



TRADE POLICY DEVELOPMENTS PAPER NO. 56

TRADE POLICY MONITORING REPORT

OF

RUSSIA

(July 2013 - September 2013)

VOLUME VII

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Abbreviations

AD	–	Anti Dumping
CBR	–	Central Bank of Russia
DS	–	Dispute Settlement
EFTA	–	European Free Trade Association
EU	–	European Union
FTA	–	Free Trade Agreement
GATT	–	General Agreement on Trade and Tariffs
GDP	–	Gross Domestic Product
IP	–	Intellectual Property
ITA	–	Information Technology Agreement
SPS	–	Sanitary and Phyto-Sanitary measures
TBT	–	Technical Barriers to Trade
TRIMs	–	Trade Related Investment Measures
TRIPS	–	Trade Related Aspects of Intellectual Property Rights
US	–	United States
USITC	–	United States International Trade Commission
WTO	–	World Trade Organization

Executive Summary

- The Russian Federation's growth outlook for 2013 is positive, but remains below the strong growth outturn of 2012, after having lost steam through this year. Following a 3.4-percent GDP growth in 2012, the World Bank revised its 2013 growth projection for the country down to 1.8 percent.
- Both the imports and exports have been on the rise during the current quarter. This is in keeping with the trend of import and export growth in Russia for the past 3 years.
- Gazprom, the state-owned gas producer, currently supplies Europe with 25 percent of its gas needs, but this could shift as Poland, England, and other EU countries develop shale extraction at home. Supply from North America also poses a direct threat to Russia's oil monopoly, and subsequently, its budget.
- The Russian Federation has been criticized for many years for a lax IP protection legal system. The recent accession to the WTO and ratification of the TRIPS agreement has not only provoked a profound review and improvement of IP legislation but has also led to a creation of a specialized IP court. Upon ratification of the WTO accession agreement the country undertook to more vigorously protect IP rights and, as a result, a decision was taken to set up a specialized IP court under the aegis of the arbitration courts system. This court became functional on 3rd July 2013. The main features of the court's functioning have been elucidated in the report.
- The European Union notified the WTO Secretariat of a request for consultations with the Russian Federation on measures imposed by Russia relating to a charge, the so called "recycling fee", imposed on motor vehicles. The EU also claims that the structure of the "recycling fee" also appears to afford protection to domestic production. This is the first dispute involving the Russian Federation since it acceded to the WTO on 22 August 2012. The dispute is discussed in detail under the section Dispute Settlement Update.

TRADE POLICY MONITORING REPORT OF RUSSIA
FOR THE QUARTERLY PERIOD: July 2013 – September 2013

I. INTRODUCTION

This is the seventh Quarterly Trade Policy Monitoring Report of Russia 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 the Russian Federation during the period July-September, 2013.

Russia is the largest country in the world and the fifth largest economy. The Russian economy is commodity-driven. Russia is the world's largest producer of oil (12 percent of world output), natural gas (18 percent) and nickel (20 percent). The energy sector is the most important; it contributes 20-25 percent of GDP, 65 percent of total exports and 30 percent of government budget revenue. During the past decade, poverty and unemployment declined steadily and the middle class continued to expand. However, in recent years, government's tight control of the economy, lack of property rights laws and corruption have hampered private investment and innovation.

The Russian Federation's growth outlook for 2013 is positive, but remains below the strong growth outturn of 2012, after having lost steam through this year. Following a 3.4 percent GDP growth in 2012, the World Bank revised its 2013 growth projection for the country down to 1.8 percent.¹

II. ECONOMIC ENVIRONMENT

II.A. OVERALL ECONOMIC OUTLOOK

According to the estimation by the Federal State Statistics Service, on 1 October 2013, the GDP in Russia contracted by 0.26 percent in the second quarter of 2013 over the previous quarter.² In Russia, services are the biggest sector of the economy and account for 58 percent of GDP. Within services the most important segments are: wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods (17 percent of total GDP); public administration, health and education (12 percent); real estate (9 percent) and transport storage and communications (7 percent). The Industrial sector contributes 40 percent to the total output. Mining (11 percent of GDP), manufacturing (13 percent) and construction (4 percent) are the most important industrial segments. Agriculture accounts for the remaining 2 percent.³ GDP Constant Prices in Russia increased to 10411.10 RUB Billion in the second quarter of 2013 from 9799.30 RUB Billion in the first quarter of 2013. Russia GDP Constant Prices averaged 100686.62 RUB Billion from 2003 until 2013, reaching an all-time high of 279185.60 RUB Billion in June of 2011 and a record low of 9645.80 RUB

¹ 'Russia GDP growth rate', <http://www.tradingeconomics.com/russia/gdp-growth> (last visited 1 December 2013).

² *Id.*

³ 'Russia GDP annual growth rate', <http://www.tradingeconomics.com/russia/gdp-growth-annual> (last visited 1 December 2013).

