



TRADE POLICY DEVELOPMENTS PAPER NO. 44

TRADE POLICY MONITORING REPORT

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ABBREVIATIONS

ACTA	-	Anti-Counterfeiting Trade Agreement
AD	-	Anti-Dumping
BIT	-	Bilateral Investment Treaty
CBR	-	Central Bank of Russia
CCC	-	Commodity Credit Corporation
COMESA	-	Common Market for Eastern and Southern Africa
CRS	-	Congressional Research Service
CU	-	Customs Union
CVD	-	Countervailing Duties
DS	-	Dispute Settlement
EEC	-	Eurasian Economic Commission
EFTA	-	European Free Trade Association
EU	-	European Union
FTA	-	Free Trade Agreement
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
IMF	-	International Monetary Fund
IP	-	Intellectual Property
OPEC	-	Organization of the Petroleum Exporting Countries
PNTR	-	Permanent Normal Trade Relations
SPS	-	Sanitary and Phytosanitary Measures
SWFs	-	Sovereign Wealth Funds
TAA	-	Trade Adjustment Assistance
TBT	-	Technical Barriers to Trade
TRIPS	-	Agreement on Trade Related Aspects of Intellectual Property Rights

- TRQ - Tariff-Rate Quota
- US - United States
- USTR - United States Trade Representative
- VPSS - Veterinary and Phytosanitary Surveillance Service
- WIPO - World Intellectual Property Organization
- WTO - World Trade Organization

EXECUTIVE SUMMARY AND AGENDA FOR THE NEXT REPORT

1. In the current quarter, Russia's external debt reached an all time high of 684.30 USD Billion in March 2013.
2. Customs Union of Belarus, Kazakhstan and Russia negotiated free trade agreement terms with Vietnam and the European Free Trade Association (EFTA). The CU trade block recently concluded the seventh rounds of negotiations on a broad based free trade agreement with EFTA.
3. In February 2013, Russia declared a ban on all US beef and pork imports due to the continued presence of ractopamine, a growth promoting drug for which Russia adopted a zero tolerance policy in December last year.
4. From 25 February 2013 onwards, a preliminary safeguard duty on imports of harvesters and modules became applicable in the territory of the Customs Union of Belarus, Kazakhstan and Russia. The safeguard duty will continue to apply to the imported goods till 5 July 2013.
5. In the current quarter Russia imposed anti-dumping duties against enamelled baths of cast iron imported from China and also against graphite electrodes imported from India.
6. Russia's measure of imposing an auto recycling fee on imported autos could form the basis of a formal dispute in the WTO. Both Russia and US have strongly criticized the Russian measure as being discriminatory and in violation of its WTO commitments.
7. The Customs Union of Russia, Kazakhstan and Belarus which came into existence in 2012, mandates that the member countries must follow a single standardized system for clinical trials, regulation and approvals, wholesale, distribution, and procurement. However, given the differences in the regulations already in place in the three countries, harmonising the various regulations such as those on drug circulation is a challenge that the CU trade block currently faces. Thus the developments in the next quarter will be crucial in deciding whether the Russian regulation currently being proposed with respect to state procurement of drugs can be accepted in its current state or not. The decision to amend the current regulation will largely depend on whether the Kazakh Government implements the 'national treatment of products' clause of the the government procurement agreement signed by the three parties.
8. In the next quarterly report, the implication of Ukraine's decision with respect to joining the Customs Union of Russia, Belarus and Kazakhstan will be discussed. Currently, Ukraine faces a tough call of having to choose between signing an association agreement with the EU and establishing a close partnership with CU, both of which are equally lucrative engagements for Ukraine. Ukraine's decision seems to be extremely crucial for Russia, especially amidst the speculation that Ukraine's gas transport system, which is one of the largest in the world, would allow Russian natural gas to be transported to consumers in 18 European countries in the event that Ukraine accedes to CU.

TRADE POLICY MONITORING REPORT OF RUSSIA
FOR THE QUARTERLY PERIOD: JANUARY 2013 - MARCH 2013

I. INTRODUCTION

This is the first Quarterly Trade Policy Monitoring Report for the year 2013 prepared by the Centre for International Trade and Economic Laws (CITEL), Jindal Global Law School. This report seeks to monitor and discuss the trade and macroeconomic policy developments that took place in Russia during the period: January - March 2013.

II. ECONOMIC ENVIRONMENT

In the current quarter the GDP of Russia stands at 2,109.02 billion USD as against 1,953,56 billion USD in 2012.¹ The Production and Services Index and the Consumer Price Index rose by 4.1% and 7.2% respectively on an year to year basis. The inflation rate was reported to be the second highest it has been in the past 18 months, as it stood at 7.3% towards the end of this quarter. This quarter witnessed an increase of 0.7 per cent in the unemployment rate, as it increased from 5.1% in December 2012 to 5.8% in March 2013.²

The revenue of this quarter totaled 198,13 billion rubles, and the expenditure totaled 215,03 billion rubles, leading to a trade deficit of 1690 billion rubles.

