



TRADE POLICY DEVELOPMENTS PAPER NO. 32

Trade Policy Monitoring Report of

Russia

(July 2012- September, 2012)

By

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Abbreviations

ACTA	-	Anti-Counterfeiting Trade Agreement
AD	-	Anti-Dumping
AID	-	U.S. Agency for International Development
APEC	-	Asia Pacific Economic Cooperation
ATPA	-	Andean Trade Preference Act
BIT	-	Bilateral Investment Treaty
CBP	-	Customs and Border Protection
CBR	-	Central Bank of Russia
CIS	-	Commonwealth of Independent States
CTAC	-	Commercial Targeting and Analysis Center
CVD	-	Countervailing Duties
DSB	-	Dispute Settlement Board
EC	-	European Communities
EU	-	European Union
Ex-Im Bank	-	Export-Import Bank of the United States
FTA	-	Free Trade Agreement
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
GOT	-	Government
GSP	-	Generalized System of Preferences
ICT	-	Information and Communications Technology
IMF	-	International Monetary Fund
IP	-	Intellectual Property
SPS	-	Sanitary and Phytosanitary Measures

STEP	-	State Trade and Export Promotion Program
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
WIPO	-	World Intellectual Property Organization
WTO	-	World Trade Organization

Executive Summary& Agenda for Next Report

1. On 7 June 2012, Russia's Accession Protocol was submitted for the ratification of the Russian State Duma, the lower house of the Russian Parliament. It was ratified on 10 July 2012. On August 22, 2012, Russia became the 156th Member of the World Trade Organization (WTO).
2. On 30 July 2012 № 779 Russia expanded the tariff rate quotas for export of certain types of wood outside the territory of the Customs Union such as silver fir (HS 440320110 and HS 440320190) as well as pine (HS 440320310 and 440320390) for 2012 and 2013.
3. The Technical Regulations (TR) of the Russia- Kazakhstan- Belarus Customs Union (CU) came into force with effect from 1 July 2012.
4. Russia introduced temporary restrictions on account of outbreak of classic swine fever in Latvia. This measure applies on import of live pigs, boar semen, pork and raw pork products and pork goods which were not heat treated (no less than 70°C) from Latvia to Russia.
5. In September 2012, Russia and the United States entered into an agreement to ease visa restrictions for nationals of both the countries.
6. The next quarterly report will provide an update on the Russia's concerns about EU's Third package, which is a legislative package for an internal gas and electricity market in the European Union. One of the core elements of the Third package is ownership unbundling which requires the separation of companies' generation and sale operations from their transmission networks. Russia has raised strong object to this unbundling requirement.

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Introduction

The Accession Package was adopted by WTO members at the Ministerial Conference on 16 December 2011, and on 7 June 2012 the Accession Protocol was submitted for the ratification of the Russian State Duma, the lower house of the Russian Parliament. It was ratified on 10 July 2012. On August 22, 2012, Russia became the 156th Member of the World Trade Organization (WTO), nineteen years after the accession application was received and the Working Party on the Accession of the Russian Federation established in June 1993. Russia was the only G-20 and UN Security Council member that was not a WTO member.

Macroeconomic Policies

Russia was severely affected by the 2008-2009 financial crisis, with 2009 GDP dropping by 7.9%. Russia's economy grew 4.0% in 2010 and further picked up in 2011, with annual growth predicted to reach 4.2-4.5% by early 2013. The last few years have also seen significant capital flight from Russia. Russia experienced a net capital outflow of \$133.9 billion in 2008 and \$56.9 billion in 2009. In 2010, capital outflow slowed to \$33.6 billion, but has accelerated again in 2011, and is expected to reach about \$85 billion for the year. These outflows can be attributed to external as well as Russia-specific factors.

The monetary base of Russia totaled 7, 200.1 billion rubles in the present quarter as against 7, 137.4 4 billion rubles during the previous quarter.

The total value of Gross Domestic Product (GDP) at market prices was 15, 949.3 billion rubles in the present quarter as compared to 14,571.1 billion rubles of the previous quarter. The revenue of this quarter totaled 5,583.7 billion rubles, and the expenditure totaled 5138.6 billion rubles, leading to a trade surplus of 445.2 billion rubles. The FOB exports with CIS countries and with non-CIS countries amounted to \$ 20430 million and \$ 106314 million respectively, and FOB imports with CIS countries and with non-CIS countries amounted to \$ 10901 million and \$ 75023 million respectively.