Billion in February of 2012.⁴ Gross Fixed Capital Formation in Russia increased to 3158.20 RUB Billion in the second quarter of 2013 from 2152.30 RUB Billion in the first quarter of 2013. Russia Gross Fixed Capital Formation averaged 1106.74 RUB Billion from 1993 until 2013, reaching an all-time high of 5221.20 RUB Billion in November of 2012 and a record low of 8.70 RUB Billion in August of 1993.⁵

II.B. INDUSTRIAL OUTPUT

Industrial Production in Russia increased by 0.30 percent in September of 2013 over the same month in the previous year. Industrial Production in Russia is reported by the Federal State Statistics Service. In Russia, industrial production measures the output of businesses integrated in industrial sector of the economy such as manufacturing, mining, and utilities.⁶

II.C. INFLATION

In August 2013, Russian annual inflation remained stable at 6.5 percent. From July to August, prices eased to 0.1 percent from 0.8 percent recorded in the previous period, mainly due to a drop in food prices.

On a year-over-year basis, food prices increased 4.7 percent, slightly down from 4.9 percent recorded in July. Cost of eggs rose the most (14.8 percent), followed by prices of bread and bakery (up by 14 percent), pasta (+ 11.4 percent), butter and sunflower oil (+10.3 percent). In contrast, cost of sugar and meat and poultry declined by 1 percent and 1.1 percent, respectively.

Prices of alcoholic beverages and tobacco recorded the highest annual increase, up by 17.5 percent, from 18.4 percent in July. Cost of housing, water, electricity and gas increased by 10.8 percent, slightly up from 10.1 percent in the previous month; cost of education accelerated to 11.9 percent; health cost rose 7.6 percent (slightly down from 7.9 percent in July); prices of transport increased by 5.7 percent and the cost of clothes and footwear remained unchanged at 5 percent.

From July to August, food prices decreased by 1 percent, mainly due to a drop in cost of fruits and vegetables.

The average cost of a minimum food basket in Russia at the end of August of 2013 amounted to 2838.6 rubles per month. This represents a monthly decrease of 4.2 percent and an increase of 8.6 percent since the beginning of the year.⁷

The inflation rate in Russia was recorded at 6.10 percent in September 2013. Russia's Inflation Rate averaged 150.93 Percent from 1991 until 2013, reaching an all-time high of 2333.30 Percent in December of 1992 and a record low of 3.60 Percent in April 2012. In Russia, the most important categories in the consumer price index are food and non-alcoholic beverages which constitutes 30 percent of the total weight

⁴ 'Russia GDP constant prices', <http://www.tradingeconomics.com/russia/gdp-constant-prices> (last visited 1 December 2013).

⁵ 'Russia gross fixed capital', <http://www.tradingeconomics.com/russia/gross-fixed-capital-formation> (last visited 1 December 2013).

⁶ 'Russia industrial production', <http://www.tradingeconomics.com/russia/industrial-production> (last visited 1 December 2013).

⁷ 'Russia inflation rate steady at 6.5% in August', <http://www.tradingeconomics.com/articles/09042013132601.htm> (last visited 1 December 2013).

and transport which constitutes 14 percent. The index also includes clothing and footwear (11 percent); housing, water, electricity, gas and other fuels (11 percent); recreation and cultural activities (6 per cent) and alcoholic beverages and tobacco products (6 percent). Health, communication, education, hotels, restaurants and other goods and services account for the remaining 12 percent of total weight.⁸

II.D. EXPORTS, IMPORTS AND TRADE BALANCE

Exports

Exports in Russia increased to 44453 USD Million in September of 2013 from 42158 USD Million in August 2013.⁹ Exports in Russia are reported by the Central Bank of Russia. Russia Exports averaged 19406.45 USD Million from 1994 until 2013, reaching an all-time high of 50248 USD Million in December of 2011 and a record low of 4100 USD Million in January 1994. Russia is the fifth largest economy in the world and is a leading exporter of oil and natural gas. The main exports being oil and natural gas which make up 58 percent of the total exports). Other exports include cars, military equipment, nickel, palladium, iron, chemical products and timber.



