pig blood products, that were not heat-treated and used for production of feed for production animals.</li> </ol>	None
G/SPS/N/RUS/61	Federal Service for Veterinary and Phytosanitary Supervision	Food potatoes	Ukraine	Food Safety and Plant Protection	Introduces a temporary restriction due to violations of international and national phytosanitary requirements at import of regulated goods from Ukraine to the territory of the Russian Federation. The measure is applied due to repeated detection of quarantine pests ( <i>Globodera rostochiensis</i> (Woll) Behrens) in food potatoes, exported from Ukraine to the territory of the Russian Federation. This measure is applied to avoid the introduction of quarantine pests to the territory of the Russian Federation.	International Plant Protection Convention
G/SPS/N/RUS/62	Federal Service for Veterinary and Phytosanitary Supervision	Miscellaneous products	Georgia	Food Safety and Plant Protection	Eliminates the temporary restriction on export of tomatoes, cucumbers, cabbages, eggplants, cherries and bird cherries, apricots, peaches, plums, persimmons, kiwis, berries, new potatoes to the Russian Federation due to an agreement between competent authorities of the Russian Federation and Georgia. The agreement was reached on pre-shipment monitoring of regulated goods from Georgia.	International Plant Protection Convention
G/SPS/N/RUS/63	Federal Service for Veterinary and Phytosanitary Supervision	Live pedigree cattle	Netherlands	Food Safety and Animal Health	Allows import of live pedigree cattle from the Netherlands to the Russian Federation without additional laboratory tests on bluetongue for animals under quarantine. Shipment should be consistent with provisions of relevant veterinary certificate.	World Organization for Animal Health