The international reserves at the end of the present quarter stood at 527,708.2 million USD, of which \$ 50,440.9 million USD accounted for gold and 461,621 million USD accounted for exchange reserves of which 8,527 million USD accounted for SDRs and 4614 million USD accounted for reserve positions in IMF.³ The FOB exports by the end of this quarter amounted to 44,243 million USD, whereas FOB imports amounted to 28131 million USD.

In the current quarter, the external debt of Russia increased to 684.30 USD Billion from 624 USD Billion in the fourth quarter of 2012. Russia's external debt has been steadily rising since January 2012 and reached an all-time high of 684.30 USD Billion in March 2013.

¹ 'Gross domestic product (GDP) in Russia 2013', <http://www.statista.com/statistics/19373/gross-domestic-product-in-russia/> (last visited 17 May 2013).

² Ministry of Finance of the Russian Federation, http://www.gks.ru/bgd/free/B00_25/IssWWW.exe/Stg/d000/i000040r.htm (last visited 24 May 2013).

³ The Central Bank of the Russian Federation, http://www.cbr.ru/eng/statistics/credit_statistics/print.asp?file=liquidity_e.htm#Reserves%20template (last visited 24 May 2013).

III. TRADE AGREEMENTS AND ARRANGEMENTS

III A. TRADE AGREEMENTS

Progressive free trade talks continue between EFTA and the CU countries

Delegations from the EFTA states and the Customs Union of Russia, Belarus and Kazakhstan entered into deliberations on the formation of a broad-based free trade agreement between the two parties. These negotiations were held from 28 to 31 January 2013 in Astana Kazakhstan.⁴ Mr Jan Farberg, Director General at the Norwegian Ministry of Trade and Industry, headed the EFTA delegation while Mr Maxim Medvedkov, Director of the Department for Trade Negotiations in the Ministry of Economic Development of the Russian Federation, represented the CU delegation. The latest round of negotiations between the two delegations served to clarify the positions of both parties and also allowed breakthroughs on certain matters including market access for goods. In addition, the delegation also set out an ambitious schedule of further meetings which are to be held over the course of this year.

FTA talks launched between CU countries and Vietnam

On 28 March 2013, the Vietnamese Prime Minister Mr. Tan Dung and the Board of Eurasian Economic Commission's Chairman Mr. Khristenko, announced the launch of FTA negotiations between Vietnam and the Customs Union of Russia, Belarus and Kazakhstan.⁵ On the same day a joint notice on the first working session was signed between the chief negotiators of both sides. The working session is slated to focus on laying out the scope and structure of the FTA as well as the means of negotiations to be employed for the FTA. Both parties agreed to respect one another's sensitive areas and also consider the development gap between all the four countries while negotiating the trade agreement. The two sides also agreed for the FTA to be in accordance with the WTO regulations.

Both parties are hopeful that the FTA will serve to expedite the process of cooperation in the spheres of trade and investment besides opening up opportunities for economic collaboration between the four countries. In 2012, trade between Vietnam and the CU trade bloc amounted to 2.7 billion USD. It is expected that the proposed FTA will help the bilateral trade turnover to reach 10 billion USD before 2020, a target envisioned by the leaders of both parties.

Russia and US agree to a bilateral economic cooperation Action Plan

On 18 March 2013, Alexey Likhachev, Russia's deputy minister of economic development, and Michael Camuñez, U.S. assistant secretary of commerce for market access and compliance, announced an agreement regarding an Action Plan for 2013- 2014.⁶ The plan will serve as a framework to guide and shape bilateral economic cooperation between the two countries in the coming year and beyond. The working group, which

⁴ 'EFTA pursues free trade talks with Russia, Belarus and Kazakhstan', <http://www.efta.int/free-trade/free-trade-news/2013-02-04-efta-rubeka-7th-rnd-free-trade-negotiations.aspx> (last visited 15 May 2013).

⁵ 'Vietnam, Customs Union kick off FTA talks', <http://en.vietnamplus.vn/Home/Vietnam-Customs-Union-kick-off-FTA-talks/20133/32917.vnplus> (last visited 15 May 2013).

⁶ 'Russian, U.S. Officials Agree on Plan to Increase Trade', <http://iipdigital.usembassy.gov/st/english/article/2013/03/20130319144418.html#axzz2PIXx1oeS> (last visited 8 May 2013).

is chaired by the U.S. commerce secretary and the Russian minister of economic development, will focus its action plan on diversifying two-way trade, increasing economic growth in key industrial sectors, and reducing market-entry hurdles which affect small and medium enterprises.

