



*RUSSIA AND THE WTO: OPPORTUNITIES AND CHALLENGES
HIGHER SCHOOL OF ECONOMICS (HSE) AND
THE INTERNATIONAL CENTRE FOR TRADE AND SUSTAINABLE
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Russia's Accession to the WTO: Opportunities and Systemic Significance

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PRESENTATION

- **Constant questions for Any Article XII Member:**
 - Did it get a good deal?
 - How is it settling in and adjusting?
 - What are the early signals?
- **Russia's WTO Membership – Systemic Significance.**
- **Opportunities & Challenges – A Two-sided Coin.**
 - Maximizing Opportunities to Translate to Benefits
 - Converting Challenges into Opportunities
 - Missed Opportunities become Challenges & Translate to Disadvantages



I. SYSTEMIC SIGNIFICANCE OF THE RF

- Too big to stay outside the rules-based MTS.
- 2% of Global Trade. Marks the virtual completion of the architecture of the WTO
 - 97.1 of the global economy under rules coverage.
- Last WTO Member of G-20 and BRICS.
- Eurasian Economic Integration:
 - the CU and CES with Belarus & Kazakhstan. (Common Market of 170 million);
 - EurAsSec and CIS.



II. SYSTEMIC SIGNIFICANCE OF THE RF

- Legal Framework for Engagement with WTO Membership and the wider Global Economy.
- Shift to a Modernization and Reform Agenda, Diversification, Price-Based Economy, Corporate Governance, the Rule of Law, Strengthened Institutions.
- Reinforcement of WTO Consensus Decision-Making even under conditions of extreme sensitivity.
- The Functioning of Trade Multilateralism.



III. SYSTEMIC SIGNIFICANCE OF THE RF

- RF Pragmatism:
 - Agreement with Georgia
 - Trade Integration
 - Hosting of Vladivostok APEC Summit
- Factor in stability of global order & Rule of Law.
- Factor in global recovery and growth efforts.
- Stake in the Management, Leadership and Global Economic Governance in period of Rapid Transition and Uncertainty.
- When graduated from Jackson-Vanik, would



I. Opportunities: Market Access for Goods



A. AVERAGE DUTIES (in %)

PRODUCT / SECTOR **APPLIED DUTY 2011** **BOUND**

DUTY AFTER

FULL IMPLEMENTATION

AVERAGE DUTIES BY SECTOR

All Products	10	7.8
Agricultural Products	13.2	10.8
Manufactured Goods	9.5	7.3

AVERAGE DUTIES IN SELECTED PRODUCTS

ITA	5.4	0.0
Chemicals	6.5	5.2
Automobiles	15.5	12.0
Electrical machinery	8.4	6.2
Wood and Paper	13.4	8.0
Dairy Products	19.8	14.9
Cereals	15.1	10.0
Oilseeds, fats and oils	9.0	7.1
Cotton	0.0	0.0
Textiles	11.1	8.1
Clothing	18.9	11.6
Beverages & tobacco	21.2	14.9
Wine and Spirits	22.8	11.2

B. TARIFF RATE QUOTAS

Product	Quota Quantity (thousand tonnes)	In-Quota Rate	Out-Quota Rate
Beef	<p>Fresh and chilled Global: 40 CSQ: EU - 29 Other WTO Members - 11</p> <p>Frozen Global: 530 CSQ: EU - 60 USA - 60 Costa Rica - 3 Other WTO Members - 407</p>	15%	55%
Pork	<p>Fresh, chilled or frozen Global: 400 CSQ: None</p> <p>Pork trimming Global: 30 CSQ: None</p>	0%	65%

In the case of elimination of the tariff rate quota, a flat bound rate of 27.5% shall apply.

The tariff quota will be eliminated on 1 January 2020 and replaced by a flat bound rate of 25%.

B. TARIFF RATE QUOTAS (cont'd)

Product	Quota Quantity (thousand tonnes)	In-Quota Rate	Out-Quota Rate
Poultry (selected parts)	Frozen chicken cuts, with bone in	25%	80%
	Global: 250		
	CSQ: None		
	Frozen chicken cuts, boneless	In the case of elimination of the tariff rate quota, a flat bound rate of 37.5% shall apply.	
	Global: 100		
	CSQ: EU - 80		
	Other WTO		
	Members - 20		
	Frozen turkey cuts		
	Global: 14		
	CSQ: None		
Whey Products (selected parts)	Global: 15	10%	15%
	CSQ: None		

C. AGRICULTURAL SUBSIDIES

GOODS SCHEDULE PART IV: AGRICULTURAL PRODUCTS: COMMITMENTS LIMITING SUBSIDIZATION

Section I: Domestic Support: Total AMS Commitments

Annual and Final Bound Commitment Levels: US\$

Billion: (value in parenthesis)

2012 (9.0); 2013 (9.0); 2014 (8.1); 2015 (7.2); 2016 (6.3);
2017 (5.4); 2018 (4.4)

Section II and Section III: Export Subsidies: Budgetary Outlay and Quantity Reduction Commitments

Bound at Nil

D. EXPORT DUTIES

GOODS SCHEDULE PART V: EXPORT DUTIES (New)

Fixed on **704** tariff lines:

"The Russian Federation undertakes not to increase export duties, or to reduce or eliminate them, in accordance with the following schedule, and not to reintroduce or increase them beyond the levels indicated in this schedule, except in accordance with the provisions with GATT 1994."