The international reserves at the end of the present quarter stood at \$ 529893 million, of which \$ 53,512 million accounted for gold and \$ 476380 million accounted for exchange reserves of which \$ 462970 million contributed towards foreign exchange, \$ 8770 million for SDR and \$ 4639 million for reserve positions in IMF.

In the quarter under review, the Ruble appreciated as against the US dollar by 5.8%. The volume of international reserves totaled \$528.2 billion in the present quarter.

The Government External Debt in Russia increased to \$ 594657 million in the present quarter from \$ 570,722 million in the previous quarter.

Export Measures

Russia imposes export duties in certain natural resources and raw materials such as oil, gas, timber and metals.

By Government Decree of 30 July 2012 № 779 Russia expanded the tariff rate quotas for export of certain types of wood outside the territory of the Customs Union such as silver fir (HS 440320110 and HS 440320190) as well as pine (HS 440320310 and 440320390) for 2012 and 2013. The quota for 2013 is approximately three times larger than for 2012.

Russia has reduced the applicable export duties on round wood. Duties on spruce roundwood will thus fall to 13% of the product value and those on pine roundwood to 15%. Duties to the extent of 7% and 5% duty will be applicable for birch and poplar roundwood exports. The same duty rates will apply for sawlogs and pulpwood. However, the reduced rates will only apply for a maximum quantity of 6.246 million m³ of spruce roundwood and 16.038 million m³ of pine roundwood. The old duty rates apply for exports outside these quotas. No quota will apply for birch and poplar roundwood, which can thus be exported in unlimited quantities at the new duty rates.

With effect from August 2012, Russian Federation increase of export quotas on certain types of wood (HS 4403.20.11; 4403.20.19; 4403.20.31; 4403.20.39).¹

With effect from 16 August 2012, Russia introduced export licensing requirements on unprocessed precious metals, waste and scrap of precious metals, ores and concentrates of precious metals, commodities containing precious metals, and mineral raw materials (only untreated stones).

Import duty

Russian Federation reduced the import tariffs on car bodies (HS 8707.10) with effect from 23 August 2012; specific part of the duty reduced from €5,000/unit to €2,907/unit. Ad valorem part remained unchanged at 15%.

With effect from 30 August 2012, Russian federation eliminated import tariffs on certain aircraft components, i.e. electrical and lighting systems, aircraft controls, and air conditioning (HS 7307.29.90; 7326.90.91; 7326.90.93; 7326.90.98; 7616.99.90; 8307.10.00; 8483.40.23; 8483.40.30; 8511.90.00; 8518.40.80; 8526.10.00; 8529.90.65; 8544.42.90; 9026.20.20; 9026.20.80; 9405.40.99).

With effect from August 2012, Russian Federation imposed temporary import quotas on corrosion-resistant pipes and tubes with a diameter of 426 mm or less (HS 7304.11.00; 7304.41.00; 7304.49.10; 7304.49.93; 7304.49.95; 7304.49.99; 7306.11.10; 7306.11.90; 7306.40.20; 7306.40.80).

Rules of Origin

Paragraph 4 of Annex II to the Agreement on Rules of Origin envisages that WTO Members shall provide to the Secretariat promptly their preferential rules of origin, including a listing of the preferential arrangements to which they apply, judicial decisions, and administrative rulings of general application relating to their preferential rules of origin in effect on the date of entry into force of the WTO Agreement for the Member concerned. In compliance with the above requirement, the Russian Federation has submitted the following preferential rules of origin. The preferential rules of origin applied either at the level of the Customs Union of the Republic of

¹ World Trade Organization, G-20 Report.

Belarus, the Republic of Kazakhstan and the Russian Federation or by the Russian Federation based on its bilateral agreements are set out in the following documents :