III B. TRADE ARRANGEMENTS

Russia and South Africa to set up an OPEC style body to coordinate exports

Russia and South Africa, which together hold about 80% of platinum group metal reserves, plan to set up an OPEC-type trading bloc to coordinate their export transactions.⁷ South Africa mines about 70% of the world's platinum, whereas Russia mines 40% of its palladium. Both countries discussed the blueprint of this ambitious plan at the fifth summit of the BRICS group of emerging economies held at Durban at March-end this year. As of now Russia and South Africa have only signed a framework accord, details of which are yet to be decided. A meeting is due to be held in summer this year to discuss the implementation mechanism in detail.

Russia's participation in BRICS

On 21 March 2013, the Russian President Mr. Vladimir Putin gave his approval to a policy concept which sets out the essence of the foreign policy that Russia is expected to maintain towards other BRICS nations.⁸ The policy note envisages a number of policy changes for creating more favorable conditions for the promotion and development of trade with BRICS members. Modernization of the mining industry, diversification of export energy market based on long-term supply of energy resources and promotion of cooperation in the pharmaceuticals industry are some of the prominent ways in which Russia seeks to realize the key policy goals intended in the policy concept.

For successfully promoting the common interests of BRICS countries in international trade, Russia believes that cooperation between the BRICS state parties is an essential pre requisite. For fulfilling this pre requisite Russia suggests preparing proposals for the development of a strong institutional framework of the BRICS forum. Russia also lays emphasis on conducting regular meetings of the Ministers of Trade and Economics as well as the heads of statistical services and antitrust of the BRICS grouping as it believes that this would serve the purpose of reinforcing and solidifying economic cooperation between the five member states of the grouping.

The policy note also lays down certain specific objectives in order to promote cooperation in trade and economic related aspects of Russia and other BRICS nations. These include encouraging an active involvement of the Russian Business Community in business forums of the BRICS association, establishing independent rating agencies to enable an objective assessment of the status of the national companies and banks in Russia and promoting cooperation in the competition policy.

⁷ Monde Maoto, "SA and Russia plan 'platinum Opec' in move to corner the global market", <http://www.bdlive.co.za/business/mining/2013/03/28/sa-and-russia-plan-platinum-opec-in-move-to-corner-the-global-market>, <http://www.bdlive.co.za/business/mining/2013/03/28/sa-and-russia-plan-platinum-opec-in-move-to-corner-the-global-market> (last visited 8 May 2013).

⁸ 'Russian Federation: Policy Concept on Russia's participation in the BRICS', <http://www.globaltradealert.org/measure/russian-federation-policy-concept-russias-participation-brics> (last visited 8 May 2013).

DURBAN SUMMIT DISCUSSES ESTABLISHMENT OF A BRICS BANK

During the fifth BRICS summit held at Durban on 26 March 2013, the leaders of the BRICS nations discussed the formation of a new development bank, which would also be the first formal institution of the BRICS group. Expressing optimism at the prospect of a BRICS-Bank, South African President Jacob Zuma noted that, “the bank would help the BRICS economies to co-operate with other emerging markets and developing countries in the future”. He also conveyed at the meeting the BRICS members’ decision to enter into formal negotiations to deliberate over the crucial details regarding the establishment of the new development bank such as where the bank would be based and how much capital it will have.

Source: Official website of the 2013 BRICS Durban Summit

IV. FOREIGN INVESTMENT REGIME

Government announces possibility of foreign ownership of SMEs

The Government Legislative Commission in Russia has approved legislative amendments which were proposed by the Ministry of Economic Development in relation to law on the development of small and medium enterprises.⁹ The amendments foresee foreign nationals to be allowed to create a small and medium enterprise (SME) in Russia without a limitation of their stake in the authorized capital.

At present, the total share of SME capital, belonging to Russian state entities, public organizations, foreign physical and juridical persons, investment funds is limited to 25%.¹⁰ The amendments once implemented could be regarded as creating favorable conditions for foreign investors because they would allow them to acquire 100% ownership of SMEs.

V. TRADE POLICIES AND PRACTICES BY MEASURE

V A. CUSTOMS TARIFFS

Reduction in customs duties for electronic customs declarations:

On 12 December 2012, the Russian Government approved a reduction of custom duties upto 75% of the applied customs duties if the customs declaration is submitted electronically. The new customs rule was approved in accordance with the accession of the Russian Federation to the WTO and entered into force on

⁹ Rossiyskaya Gazeta, an official newspaper of the Russian Government, in its issue of 29 January 2013, reported this legislative development.