(Schedule CLXV: page 848)

INFORMATION TECHNOLOGY AGREEMENT (ITA) PRODUCTS



- Headnote (3) of the Goods Schedule:

"The Russian Federation is committed to reducing to zero, through equal annual reductions, the customs duty rates for products covered by the Information Technology Agreement (ITA) within three years after its accession to the WTO."
- Paragraph 324 of the RF Working Party Report:

The Russian Federation "confirmed" in a binding commitment paragraph that it would submit its ITA Schedule to the ITA Committee for verification, in accordance with ITA procedures, in order to enable the RF to accede to the ITA when it becomes a WTO Member.



II. Opportunities: Market Access for Services



A. COMMITMENTS IN SELECTED SERVICES SECTORS/SUBSECTORS

SERVICES SECTOR / SUBSECTOR	SPECIFIC COMMITMENT
2. Communications Services <i>C. Telecommunications services</i> Mode of Supply 3: Commercial Presence	Foreign equity limitation of 49% will be eliminated after 4 years. Russian Federation will apply WTO Basic Agreement. Telecommunications (Additional Commitments).
4. Distribution Services <i>B. Wholesale trade services</i> <i>C. Retailing services</i> <i>D. Franchising</i> Mode of Supply 3: Commercial Presence	Allow 100% foreign-owned companies to engage in wholesale, retail and franchise services upon accession.
7. Financial Services: <i>B. Banking & Other Financial Services</i>	Foreign banks allowed subsidiaries, but not branches. No cap on foreign equity in individual banking institutions, but overall

A. COMMITMENTS IN SELECTED SERVICES SECTORS/SUBSECTORS (cont'd)

SERVICES SECTOR / SUBSECTOR

SPECIFIC COMMITMENT

7. Financial Services

A. All insurance & insurance-related services

Mode of Supply 3: Commercial Presence

After 9 years from date of accession to the WTO, commercial presence in the form of a branch of a foreign insurer will be allowed in the field of life and non-life insurance.

9. Tourism and Travel Related Services

B. Tour operators and tour agencies services

C. Tourist guide services

Mode of Supply 3: Commercial Presence

After 7 years from the date of Russia's WTO accession, the 49% total foreign participation in charter capital (voting shares) limitation may be eliminated for the supply of out-bound and in-bound tourism operator services.

11. Transport Services

A: Maritime Transport Services

Listed services are made available to international maritime transport suppliers on reasonable and non-discriminatory terms and conditions

B. MFN EXEMPTIONS

- Measures related to investment protection in relevant agreements:
- Preferences granted to the EU and CIS countries for the movement of natural persons supplying services
- Sectoral preferences in audiovisual, education, and various transport sector

C. HORIZONTAL LIMITATION

Area	Limitation
- Public Utilities	Limitations on Market Access (3): Services considered as public utilities as of the date of accession at a national or local level may be subject to public monopolies or to exclusive rights granted to private operators.
- Production-sharing agreements for the exploration, development and production of mineral raw materials	Limitations on National Treatment (1), (3): Juridical persons of the RF have the priority right to take part in the conduct of the Agreement operations as contractors as contractors, suppliers, carriers or in any other capacity under agreements (contracts) with Investors. Limitations on National Treatment (4): Not less than 80% of all employed personnel engaged in realization of a production sharing agreement should be citizens of the Russian Federation.



III. Opportunities: Specific Commitments on Multilateral Rules





A. Opportunities from Specific Commitments on Multilateral Rules

- Framework for Making and Enforcing Policies
 - Right to Regulate Trade. WPR Para. 453
- Intellectual Property Rights (Standards, Legislation and Enforcement).
- Sanitary and Phytosanitary (SPS) Matters.
- Industrial Policies, including TRIMS.
- Pricing Policies.
- Transit Obligations.
- Registration Requirements / Improvement of the Business Climate.



B. Opportunities from Specific Commitments on Multilateral Rules

- **Agricultural Policies:**
 - Para. 1162 of WPR (Reverse Central Planning);
 - Para. 1164 - RF Resolution 446 for Sustainable Development of Rural Territories).
 - Final bound AMS and reduction commitments
 - Three specific commitments: Paras: 1186 (compliance with AoA); 1187 (Proportion of Product-Specific AMS to NPS/AMS); & 1189 (export subsidies bound at zero).
- **Export Restrictions:**
 - WP Report Paragraph 647 (GATT Art. XI / AoA



C. Opportunities from Specific Commitments on Multilateral Rules

- Promotion of Competition Policy:
 - WPR Para. 138: RF/Fed Law No. 135-FZ of 26 July 2006 "On Protection of Competition" (barring monopolistic behaviour, unfair competition, and anti competitive behaviour. Violations could lead to civil, administrative or criminal liability).
- Transparency.
- Government Procurement.



IV. Maximizing Opportunities and Minimizing Concerns & Friction

- Vital Importance of Trust.
- Implementation of Commitments.
- Participation in WTO Regular Work.
- Distinguishing between the Letter and Spirit of the Law Vs. Nominal Legalism.
- Balancing Rights & Obligations.
- The Meaning of Signals:
 - Measures and Reactions.
 - Value of Positive Signalling
- Contributing through initiatives & Leadership.



V. CONCLUSION

- RF Matters hugely.
- Strategic Gains of RF Membership (and for the Rules-Based MTS) are anchored on:
 - *Competition, openness & transparency*
 - *open markets & obedience to the rule of law*
 - *implementation of WTO commitments*
 - *Offensive use of the rules for trade opening, and not to "game the system"*
 - *Avoidance of multilateral trade negotiations becoming "a proxy for power struggles".*



V. CONCLUSION – BENEFITS of Accession Package

- Modernization & Reform Platform.
- FDI Flows.
- Faster trade and GDP growth / Jobs.
- Improved Corporate Governance.
- Improved Image / Perceptions: WTO “Quality Branding”.
- Increased Stability for “more efficient fit” into global supply chains.
- Invocation of “Rights” to address real and perceived discrimination.



Thank you!