1. Agreement on Rules for Determining of Origin of Goods from Developing and Least Developed Countries, of 12 December 2008: the rules, provided for by this Agreement, apply to the trade with developing and least-developed countries, to which the relevant tariff preferences are granted according to the Lists of developing and least-developed countries, approved by the Decision of Interstate Council of the Eurasian Economic Community No. 18 of 27 November 2009 and the Decision of the Customs Union Commission No. 130 of 27 November 2009;
2. Rules for Determination of the Country of Origin of Goods, approved by the Decision of the Council of Heads of Governments of the Commonwealth of Independent States "On the Rules for Determining the Country of Origin of Goods" of 24 September 1993 (as amended by the Decisions of the Heads of the CIS Governments of 15 April 1994 and 18 October 1996): these rules apply to trade with the Republic of Turkmenistan and the Republic of Uzbekistan;
3. Agreement on the Rules for Determination of the Country of Origin of Goods in the Commonwealth of Independent States of 20 November 2009 (as amended by the Protocol of 18 October 2011): these rules apply to trade with the Republic of Azerbaijan, the Republic of Armenia, the Republic of Kyrgyzstan, the Republic of Moldova, the Republic of Tajikistan and Ukraine; and
4. Rules for Determining of the Country of Origin of Goods, provided for by the Protocol between the Government of the Russian Federation and the Government of the Republic of Serbia on Exemptions from the Free Trade Regime and the Rules for Determining of the Country of Origin of Goods to the Agreement between the Government of the Russian Federation and the Federal Government of the Federal Republic of Yugoslavia on Free Trade between the Russian Federation and the Federal Republic of Yugoslavia, of 28 August 2000: these rules apply to trade of Russian Federation with the Republic of Serbia.

Technical Barriers to Trade

The Technical Regulations (TR) of the Russia- Kazakhstan- Belarus Customs Union (CU) came into force with effect from 1 July 2012. The Technical Regulation touches upon standards and requirements for packaging, including that of food products, produced both as a finished product and as part of the product's manufacturing process. Russian regulations on alcoholic beverages were subject detailed review by the relevant authorities, as part of the integration process of the Customs Union between Belarus, Kazakhstan, and Russia. Russia has notified the draft Technical regulations on the Customs Union on alcoholic products. 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.

Box 1: LABELING REQUIREMENTS UNDER RUSSIAN LAW

All products are required to have labeling and relevant information in the Russian language. Russian law requires that the following information be placed on the label of all alcoholic beverages:

Label of all alcoholic beverages

Product name:

Producer's name, country, and address:

Importer's name and address:

Product volume:

Storage conditions:

Food additives and flavorings:

Mark of Conformity:

Health Warning, stating, "Alcohol is not for children and teenagers up to age 18, pregnant and nursing women, or for persons with diseases of the central nervous system, kidneys, liver, and other digestive organs." The following information must also be placed on the label, depending on the commodity of the product:

Beer

Type of beer:

Alcohol Content:

Bottling date:

"Use-by" date:

Extractability of original wort:

Composition of primary raw materials and ingredients:

Nutritional values:

Distilled Spirits

Bottling date:

Alcohol content:

Sugar content (if applicable):

Composition of primary raw materials and ingredients:

"Use-by" date, if alcohol content is less than 10% by volume:

Wines

Bottling facility name:

Bottling date:

Alcohol content:

Sugar content (if applicable):

Harvest year (for appellation-controlled wines):

"Use-by" date, if alcohol content is less than 10% by volume:

Packaging

Product information must be placed directly on the package in a convenient location. The bottling date of transparent colorless liquid products that are bottled in colorless containers may be marked on the reverse side of the label.

When the package cannot accommodate the complete text of the required information, the manufacturer can, at its discretion, place all or part of the product information on an insert that accompanies each product unit or on a group package. Consumer information shall also be supplied with each unit of group consumer packaging used to retail food products in sets.

Source:

Sanitary and Phytosanitary Measures

Russia introduced temporary restrictions on account of outbreak of classic swine fever in Latvia. This measure applies on import of live pigs, boar semen, pork and raw pork products and pork goods which were not heat treated (no less than 70°C) from Latvia to Russia.

Trade Remedies

Initiation on 15 June 2012 of anti-dumping investigation on imports of cast-iron enamelled bathtubs (HS 7324.21.00) from China.

Initiation of Safeguards actions

On 6 July 2012, the Department for Internal Market Defence of the Eurasian Economic Commission initiated a safeguard investigation on “Combine harvesters and modules, consisting at least of threshing and separating device, equipped or not equipped with the threshing drum, cleaning systems and engine mounted on the support base and the frame and chassis, used for the installation of bridges, wheels or tracks (collectively as "products" or "harvesters"), classified under HS codes 8433 51 000 1, 8433 51 000 9, 8433 90 000 0.” The application for safeguard action was filed by LLC "Combine plant" Rostselmash " and JSC" Production Association "Krasnoyarsk Combine Plant" before the Department for Internal Market Defence of the Eurasian Economic Commission.

On 3 September 2012, the Department for Internal Market Defence of the Eurasian Economic Commission² initiated a safeguard investigation Tableware and kitchenware of porcelain (further - products) classified under HS code 6911 10 000 0. The application for initiation of safeguard action was filed by JSC "Do PromyslyVerbiluk". A copy of the Notice of Initiation is available on <http://www.tsouz.ru>.