¹⁰ Russian Federation: Announced possibility of foreign ownership of SMEs, <http://www.globaltradealert.org/measure/russian-federation-announced-possibility-foreign-ownership-smes> (last visited 8 May 2013).

18 January 2013.¹¹ The new rule is concerned with regulating business relations which were established after 21 August 2012.

Temporary elimination of import tariffs on certain types of machine tools for forging, bending and stamping

On 30 January 2013, the Council of the Customs Union of Russia, Belarus and Kazakhstan temporarily eliminated import duties on certain machine tools for forging, bending and stamping with the following tariff codes¹²:

8462 10 100 1, 8462 10 100 2

This measure came into effect on 9 February 2013. The reduced tariff rates will be valid until 31 October 2013.

Decreased import tariffs on molybdenum ores and concentrates

On 11 December 2012, the Eurasian Economic Commission of the Customs Union of Russia, Belarus and Kazakhstan reduced the import duties on molybdenum ores and concentrates from 5% to 0%.¹³ The new tariffs came into effect on 13 January 2013.

Import tariff decrease on certain types of paper and paperboard

On 19 March 2013, the Collegium of the Customs Union of Russia, Belarus and Kazakhstan temporarily decreased the import tariffs on certain types of paper and paperboard from 15 to 5 per cent.¹⁴ The following codes from the Commodity Nomenclature for Foreign Economic Activity of the Customs Union of Russia, Belarus and Kazakhstan are concerned:

1. 4810 13 800 9, 4810 19 900 0, 4810 22 100 0, 4810 29 300 0 (for the period 20 April 2013 to 19 January 2014)
2. 4810 92 100 0 (for the period 20 April 2013 to 31 December 2015)

The codes correspond to the tariff lines of paper and paper board, coated with Kaolin etc., roll etc. The measure will enter into force on 18 April 2013.

¹¹ 'Russian Federation: Reduced duties if customs declaration submitted electronically', <http://www.globaltradealert.org/measure/russian-federation-reduced-duties-if-customs-declaration-submitted-electronically> (last visited 29 April 2013).

¹²'The Customs Union of Russia, Belarus and Kazakhstan: Temporary elimination of import tariffs on certain types of machine tools for forging, bending and stamping', <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-temporary-elimination-import-tariffs-certain-t-1> (last visited 29 April 2013).

¹³ 'The Customs Union of Russia, Belarus and Kazakhstan: Decreased import tariffs on molybdenum ores and concentrates', <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-decreased-import-tariffs-molybdenum-ores-and-con> (last visited 29 April 2013).

¹⁴ 'Customs Union of Russia, Belarus and Kazakhstan: Import tariff decrease on certain types of paper and paperboard Measure', <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-import-tariff-decrease-certain-types-paper-and-p> (last visited 29 April 2013).

Increased import tariffs on certain types of equipment for television reception

On 5 March 2013, the Collegium of the Customs Union of Russia, Belarus and Kazakhstan increased the import tariffs on certain types of equipment for television reception with the following codes from the Commodity Nomenclature for Foreign Economic Activity of the Customs Union of Russia, Belarus and Kazakhstan¹⁵:

1. 8528 72 200 1 (an increase from 10 to 16 per cent of the customs value)
2. 8528 72 400 0 (an increase from 15 to 16 per cent of the customs value)

The new import tariffs will enter into force on April 4, 2013.

Increased import tariffs on data processing machines

On 25 December 2012, the Collegium of the Customs Union of Russia, Belarus and Kazakhstan increased from 0 to 10 per cent the import duty on data processing machines with customs value of up to \$ 3,000.¹⁶ Tariff lines corresponding to Code 8471 41 000 1 from the Commodity Nomenclature for Foreign Economic Activity of the Customs Union of Russia, Belarus and Kazakhstan were implicated in this respect. The affected tariff lines include automatic data process machines, computer hardware and Magn Reader etc.

Import duty on certain forms of cheese increases

On 6 March 2013, the Eurasian Economic Commission of the Customs Union of Russia, Belarus and Kazakhstan increased the import duties on certain types of cheese by 5 to 10 per cent (Decision No. 13/15.02.2013).¹⁷

V B. TRADE RESTRICTIONS

Russia bans U.S. beef, pork imports due to continued ractopamine presence

Citing a zero tolerance policy for rectopamine adopted in December 2012, Russia banned the imports of all US beef and pork products due to continued presence of ractopamine in February 2013.¹⁸ Russia also declared that for the import ban to be lifted U.S. beef and pork exports must be tested and certified free of ractopamine. Russia's Veterinary and Phytosanitary Surveillance Service (VPSS) also announced in February

¹⁵ 'The Customs Union of Russia, Belarus and Kazakhstan: Increased import tariffs on certain types of equipment for television reception', <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-increased-import-tariffs-certain-types-equipment> (last visited 29 April 2013).