Source: Central Bank of Russia

Imports

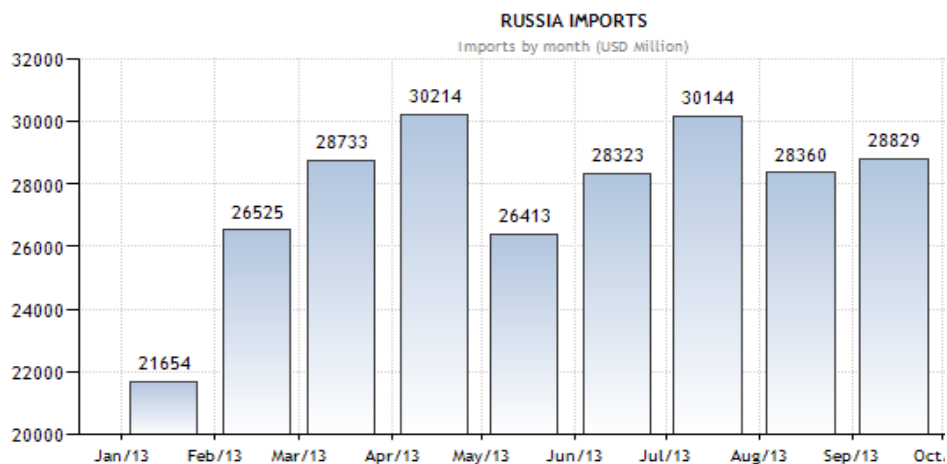
Imports in Russia increased to 28834 USD Million in September 2013 from 28360 USD Million in August 2013.¹⁰ Imports in Russia is reported by the Central Bank of Russia. Russia Imports averaged 12028.06 USD Million from 1994 until 2013, reaching an all time high of 31553 USD Million in October of 2012 and a record low of 2691 USD Million in January of 1999. Russia main imports are food (13 percent of total imports) and ground transports (12 percent). Others include: pharmaceuticals, textile and footwear, plastics

⁸ 'Russia inflation rate', <http://www.tradingeconomics.com/russia/inflation-cpi> (last visited 1 December 2013).

⁹ 'Russia exports', <http://www.tradingeconomics.com/russia/exports> (last visited 1 December 2013).

¹⁰ 'Russia imports', <http://www.tradingeconomics.com/russia/imports> (last visited 1 December 2013).

and optical instruments. Main import partners are China (10 percent of total imports) and Germany (8 percent). Others include: Italy, France, Japan and United States.



Source: Central Bank of Russia

Trade Balance

Russia recorded a trade surplus of 15619 USD Million in September 2013. Balance of Trade in Russia is reported by the Central Bank of Russia. Russia Balance of Trade averaged 8508 USD Million from 1997 until 2013, reaching an all-time high of 20342 USD Million in January 2012 and a record low of -185 USD Million in February 1998. Russia runs regular trade surpluses primarily due to exports of commodities.

Main trading partners of Russia include China (7 percent of total exports and 10 percent of imports), Germany (7 percent of exports and 8 percent of imports) and Italy.¹¹

II.E. INTERNATIONAL RESERVES

Foreign Exchange Reserves in Russia increased to 522580 USD Million in September of 2013 from 509674 USD Million in August 2013. Russia Foreign Exchange Reserves averaged 202636.06 USD Million from 1992 until 2013, reaching an all time high of 596566 USD Million in July 2008 and a record low of 4532 USD Million in December 1992. In Russia, Foreign Exchange Reserves are the foreign assets held or controlled by the country's central bank. The reserves are made of gold or a specific currency. They can also be special drawing rights and marketable securities denominated in foreign currencies like treasury bills, government bonds, corporate bonds and equities and foreign currency loans.¹²

II.F. OIL AND GAS PRICES

¹¹ 'Russia balance of trade', <http://www.tradingeconomics.com/russia/balance-of-trade> (last visited 1 December 2013).

¹² 'Russia foreign exchange reserves', <http://www.tradingeconomics.com/russia/foreign-exchange-reserves> (last visited 1 December 2013).

External demand for oil remained sluggish during the current quarter. Trade in global markets did not provide the expected relief while oil prices retreated, stabilizing below US\$ 100/bbl during the second quarter of 2013. Weak export performance was an important factor for lower growth in the first quarter of 2013.¹³

The Russian Ministry of Finance sees oil, which forms the backbone of Russia's economy, falling to \$80/bbl from 2016 to 2030, down from the two-year peak of \$115/bbl.¹⁴ The Ministry of Finance also notes that less favorably, oil could steadily plateau at \$80 per barrel. However, if the oil prices fall sharply, Russia plans to dip into its Reserve Fund – mainly to finance infrastructure developments.¹⁵ Russian energy giant Gazprom has lost more than \$280 billion in market value since 2008. Experts on the country's economy and governance attribute the decline to U.S. investment in the innovative oil and gas extraction technique of hydraulic fracturing, or “fracking,” which dampened U.S. demand for imports and exerted downward pressure on global gas prices and Gazprom's profits. Russia's overall economic growth slumped to just 1.2 percent in the second quarter, significantly lower than the economic ministry's forecast of 1.9 percent.

As edited on 1 September 2013, Russia's budget revenues are expected to go down by 18 percent from 37 percent of GDP to a 30 percent share, according to calculations by the Ministry of Finance.¹⁶ Presently, an adequately funded budget is dependent on oil prices above \$100. The oil and gas revenues are expected to fall to 3.3 percent of GDP from a 8.8 percent share.