On 1 October 2012, Russian Federation initiated safeguard investigation on imports of woven fabrics obtained of manmade fibres and filaments (HS 5407.10.00; 5407.30.00; 5407.42.00; 5407.43.00; 5407.44.00; 5407.52.00; 5407.53.00; 5407.54.00; 5407.61.30; 5407.61.50; 5407.61.90; 5407.69.90; 5407.72.00; 5407.73.00; 5407.74.00; 5407.82.00; 5407.83.00; 5407.84.00; 5407.92.00; 5407.93.00; 5407.94.00; 5408.10.00; 5408.32.00; 5408.33.00; 5408.34.00; 5512.19.10; 5512.19.90; 5512.29.10; 5512.29.90; 5512.99.10; 5512.99.90; 5513.21.00; 5513.23.10; 5513.23.90; 5513.29.00; 5513.31.00; 5513.39.00; 5513.41.00; 5513.49.00; 5514.21.00; 5514.22.00; 5514.23.00; 5514.29.00; 5514.30.10; 5514.30.30; 5514.30.50; 5514.30.90; 5514.41.00; 5514.42.00; 5514.43.00; 5514.49.00; 5515.11.30; 5515.11.90; 5515.12.30; 5515.12.90; 5515.19.30; 5515.19.90; 5515.21.30; 5515.21.90; 5515.29.00; 5515.91.30; 5515.91.90; 5515.99.40; 5515.99.80; 5516.12.00; 5516.13.00; 5516.14.00; 5516.22.00; 5516.23.10; 5516.23.90; 5516.24.00; 5516.42.00; 5516.43.00; 5516.44.00; 5516.92.00; 5516.93.00; 5516.94.00)

Termination of Safeguard Measures

² The Eurasian Economic Commission, Department of internal market defense, Address: 119121, Moscow, Russia, Smolenskiybulvar, building 3/5.
Telephone / Facsimile: +7 (495) 604 4038 #1309, #3097, #1272

Termination on 23 August 2012 of anti-dumping investigation on imports of nickel-rolled flat steel products (HS 7219.11.00; 7219.21.10; 7219.22.10; 7219.23.00; 7219.24.00; 7219.32.10; 7219.33.10; 7219.34.10; 7219.35.10; 7219.90.80; 7220.11.00; 7220.12.00; 7220.20.21; 7220.20.41; 7220.20.81; 7220.90.80) from China; Brazil; Korea, Rep. of; and South Africa (initiated on 27 March 2009).

on 23 August 2012, Russia terminated safeguard investigation on imports of tubes from corrosion-resistant steel (HS 7304.11.00; 7304.41.00; 7304.49.10; 7304.49.93; 7304.49.95; 7304.49.99; 7306.11.10; 7306.11.90; 7306.40.20; 7306.40.80) (initiated on 25 November 2011).

On 30 August 2012 Russian Federation terminated safeguard investigation on imports of graphite electrodes (HS 8545.11.00) (initiated on 31 August 2011).

Services

In September 2012, Russia and the United States entered into an agreement to ease visa restrictions for nationals of both the countries. The agreement will facilitate travel and establish stronger ties between Russia and the United States, and will benefit the largest segment of travelers in both our countries: business travelers and tourists. Starting on 9 September 2012, Russian and American travelers for business or tourism will be eligible to receive visas valid for multiple entries during a period of 36 months. The agreement also outlines other simplifications in the bilateral visa regime and eases visa processing time for travelers from both countries. At the same time, the United States will be reducing the fee charged to Russians issued visas for business or tourism from \$100 to \$20.

By virtue of this agreement, three-year, multiple-entry visas will become the standard “default” terms for U.S. citizens visiting Russia and Russian citizens visiting the United States. The agreement envisages no formal invitation to apply for a business or tourism visa, although applicants seeking Russian tourist visas are required to hold advance lodging reservations and arrangements with a tour operator. Both sides have also committed to keep standard visa processing times under 15 days, although the circumstances of individual cases may require additional processing.³

(i) Rights of Subsidiaries in Foreign Banks

A new bill before the Russian State Duma would prohibit foreign banks from opening branches in Russia as part of a strategy to develop the banking sector in light of Russia’s accession to the WTO. While some foreign banks do currently operate subsidiaries in Russia, there are no offices classified as “branches.”