¹⁶ 'The Customs Union of Russia, Belarus and Kazakhstan: Increased import tariffs on data processing machines', <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-increased-import-tariffs-data-processing-machine> (last visited 29 April 2013).

¹⁷ 'The Customs Union of Russia, Belarus and Kazakhstan: Tariff increases on some sorts of cheese', <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-tariff-increases-some-sorts-cheese> (last visited 29 April 2013).

¹⁸ Russia blocking US meat over additives, West sees protectionism, <http://www.reuters.com/article/2013/02/08/russia-meat-idUSL5N0B7D7S20130208> (last visited 16 May 2013).

that it will impose similar restrictions on US Turkey exports too as they have also been treated with ractopamine.

Russia Export ban on wood, paper and cardboard goods from Kazakhstan

On 5 March 2013, the Collegium of the Customs Union of Russia, Belarus and Kazakhstan through a decision banned exports of wood, paper and cardboard goods from Kazakhstan.¹⁹ The codes concerned from the Commodity Nomenclature for Foreign Economic Activity of the Customs Union of Russia, Belarus and Kazakhstan are 4401 10 000, 4401 31 000 0, 4401 39, 4403 10 000 – 4403 20, 4403 91 – 4403 99, 4404, 4406, 4407 10, 4407 99 980, 4707. These codes correspond to tariff lines of fuel wood in logs etc., wood in chips, wood in the rough, stripped or not of the sapwood etc., wood sawn or clipped length, sliced etc, hick, waste and scap of paper and cardboard. The export ban on these tariff lines will be imposed on 4 April 2013.

Restrictions on market access for foreign producers of arms and military equipment

On 29 December 2012, the Russian President, Mr. Vladimir Putin, signed the Federal Law FZ № 275 on the state defense order.²⁰ The law was approved by the State Duma, the lower house of the Federal Assembly of Russia on 19 December 2012, and by the Federation Council, the upper house of the Federal Assembly of Russia, on 26 December 2012. With this law the Russian government limits the access of foreign producers of arms and military equipment in Russian state defense orders. Foreign manufacturers are not allowed to be the prime contractor in such orders.

According to RIA Novosti, citing the First Deputy Chairman of the Military-Industrial Commission of the Russian Federation, Mr. Ivan Kharchenko, the law also introduces a minimum return for Russian companies. If a contract involving state defense orders becomes unprofitable, it will be reimbursed up to the minimum margin. Furthermore, the main contractor will be compensated in case of incurred damages due to unused production capacity. Law FZ № 275 entered into force on 1 January 2013.

V C. SANITARY AND PHYTOSANITARY MEASURES

In the current quarter the Committee on Sanitary and Phytosanitary Measures of the WTO issued four notifications within the month of February with Russia as the notifying member. The Federal Service for Veterinary and Phytosanitary Supervision of Russia is the agency responsible for the supervision for the notifications issues hereunder.

Products covered under the notification	Specific regions or countries affected by the measure	Description of the measure	Date of entry into force	International standard adhered

¹⁹ 'The Customs Union of Russia, Belarus and Kazakhstan: Export ban on wood, paper and cardboard goods from Kazakhstan', <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-export-ban-wood-paper-and-cardboard-goods-kazakh> (last visited 29 April 2013).

²⁰ 'Russian Federation: Restrictions on market access for foreign producers of arms and military equipment', <http://www.globaltradealert.org/measure/russian-federation-restrictions-market-access-foreign-producers-arms-and-military-equipment> (last visited 29 April 2013).

<p>HS Codes: 0105, 0207, 0505, 1001 19 000 0, 1001 99 000 0, 1002 90 000 0, 1003 90 000 0, 1004 90 000 0, 1005 90 000 0, 1201 90 000 0, 1208, 1211, 1213 00 000 0, 1214, 2301, 2302, 2303, 2304 00 000, 2306, 2308 00, 2309, 3507, 3923, 3926, 4415, 4416 00 000 0, 4421, 7020 00, 7309 00, 7310, 7326, 7616, 8436 21 000 0, 8436 29 000 0, 8436 80 900 0, 8606 91 800 0, 8609 00, 8716 39 800, 0407²¹</p>	<p>Markisch-Oderland district, Brandenburg (Germany)</p>	<p>This measure was introduced to avoid the introduction of the low pathogenic AI into the Russian Federation.</p>	<p>22 February 2013</p>	<p>World Organization for Animal Health (OIE) Chapter 10.4</p>
<p>HS Codes: 1006, 1103, 1104, 1202²²</p>	<p>India</p>	<p>This measure was introduced to prevent the introduction and spreading of the pest in the territory of the Russian Federation.</p>	<p>19 February 2013</p>	<p>International Plant Protection Convention ISPM No. 13 "Guidelines for the notification of non-compliance and emergency action"</p>
<p>Meat and milk finished products²³</p>	<p>Bavaria, Lower Saxony, North Rhine-Westphalia (Germany)</p>	<p>This measure was introduced to secure safety of imported meat and milk finished products from Bavaria, Lower Saxony,</p>	<p>11 February 2013</p>	<p>World Organization for Animal Health (OIE)</p>

²¹ G/SPS/N/RUS/16.