III. TRADE AGREEMENTS AND ARRANGEMENTS

Russia joined WTO's Information Technology Agreement

On 13 September 2013, the World Trade Organization announced that the Committee of Participants in the Expansion of Trade in Information Technology Products, confirmed that the Russian Federation has joined the WTO plurilateral agreement that aims to liberalize trade in this important and growing sector of the global economy.

By joining the ITA, Russia becomes the 78th member of one of the most significant trade agreements for the Information and Communications Technology (ICT) industry. The ITA eliminates tariffs on a wide variety of ICT products and subcomponents that are critical to the global ICT industry. Members of the ITA represent about 97 percent of global trade in ICT products.

Russia undertook to reduce tariffs on information technology products from 5.4 per cent to zero, and to join the ITA as part of its WTO accession commitments. Russia's move of joining the ITA

¹³ 'Russian Economic Report 30: Structural Challenges to Growth Become Binding', <http://www.worldbank.org/en/news/press-release/2013/09/25/russian-economic-report-30> (last visited 1 December 2013).

¹⁴ 'Russia prepares budget for oil drop', <http://rt.com/business/russia-budget-putin-oil-207/> (last visited 1 December 2013).

¹⁵ Russia's Reserve Fund is one part of its Sovereign Wealth Fund, with the National Welfare Fund being the other. Established in 2004, after oil plummeted below \$30 a barrel, it now serves as a safety buffer for falls in crude prices. The Reserve Fund is now estimated at about \$85 billion, and the Welfare Fund, which invests internationally, at \$86 billion. <http://rt.com/business/russia-budget-putin-oil-207/>.

¹⁶ *Id.*

demonstrates that Russia is making progress towards meeting the commitments that it made at the time of acceding to the WTO.

Russia welcomed as observer to the Committee on Government Procurement

On 29 May 2013, the Committee on Government Procurement agreed to grant observer status to the Russian Federation. This represents a first step towards the eventual accession by Russia as a full party to the Agreement on Government Procurement.

Armenia to join Russian led Customs Union

On 3rd September 2013, the Armenian President Serzh Sarkisian, after talks with his Russian counterpart, Vladimir Putin, made a surprise announcement in Moscow that “his country wants to join the Customs Union of Belarus, Kazakhstan and Russia.”¹⁷ Putin hailed Sarkisian’s announcement, saying Yerevan’s decision to join the "Eurasian integration process" will boost bilateral and mutually profitable ties between the two countries.

Yerevan’s membership of the customs union must still be approved by the other union members, Belarus and Kazakhstan. Armenia is heavily economically dependent upon Russia, which is home to a million-strong Armenian diaspora. Moscow is Yerevan’s largest trading partner and Russia is the biggest foreign investor in Armenia.

IV. FOREIGN INVESTMENT REGIME

Investment by non-OECD G20 countries decreases by 92%

The sharp decline in investment from non-OECD G20 countries, from USD 82 billion to USD 6.5 billion, was mainly due to the collapse in international investment from Russia, after exceptionally high levels of investment outflows observed in the first quarter (Russian outflows dropped from USD 54 billion in Q1 to USD 1 billion international divestment in Q2).¹⁸

Growth in 2013 Q2 failed to rebound as expected, dragged down by weak investment and industrial production, possibly due to the completion of large projects in the energy sector. Seasonally-adjusted quarter-on-quarter growth is estimated at only 0.1 percent, just a slight improvement over 2013Q1 growth of 0.0 percent. However, high frequency indicators for July/August, survey data, expectations of higher oil prices, and consensus forecasts point to a pick-up in growth in 2013H2. August inflation was unchanged over July at 6.5 percent y/y, reflecting higher utility prices and some evidence of pass-through from exchange rate movements. The 2013H1 federal and general government nonoil deficit outturns were broadly as expected,

¹⁷ ‘Armenia To Join Russian-Led Customs Union’, <http://www.rferl.org/content/armenia-customs-union/25094560.html> (last visited 20 December 2013).

¹⁸ FDI In Figures, International Investment Resumes Retreat, <http://www.oecd.org/investment/investment-policy/FDIInFiguresOctober2013.pdf> (last visited 1 December 2013).

but lower spending masked somewhat lower nonoil revenues.¹⁹

V. TRADE POLICIES AND PRACTICES BY MEASURES

V.A. MEASURES DIRECTLY AFFECTING IMPORTS

V.A.1. CUSTOMS

Russia has scaled back tough customs checks on Ukrainian imports, Ukraine's government said on 20th Aug 2013, a week after beginning a clampdown the Kremlin said would be extended if its ex-Soviet neighbor were to sign a free-trade deal with the EU.²⁰

V.A.2. SANITARY AND PHYTO-SANITARY MEASURES

Since international and Russian phytosanitary requirements are frequently violated during import of regulated products from the Kingdom of the Netherlands, the Republic of Poland and the Republic of Serbia to the Russian Federation, the Rosselkhozadzor has to take measures to enhance quarantine phytosanitary control (surveillance) of regulated products from the abovementioned countries and of the products imported from third countries and transited through the Netherlands, Serbia and Poland. Corresponding letters will be sent to the national plant protection organizations.²¹