Intellectual Property Rights

Russia has recently harmonized most existing IP legislation in Part IV of the Russian Federation Civil Code to be consistent with WTO requirements. Part IV classified intellectual property as follows:

³ www.whitehouse.gov

- Copyrights (literary, artistic and scientific works, software, databases, performances, phonographs and broadcasts)
- Patents (inventions, utility models, industrial designs, selection patents, typology of integral circuits)
- Manufacturing secrets (know how)
- Firm or trade names, trade and service marks, appellations of origin, commercial designations, etc)

With the joining of the WTO Russia has ratified all important international treaties such as the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, the 1994 Trademark Law Treaty, the Convention Establishing the World Intellectual Property Organization and others.

The specific steps that Russia has taken to address IP issues include:

- **The Court for Intellectual Property Rights:** Russia has created a special court for IP rights, which will start functioning in February 2013. The court will consider IP cases as the court of first and cassation instances.
- **Pharmaceutical Test Data:** Russia's federal law now prohibits the use of data on clinical trials for commercial or state registration purposes without consent within six years from the date of a medicine's state registration. Illegal use of test data has been an ongoing point of concern for foreign pharmaceutical players in the Russian market.
- **Patent Fee Equalization:** WTO accession will eliminate the patent fee regime that exists today, which prescribes an elevated fee for non-residents.

A major concern that arises with regard to IP protection is the capability of the Russian courts to handle IP claims. Most legislation for IP protection is relatively new and Russian courts lack the experience, and competence in many cases, to handle them.

Tax

Russia has an extensive network of double taxation treaties. Most double taxation tax treaties are based on the OECD model. A Protocol to the double tax treaty between Switzerland and Russia incorporating an element of information exchange is currently under the process of ratification and is scheduled to be effective from 1 January 2013.

The fiscal year in the Russian Federation for direct taxes is the calendar year. However, tax returns must be filed quarterly, and advance payments must be based quarterly returns.

WTO Dispute Settlement

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 as a Third Party in the following WTO Disputes.

1. Complaint by Japan against China (*DS 433: China — Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum*)

On 13 March 2012, the United States requested consultations with China with respect to China's restrictions on the export of various forms of rare earths, tungsten and molybdenum. The request refers to materials falling under but not limited to 212 eight-digit Chinese Customs Commodity Codes and over 30 measures. The request also refers to a number of Chinese published as well as unpublished measures that, operating separately or collectively, allegedly impose and administer export restrictions. These restrictions include export duties, export quotas, minimum export price requirements, export licensing requirements and additional requirements and procedures in connection with the administration of the quantitative restrictions. The United States claims that these measures are inconsistent with: Articles VII, VIII, X and XI of the GATT 1994; and paragraphs 2(A)2, 2(C)1, 5.1, 5.2, 7.2, 8.2 and 11.3 of Part I of China's Protocol of Accession, as well as China's obligations under paragraph 1.2 of Part I of the Protocol of Accession.

Japan and EU have also filed a similar complaints against the same measure which is number as DS 432 and DS 433 to which also Russian Federation is a Third Party.

2. *Complaint by China against the US (DS 449: United States- Countervailing and Antidumping Measures on Certain Products from China).*

On 17 September 2012, China requested consultations with the United States concerning the following measures: (i) a new piece of legislation (Public Law 112-99) that explicitly allows for the application of countervailing measures to non-market economy countries; (ii) countervailing duty determinations or actions made or performed by US authorities between 20 November 2006 and 13 March 2012 in respect of Chinese products; (iii) anti-dumping measures associated with the concerned countervailing duty measures as well as the combined effect of these anti-dumping measures and the parallel countervailing duty measures; and (iv) the United States' failure to provide the US Department of Commerce (USDOC) with legal authority to identify and avoid the double remedies in respect of investigations or reviews initiated on or between 20 November 2006 and 13 March 2012.

3. *Complaint by Canada against European Union (DS 400: European Communities — Measures Prohibiting the Importation and Marketing of Seal Products)*

On 2 November 2009, Canada requested consultations with the European Communities concerning Regulation (EC) No. 1007/2009 of the European Parliament and of the EC Council of 16 September 2009 on trade in seal products, and subsequent related measures. According to Canada, the regulation in question prohibits the importation and the placing on the EC market of all seal products. Canada claims that the above measures are inconsistent with the obligations of the

European Communities under Article 2.1 and 2.2 of the TBT Agreement; Articles I:1, III:4 and XI:1 of the GATT 1994 and Article 4.2 of the Agriculture Agreement.

Norway has also filed a similar complaint against the same measure which is number as DS 401 to which also Russian Federation is a Third Party.