²² G/SPS/N/RUS/11.

²³ G/SPS/N/RUS/13.

		North Rhine-Westphalia (Germany)		
Chilled pork, beef and poultry ²⁴	Germany	This measure was introduced to secure safety of imported chilled pork, beef and poultry from Germany to Russia.	4 February 2013	None

V D. TECHNICAL BARRIERS TO TRADE

On 21 December 2012, the Committee on Technical Barriers to trade published a notification by the Russian Federation concerning the draft technical regulation of the Customs Union on alcoholic products safety.²⁵ The draft of technical regulation provides common requirements of the Custom Union to alcoholic products for ensuring free circulation of these products in the single market of the Custom Union. According to the notification the regulation was proposed to be adopted in January 2013. The draft regulations have still not been adopted. These regulations are expected to come into force after a period of 180 days from the date of adoption.

V E. TARIFF QUOTAS

A notification dated 31 January 2013 pertaining to the administration of tariff quotas in 2013 in the Russian Federation was released by the Committee of Agriculture on 19 February 2013.²⁶ Products on which tariff and other quota commitments have been imposed under the notification include fresh and chilled beef, frozen beef, fresh, chilled or frozen pork, pork trimming, fresh, chilled or frozen poultry and dry whey. Allocation of quotas to individuals or companies is based on historical trade in these products. The period of the quota is set from 1 January 2013 till 31 December 2013 inclusively.

V F. TRADE RELATED INVESTMENT MEASURE

In accordance with Article 5.1 of the Agreement on Trade-Related Investment Measures, the Government of the Russian Federation on 21 January 2013, notified the provisions of the industrial assembly investment

²⁴ G/SPS/N/RUS/8.

²⁵ G/TBT/N/RUS/2.

²⁶ G/AG/N/RUS/1.

regime in the automotive sector or the ‘Auto Investment Program’.²⁷ This program is applied under discretionary authority. Compliance with this measure is necessary to obtain tariff preferences.

Specifically, the following provisions of the Auto Investment Program form the subject matter of the present notification:

1. Provisions of the Order No. 73/81/58n establishing local content requirements for investors in the automotive sector participating in the Auto Investment Program.
In general the investors are required to create added value domestically and a considerable part of these requirements in fact does not provide for using in production components of domestic origin.
2. The right of legal persons in the automotive sector to enjoy preferential import duty rates “for industrial assembly” (stipulated by the preamble of the Annex to the Order No. 73/81/58n) under importation of components if such legal persons fulfill the requirements of the Order No. 73/81/58n.

VI. TRADE REMEDY MEASURES

VI A. ANTI-DUMPING

The following AD measures were carried out by the Russian Federation in this quarter:

1. On 26 January 2013, a preliminary anti-dumping duty (of 51.87%) was imposed on Chinese imports of cast-iron enamelled bathtubs (code 7324.21.00 in the Commodity Nomenclature for Foreign Economic Activity of the Customs Union of Russia, Belarus and Kazakhstan).²⁸ The AD duty will continue to be imposed until 26 May 2013.
2. With Decision Nr 288 of December 25, 2012, of the Collegium of the Eurasian Economic Commission, antidumping duties calculated as a percentage of the customs value were introduced for graphite (carbon) electrodes (HS 854511) imported from India.²⁹ The affected Indian companies include Graphite India Limited and Heg Limited. The antidumping duties became effective from 26 January 2013 and will continue in operation for a period of five years.

VI B. SAFEGUARDS

Preliminary safeguard duty on imports of harvesters and modules

²⁷ G/TRIMS/N/1/RUS/1

²⁸ “The Customs Union of Russia, Belarus and Kazakhstan: Preliminary AD duties on cast-iron enamelled bathtubs imported from China, <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-preliminary-ad-duties-cast-iron-enamelled-baththu> (last visited 29 April 2013).

²⁹ “The Customs Union of Russia, Belarus and Kazakhstan: Imposed antidumping duties on imports of carbon electrodes from India, <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-imposed-antidumping-duties-imports-carbon-electr> (last visited 29 April 2013).