The Russian Delegation which was staying in Ecuador on a working visit in advance of the meeting of the Russian-Ecuadorian Intergovernmental Commission on Trade and Economic Cooperation familiarized itself with the banana production process in the Republic.²²

V.A.3. TECHNICAL BARRIERS TO TRADE

During the first seven months of 2013, Russia cut its beef imports by almost 25% compared to the same period in 2012, following the introduction of a number of trade restrictions and some changes in the agricultural import policy, according to Russia's Federal Customs Service.²³ The country imported only 292,000t of beef, including 257,000t of frozen beef, during the first half of the year, according to official estimates.

¹⁹ IMF Country Report No. 13, /310, <http://www.imf.org/external/pubs/ft/scr/2013/cr13310.pdf> (last visited 1 December 2013).

²⁰ 'Russia Eases Customs Checks on Ukraine Imports', <http://online.wsj.com/news/articles/SB10001424127887323423804579024890156453678> (last visited 1 December 2013).

²¹ 'Quarantine Phytosanitary Control of Regulated Products Imported from the Netherlands, Serbia and Poland', http://www.fsvps.ru/fsvps/news/7659.html?_language=en (last visited 1 December 2013).

²² 'Russian Delegation Familiarized Itself with Banana Production Process in the Republic of Ecuador', http://www.fsvps.ru/fsvps/news/7653.html?_language=en (last visited 1 December 2013).

²³ 'Russia sees drop in beef imports', <http://www.globalmeatnews.com/Industry-Markets/Russia-sees-drop-in-beef-imports> (last visited 1 December 2013).

According to Alexei Alexeenko, press-secretary of Russian veterinary watchdog Rosselkhoz nadzor. Russia may impose a ban on meat product imports from Poland due to violations of Russia's veterinary regulations by Polish companies ²⁴

V.B RULES OF ORIGIN

EFTA met Russia, Belarus and Kazakhstan for the ninth round of free trade negotiations in July this quarter. Delegations from the seven Parties pursued their work towards a broad-based preferential trade agreement from 1 to 4 July 2013 in Geneva. The three countries forming the Customs Union viz. Russia, Belarus and Kazakhstan are EFTA's sixth largest export destination and fourth largest import source outside the European Union, with two-way merchandise trade worth USD 8.7 billion in 2012. It is also a significant partner for trade in services and investment.²⁵

V.C. TARIFFS

Russia is set to freeze tariffs on state-regulated services including gas, electricity and railways in 2014. Railway tariffs would not be raised until January 2015, and then at the level of 2014 inflation. Gas and electricity rates, normally raised in July, would not be raised until July 2015 – also at the level of 2014 inflation. In August, the economy ministry cut its 2013 growth forecast for the second time this year, to 1.8 from 2.4 percent, and cut the 2014 outlook to 2.8-3.2 percent from 3.7 percent. The Economy Minister Alexei Ulyukayev forecasted the 2014 growth to be 3 percent based on the new plan.²⁶

Russia to freeze its energy tariffs

Times are tough in Russia after economic growth dropped to 1.2% in the second quarter, but inflation remains stubbornly above 6%. Forced to choose, the Central Bank of Russia has opted to fight inflation ahead of boosting growth, an extremely emotive topic for Russians who lived through years of hyperinflation in the early 1990s.²⁷ The tariff freeze has been proposed for gas, electricity and rail transportation by the CBR, and, if implemented, will come into force in July 2014.

Russia notified WTO that it is increasing tariffs on certain Ukrainian goods due to Ukraine's emergency car duties

On 5 July 2013, WTO announced that the Russian Federation notified the WTO Council for Trade in Goods, Committee on Safeguards under Article 12.5 of the Agreement on Safeguards proposed suspension of concessions and other obligations referred to in paragraph 2 of article 8 of the Agreement on Safeguards totaling to an amount of US\$ 36,215,801.²⁸ The proposed action involves increasing its tariffs on certain

²⁴ 'Russia considers Polish meat ban', <http://www.globalmeatnews.com/Industry-Markets/Russia-considers-Polish-meat-ban> (last visited 1 December 2013).

²⁵ 'EFTA meets Russia, Belarus and Kazakhstan for ninth round of free trade negotiations', <http://www.efta.int/free-trade/free-trade-news/2013-07-4-efat-rubeka-9th-rd-free-trade-nego> (last visited 1 December 2013).

²⁶ Darya Korsunskaya, 'UPDATE 1-Russia to freeze gas, power, railway tariffs in 2014', <http://www.reuters.com/article/2013/09/11/russia-tariffs-idUSL5N0H73ZN20130911> (last visited 1 December 2013).

²⁷ Ben Aris, 'Back to the 90s - Russia to freeze energy tariffs', http://www.bne.eu/story5335/Back_to_the_90s_Russia_to_freeze_energy_tariffs (last visited 1 December 2013).

²⁸ G/L/1032, G/SG/N/12/RUS/1.

Ukrainian goods in HS subheadings 1806 90, Chocolate preparations (additional duty of 0.1 € per kg), 7005.29, float glass (additional duty of 15%) and 2701.11, coal (additional duty of 54%) in retaliation for the imposition of emergency duties of 6.46% and 12.95% placed on imported automobiles by Ukraine. Turkey had previously filed a similar notification.²⁹

VI. TRADE REMEDY MEASURES

VI.A. ANTI-DUMPING

On 24th September 2013, the Russian Federation notified the Committee on Anti Dumping Practices of all the ongoing anti-dumping investigations involving Russia and the anti-dumping duties that have terminated³⁰. Both of these were reported for the period 1 January 2013 to 31 June 2013 in compliance with Article 16.4 of the Anti-Dumping Agreement.

DEFINITIVE ANTI-DUMPING MEASURES IN FORCE AS OF 30 JUNE 2013

Country/Customs Territory	Product with Investigation ID number	Measure	Date of original imposition	Date of Extension
Brazil	Nickel-containing flat-rolled steel products; ID: AD-6-BR Cold-rolled flat steel products with polymer coating; ID: AD-8-CN	Duties	26.12.2010	
China	Cold-worked seamless pipes and tubes of stainless steel; ID: AD-11-CN	Duties	15.5.2013	
	Cold-rolled flat steel products with polymer coating; ID: AD-8-CN	Duties	1.7.2012	
	Enamelled baths of cast iron; ID: AD-12-CN	Duties	26.5.2013	
	Nickel-containing flat-rolled steel products; ID: AD-6-C	Duties	26.12.2012	
	Rolling-element bearings (excl. needle roller bearings); ID: AD-3-CN	Duties	21.1.2008	
Germany	Light commercial vehicles; ID: AD-10-DE	Duties	1.7.2012	
China, Hong Kong	Nickel-containing flat-rolled	Duties	26.12.2010	

²⁹ 'Russia notifies WTO that it is increasing tariffs on certain Ukrainian goods due to Ukraine's emergency car duties', <http://www.internationaltradeupdate.com/blog.aspx?entry=775> (last visited 1 December 2013).

³⁰ G/ADP/N/244/RUS

	steel products; ID: AD-6-HK			
	Cold-rolled flat steel products with polymer coating; ID: AD-8-HK	Duties	1.7.2012	
	Rolling-element bearings (excl. needle roller bearings); ID: AD-3-HK	Duties	21.1.2008	
India	Graphite electrodes; ID: AD-9-IN	Duties	26.1.2013	
Italy	Light commercial vehicles; ID: AD-10-IT	Duties	15.6.2013	
Republic of Korea	Nickel-containing flat-rolled steel products; ID: AD-6-KR	Duties	26.12.2010	
Macao, China	Cold-rolled flat steel products with polymer coating; ID: AD-8-MO	Duties	1.7.2012	
	Nickel-containing flat-rolled steel products; ID: AD-6-MO	Duties	26.12.2010	
	Rolling-element bearings (excl. needle roller bearings); ID: AD-3-MO	Duties	21.1.2008	
South Africa	Nickel-containing flat-rolled steel products; ID: AD-6-ZA	Duties	26.12.2010	
	Cold-rolled flat steel products with polymer coating; ID: AD-8-TW	Duties	1.7.2012	
Chinese Taipei	Nickel-containing flat-rolled steel products; ID: AD-6-TW	Duties	26.12.2010	
	Rolling-element bearings (excl. needle roller bearings); ID: AD-3-TW	Duties	21.1.2008	
Turkey	Light commercial vehicles; ID: AD-10-TR	Duties	15.6.2013	
	Certain steel pipes and tubes; ID: AD-1-UA	Duties	31.1.2006	9.3.2011
Ukraine	Forged work-rolls; ID: AD-7-UA	Duties	27.6.2011	
	Synthetic filament yarn of nylon; ID: AD-4-UA	Duties	25.9.2009	

In addition to the above, on 9 August 2013, the Department of Commerce announced the initiation of antidumping duty investigations of imports of ferrosilicon from the Russian Federation and Venezuela.³¹ The U.S. International Trade Commission (USITC) has voted to conduct a full five-year (“sunset”) review concerning the antidumping duty order on silicon metal from Russia.³²

³¹ <http://enforcement.trade.gov/download/factsheets/Factsheet-Russia-Venezuela-Ferrosilicon-Initiation-ad-09AUG13.pdf/> (last visited 1 December 2013).