With decision No. 289 of 25 December 2012, Collegium of the EEC introduced a preliminary special duty at the amount of 27.5 per cent of the customs value of harvesters and modules being imported into the territory of Customs Union of Russia, Belarus and Kazakhstan harvesters.³⁰ The preliminary special duty came into effect on 25 February 2013 and is due to be applicable until 5 July 2013. The decision is not applied with regard to countries included in the list of developing countries of the Customs Union of Russia, Belarus and Kazakhstan. As an exception, Decision No. 289 will be applied with regard to China.

VII. MEASURES AFFECTING PRODUCTION AND TRADE

VII A. SUBSIDIES

Subsidy announced for enterprises operating in the timber industry

On 16 January 2013, the Russian Government approved the rules for the provision of a subsidy to enterprises operating in the timber industry.³¹ The purpose of the subsidy is to compensate the enterprises for part of the interest payments on investment loans obtained in the period 2012-2013 for the modernization of their wood processing capacity. This federal level state aid measure is scheduled to remain in force at least for the period 2013-2015. Natalia Pinyagina, director in one of the biggest Russian timber enterprises, Arhangel'skiy CBK OAO, commented that this state measure will have a positive effect on Russian timber enterprises given that they will receive beneficial financial conditions with Russian and foreign banks.

Subsidy granted for agricultural development

On 4 December 2012, the Russian Government published Decree No. 1258 on the provision and distribution of a subsidy from the federal budget to the budgets of subjects of the Russian Federation (regional provinces) for partial reimbursement of expenses related to growing of sheep, goats, reindeer, Siberian stags, and breeds of horses for meat production.³² This legislation came into force on January 1, 2013. The decree was issued in relation with a sub-programme "Development of the livestock sub-sector, processing and marketing of livestock products", which formed a part of the state program for agricultural development and regulation of the markets for agricultural products, raw materials and food for the period 2013-2020. The purpose of the state programme is to ensure food independence of Russia and to increase the competitiveness of the domestic agricultural products on the internal and international markets in connection with the accession to the WTO.

State guarantees for exporters of local industrial goods

³⁰The Customs Union of Russia, Belarus and Kazakhstan: Preliminary safeguard duty on imports of harvesters and modules', <http://www.globaltradealert.org/measure/customs-union-russia-belarus-and-kazakhstan-preliminary-safeguard-duty-imports-harvesters-an> (last visited 29 April 2013).

³¹'Russian Federation: Reimbursement of interest payments for the timber industry', <http://www.globaltradealert.org/measure/russian-federation-reimbursement-interest-payments-timber-industry> (last visited 29 April 2013).

³² "Russian Federation: Subsidy for agricultural development", <http://www.globaltradealert.org/measure/russian-federation-subsidy-agricultural-development-1> (last visited 29 April 2013).

On 18 February 2013, the Russian Government issued a decree introducing state support for exports of local industrial goods.³³ Russian exporters of industrial goods with 30% Russian content, which forms part of the contractual obligations with foreign partners, will be supported by a state guarantee. The decree also foresees the provision of state guarantees for industrial products exported as part of military-technical cooperation with foreign companies and/or governments.

VII B. PUBLIC PROCUREMENT

The draft regulation stipulated by the Russian Ministry of Trade and Industry at March end of this year prioritized Belarusian and Russian products for Russian state procurement of drugs.³⁴ The draft regulation did not include Kazakhstan which is the third member of the Customs Union trade bloc. In this context, the EEC noted that the draft regulation was drawn up in accordance with an agreement on the state and local government procurement which was signed between the member countries of the CU. According to the Government Procurement Agreement signed between the CU countries in 2010, each country is required to provide national treatment to the other two members of the CU. This in effect means that the producers of the Customs Union would be treated as if they were domestic producers, as far as state procurement is concerned. EEC noted in this regard that although Russia and Belarus are abiding by the national treatment clause of the agreement, Kazakhstan has not done so and therefore the draft regulation is not flawed or wrong in excluding Kazakhstan from Russian drug procurement.³⁵

VIII. INTELLECTUAL PROPERTY RIGHTS

Russia's accession to WTO in August last year presented a momentous contribution to the WTO's goal of creating a unified system of liberalized trade. Developed countries and their business interests also expected to benefit from Russia's WTO membership through improved investment conditions. But such enthusiasm was short lived. The reason for this was Russia's poor record regarding intellectual property (IP) protection.³⁶ Weak IP enforcement enables Russian firms to copy patented technology and copyrighted material at great cost to right holders in developed economies such as the United States and European Union (EU).