³² ‘USITC Will Conduct Full Five-Year (Sunset) Review Concerning Silicon Metal From Russia’ http://www.usitc.gov/press_room/news_release/2013/er0906ll3.htm (last visited 1 December 2013).

TERMINATION OF MEASURES DURING THE PERIOD 1 JANUARY THROUGH 30 JUNE 2013

Country/Customs Territory	Product with Investigation ID number	Date of termination	Reason for termination
China	Bearing tubes; ID: AD-5-CN	16.6.2013	Expiry without review
Hong Kong, China	Bearing tubes; ID: AD-5-HK	16.6.2013	Expiry without review
Macao, China	Bearing tubes; ID: AD-5-MO	16.6.2013	Expiry without review
Chinese Taipei	Bearing tubes; ID: AD-5-TW	16.6.2013	Expiry without review

VI.B. SAFEGUARD MEASURES

The World Trade Organization announced that the Committee of Participants in the Expansion of Trade in Information Technology Products, on 13 September 2013, confirmed that the Russian Federation has joined the WTO plurilateral agreement that aims to liberalize trade in this important and growing sector of the global economy. With this the Russian Federation becomes the 78th member of the Information Technology Agreement (ITA). Russia undertook to reduce tariffs on information technology products from 5.4 per cent to zero, and to join the ITA as part of its WTO accession commitments.³³

VII. TAXATION MEASURES

On 5 September 2013, the Resolution of the Government of the Russian Federation dated 31/08/2013 № 761 “On approval of the list of VAT exempt services that are directly related to the services provided under the licensed activity by registrars, depositaries, including specialized depositaries and central depositary, dealers, brokers, securities asset management companies, investment, mutual and private pension funds management companies, clearing organizations, securities market trade organizers, which are subject to VAT exemption” was published.³⁴ Russia introduced new tax breaks on 2 October 2013 encouraging oil firms to explore hard to reach undersea fields, in the hope of unlocking new reserves as the country approaches full production capacity from its dwindling oil deposits in West Siberia.³⁵ In light of Russia’s accession to the WTO, Russia took the commitment to yearly revise import duty rates. The overall trend of this revision is the gradual decrease of import duty rates.³⁶

³³ ‘Russia joins WTO’s Information Technology Agreement’, <http://www.internationaltrade.complianceupdate.com/blog.aspx?entry=982&fromSearch=true> (last visited 1 December 2013).

³⁴ ‘VAT exemption for financial services is extended’, <http://www.pwc.ru/en/tax-consulting-services/legislation/fs-exemption.jhtml> (last visited 1 December 2013).

³⁵ ‘Russia introduces tax breaks to encourage new oil exploration’, <http://www.reuters.com/article/2013/09/30/russia-energy-tax-idUSL6N0HQ2GV20130930> (last visited 1 December 2013).

³⁶ ‘Changes in import duty rates’, <http://www.pwc.ru/en/tax-consulting-services/legislation/change-rates-of-custom-duties.jhtml>. (last visited 1 December 2013).

VIII. INTELLECTUAL PROPERTY RIGHTS REGIME

A specialized arbitration court that will oversee intellectual property cases opens in Moscow

The all new Russian Intellectual Property Court has been officially constituted and has commenced sitting and hearing cases. This represents a significant milestone in the advancement of intellectual property protection in Russia.

On July 2, 2013, the Plenum of the Supreme Commercial Court of the Russian Federation approved the commencement of the new IP court which is based in Moscow. All the legislative changes required for the creation of the court were already approved in December 2011.³⁷

The IP Court is part of the larger system of arbitrazh or commercial courts. The IP court will hear matters pertaining to the review of decisions made by ROSPATENT (the Russian Federal Service for Intellectual Property) including patent and trademark grant and revocation cases that are first tried by the Chamber for Patent Disputes, an administrative body with Rospatent. It will also determine issues of IP ownership and authorship, and the cancellation of trademark registrations for non-use amongst other things.

The IP Court will also act as a cassation (second appeal) court for IP infringement cases decided in commercial courts of first instance and first appeal courts. It is also expected that the IP Court will play a significant role in helping to protect the IP rights of innovators and brand owners during the upcoming Sochi Olympics to be held in early 2014. Typically at such events there is a huge need to enforce IP rights against ambush marketers, counterfeiters and parallel importers and the new court is expected to provide an efficient, reliable and transparent mechanism for combating abuses of IP.

The institution of the new specialized IP court in Russia evidences the Russian Government's commitment to IP protection and the better harmonization of its laws with those of other countries.

The new IP court is located in the centre of Moscow (Mashkova St., 13), near the Supreme Commercial Court. The IP court is headed by Lyudmila A. Novoselova, an ex-judge of the Supreme Commercial Court. In addition to judge Novoselova, the IP court has appointed 12 other judges, some of whom have IP experience or a technical background.