Responding to both multilateral pressures from the WTO and bi-lateral conditions set by nations such as the United States, Russia has made several promises to increase its enforcement effectiveness. These include agreeing to close administrative loopholes that allow counterfeit DVD manufacturers to renew their operating licenses and lease facilities on government owned lands. The government will also grant customs

³³ 'Russian Federation: State guarantees for exporters of local industrial goods', <http://www.globaltradealert.org/measure/russian-federation-state-guarantees-exporters-local-industrial-goods> (last visited 29 April 2013).

³⁴ 'Kazakh medicines will not receive priority in Russian government's drug procurement', <http://www.ihs.com/products/global-insight/industry-economic-report.aspx?id=1065977360> (last visited 14 May 2013).

³⁵ *Id.*

³⁶ 'Trapped in China's Shadow? Intellectual Property Protection in Post-WTO-Accession Russia', <http://lawdigitalcommons.bc.edu/cgi/viewcontent.cgi?article=1694&context=iclr> (last visited 29 April 2013).

officers greater authority and encouragement to investigate suspected infringement on their own initiative. Russia has also increased enforcement through raids against infringing manufacturing and storage facilities. Likewise, the government has taken increased action against domestic servers that host infringing websites, thereby fulfilling its commitment to combat internet piracy. The Duma also passed new legislation creating a specialized intellectual property court in late 2011. Set to convene in early 2013, the court will feature thirty judges specializing in IP law, and will act as an appeals court (below the Supreme Arbitrazh Court) for infringement cases.³⁷

Several industries have already reported decreases in infringement since government's several initiatives to protect IPR violations have been implemented, but it remains to be seen whether these changes will have a lasting widespread impact.

IX. TRADE POLICIES BY SECTOR

IX A. AGRICULTURE

Agricultural sector subsidies approved for co-financing of expenditures related to perennial plants

On 17 December 2012, the Russian Government approved the allocation of a subsidy at the amount of 1,570,115.9 thousands Russian Roubles to republics and regions of the Russian Federation.³⁸ The concrete purpose of the subsidy provided is to co-finance expenditures of firms which arises from or relates to the cultivation of perennial plants in the designated regions. The subsidy programme also takes into consideration state guarantees and other financial incentives that are likely to affect the restructuring and performance of firms which face international competition, from imports and export markets as well as from foreign subsidiaries.

X. DISPUTE SETTLEMENT UPDATE

- I.** Russia is yet to join to take part in any WTO dispute either as a complainant or a respondent. However, Russia has participated in a number of disputes as a third party. Russia is involved in the following disputes as a third party
1. DS400 (*European Communities — Measures Prohibiting the Importation and Marketing of Seal Product*)
 2. DS401 (*European Communities — Measures Prohibiting the Importation and Marketing of Seal Products*)
 3. DS431 (*China — Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum*)
 4. DS432 (*China — Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum*)
 5. DS433 (*China — Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum*)
 6. DS437 (*United States — Countervailing Duty Measures on Certain Products from China*)
 7. DS449 (*United States — Countervailing and Anti-dumping Measures on Certain Products from China*)

³⁷ 'On Court For Intellectual Property Disputes', <http://www.russianlawonline.com/content/court-intellectual-property-disputes> (last visited 29 April 2013).

³⁸ 'Russian Federation: Approved agricultural sector subsidies for co-financing of expenditures related to perennial plants', <http://www.globaltradealert.org/measure/russian-federation-approved-agricultural-sector-subsidies-co-financing-expenditures-related-> (last visited 29 April 2013).

The above disputes have been briefly discussed in the previous quarterly reports.

II. Potential dispute with EU

Russia's trade row over cars may give rise to a WTO dispute

The EU is upset about Russia's requirement since September that foreign cars must pay a recycling fee to be able to drive on Russian roads as this measure puts up their price in car showrooms and makes them less attractive at a time when European carmakers, struggling at home, want to reach Russia's growing middle class. Furthermore, European Commission also speculated that new Russian regulations on alcoholic drinks and textiles will make it difficult for European exporters to sell to Russia, while Moscow banned the import of live animals from the EU in March last year.

European Commission asserts that a fee on imported cars flouted WTO rules that Moscow promised to adhere to when it joined the global trade body in August last year. "These measures, which are in breach of WTO commitments, should be terminated rapidly," the Commission said in a report that monitors trade protectionism around the world. "If no results can be achieved, the EU will consider launching a WTO dispute settlement proceeding," it said.³⁹

At a Goods Council meeting held on 25 March 2013, US also voiced its concern regarding the Russian Auto recycling fee being discriminatory against imported autos. US also attacked Russia's lack of implementation of its SPS obligations in the same meeting.

³⁹ Robin Emmott, 'EU seeks to contain deepening trade row with Russia', <http://uk.reuters.com/article/2013/03/14/eu-russia-trade-idUKL6N0C5B3720130314> (last visited 29 April 2013).