Russia joins the fight against online piracy

On 1 August 2013, Russia's new legislation on online copyright enforcement came into force. Federal Law of the Russian Federation No. 187-FZ amends a number of legislative acts of the Russian Federation on the protection of intellectual property rights in information and telecommunication networks.³⁸ It aims to strengthen online copyright enforcement in Russia, and provides for new intermediary liability rules. Although, in the first instance, the Law only deals with "exclusive film rights, including movies and TV shows, in information and telecommunications networks, including the Internet," it is expected to be expanded over time to include other forms of online content as well.

³⁷ David Aylen, 'Canada: New Russian IP Court Is Underway', <http://www.mondaq.com/canada/x/250974/Trademark/New+Russian+IP+Court+is+Underway> (last visited 26 November 2013).

³⁸ Daria Kim, 'Russia Adopts Measures Against Online Video Piracy', <http://www.ip-watch.org/2013/07/24/russia-adopts-measures-against-online-video-piracy/> (last visited 26 November 2013).

IX. SECTORAL TRADE POLICY

The downturn in Russian service sector activity continued in this quarter. The Markit/HSBC services Purchasing Managers' Index fell marginally to 48.7 from 48.8 in June. "It appears that the Russian economy has lost its growth engines, with neither manufacturing nor services being able to sustain overall economic growth alone anymore,"³⁹ said Alexander Morozov, chief economist (Russia and CIS) at HSBC.

Russian services expand in Montenegro

Following its independence from the union with Serbia in 2006, Montenegro experienced a real estate boom, with foreigners, mostly of Russian origin, buying land and investing into houses, hotels and tourist resorts in some of the most beautiful spots in the country. While the figures on the Russian-owned real estate in Montenegro vary, several major hotels are in the Russian ownership, the number of Russians visiting and residing in Montenegro has been continuously increasing and the large-scale Russian presence is evident.

There is a growing presence of Russian companies in sectors other than tourism. A recent Statistical Office of Montenegro report showed that Russians own 32 percent of business entities in Montenegro. A major Montenegrin exporter, Aluminum Plant Podgorica is in the Russian ownership.⁴⁰

It is expected that Russian businesses will bring their customs and policies along with the investments. This change is likely to affect trademark owners as well.

X. DISPUTE SETTLEMENT UPDATE

EU Challenges Russian "Recycling Fee" in the WTO Dispute forum

The EU has formally lodged a WTO complaint against Russia, in what marks Moscow's first dispute at the global trade body since it joined in August 2012. At issue in the case (DS462) is a vehicle recycling fee, which Brussels claims discriminates unfairly between imports and their domestic equivalents.

The controversial recycling fee entered into force in September last year, shortly after Russia's WTO accession. The fee ranges from €420 to €2700 for new cars, and a €2600 to €17,200 fee for cars older than three years. Other vehicles, such as certain mining trucks, face fees up to €147,700.

Russian vehicles, along with those from customs union partners Belarus and Kazakhstan, are exempted from the fee if they meet certain conditions. The EU, however, is not eligible for exemptions. EU argues that this distinction discriminates between foreign goods and domestic counterparts, and is therefore in violation of WTO rules. The EU argues that the auto recycling fee is a violation of Article III:2 of the General Agreement on Tariffs and Trade, which obligates signatories to treat imports no less favorably than domestic products in terms of internal taxation and regulation. By not applying the fee to domestically produced cars, Russia is not adhering to those rules, according to the EU. The EU's move to challenge the measure makes good on a promise Brussels made earlier this year to launch a WTO dispute should Russia not remove its recycling fee by 1 July 2013.

³⁹ 'Downturn In Russia's Service Sector Continues', <http://www.rttnews.com/2165570/downturn-in-russia-s-service-sector-continues.aspx> (last visited 1 December 2013).

⁴⁰ Jasna Jusic, Russia's Presence In Montenegro: What It Means For Trademark Owners, <http://www.mondaq.com/article.asp?articleid=198546&signup=true&newsb=1> (last visited 26 November 2013).

According to a notification submitted to the Dispute Settlement Body on 29 July 2013, Russia, in the first week of August, accepted requested from the United States, China, Japan, Turkey and Ukraine to join World Trade Organization consultations requested by the European Union on the auto recycling fee that it imposes on new and used cars.⁴¹

In its request to join the consultations between Russia and the EU as a third party, the U.S. claimed it has a substantial trade interest in the dispute, citing \$1.25 billion in vehicle exports to Russia subject to the fee from September 2012 to May 2013.⁴² Japan has also requested its own consultations with Russia on this issue.

⁴¹ 'Inside U.S. Trade - 08/02/2013 Russia Accepts U.S., China As Third Parties In EU Consultations On Auto Recycling Fee', <http://insidetrade.com/Inside-US-Trade/Inside-U.S.-Trade-08/02/2013/russia-accepts-us-china-as-third-parties-in-eu-consultations-on-auto-recycling-fee/menu-id-710.html> (last visited 20th December 2013).

⁴² *Id.*