



## HOW RUSSIA'S WTO MEMBERSHIP IN THE WORLD TRADE ORGANIZATION IMPROVES MARKET ACCESS FOR EXPORTS OF U.S. GOODS AND SERVICES

### PRE-WTO MEMBERSHIP SITUATION IN RUSSIA

- Russia had no tariff bindings and was thus able to increase tariffs without limit.
- In response to the 2008 global economic crisis, Russia raised tariffs on a number of goods, including combine harvesters, certain types of cold-rolled steel, steel pipes and rolled products, rice, and processed cheese.
- Russia has also used unjustified SPS measures and other measures, to disrupt trade in poultry, pork, distilled spirits, and dairy.
- U.S. service providers were excluded from many sectors and faced discriminatory practices in those sectors where they could compete.
- Russia adopted industrial policies favoring local production and local products.

### INCREASED MARKET ACCESS FOLLOWING RUSSIA'S WTO MEMBERSHIP

#### Tariffs

- As part of its WTO membership, Russia has bound its tariffs on all products.
- Russia's average final bound rate for industrial goods is approximately 7 percent, a decrease from the current applied average tariff rate of 10 almost percent.
- Approximately 38 percent of Russia's tariff lines had their final bound rates implemented upon accession and over 80 percent will have their final bound rates implemented within 3 years.
- For agriculture, most tariff reductions were implemented as of Russia's accession to the WTO; and other agricultural products are subject to short transitions. For example:
  - **Wine:** Russia committed to a final bound tariff of 12.5 percent within 4 years; previously Russia applied a tariff of 20 percent.
  - **Select Fruit Juices:** Russia is now applying a final bound tariff rate of 5 percent on key orange juice lines; previously Russia applied a tariff of 15 percent.
  - **Pears and other Fresh Fruit:** Russia has committed to a final bound tariff of 5 percent; Russia previously applied a tariff of 10 percent.
  - **Breakfast cereals:** Russia has committed to a maximum final bound tariff of 10 percent for these products; Russia previously applied a 15 percent tariff.
  - **Pork:** Russia now applies zero tariffs on pork products within the tariff rate quota. Russia's previously applied tariff on these products was 15 percent.
  - **Beef:** Russia expanded beef access from 41,700 tons to 60,000 tons through a U.S. country-specific TRQ, with a 15 percent in-quota tariff. In addition, Russia has established access for High Quality Beef with a 15 percent tariff outside of the tariff rate quota for beef.
  - **Live Animals:** Russia has committed to a final bound tariff of 5 percent for live animals, with some tariff lines at zero. Russia previously applied up to a 40 percent tariff on live animals.
- Important industrial products that will benefit from tariff reductions include:
  - **Information Technology:** Russia committed to join the ITA upon accession, providing duty free treatment on all ITA products within three years; previously, Russia's average applied tariff on ITA products was 5.2 percent.
  - **Wide Body Aircraft:** Russia has bound its wide body tariffs at 7.5 percent; Russia's previously applied tariffs on these products ranged as high as 20 percent.

- **Chemical Products:** Russia agreed to final bound rates on chemical products that are generally consistent with the rates specified under the Chemical Tariff Harmonization Agreement, resulting in an average final bound rate of 5.3 percent. Previously, Russian tariffs on chemicals averaged 6.7 percent and ranged as high as 20 percent.
- **Plastics:** Russia committed to an average final bound tariff for plastics of 6.2 percent; Russia previously applied an average tariff of 10 percent.
- **Steel:** Russia committed to an average final bound tariff of 6 percent on steel products; previously Russia applied an average tariff rate of 8.9 percent.
- **Combine harvesters and threshers:** Russia committed to a final bound tariff rate of 5 percent for combine harvesters and threshers. Previously Russia applied a tariff of 15 percent.

### **Non-Tariff Measures**

- Russia is now required to apply its trade regime consistent with WTO rules, including those on technical barriers to trade, subsidies, and sanitary and phytosanitary measures, limiting Russia's ability to engage in arbitrary actions that have hindered U.S. exports of goods and services.
- As a Member, Russia is required to comply with WTO rules on the protection and enforcement of intellectual property rights, significantly improving the previous regime.
- At the insistence of the United States, Russia liberalized its import licensing regime for products with encryption, significantly reducing the barriers for U.S. exporters of consumer electronic products.
- Russia committed to adopt specific transparency measures, such as publication of draft rules and providing opportunity for public comment prior to their adoption, a move that increases significantly the predictability of Russia's trading system.
- The United States now has access to WTO mechanisms, including dispute resolution, to ensure Russia's compliance with the WTO trade rules.

### **Services**

- U.S. negotiators secured enforceable market access commitments covering services sectors that are priorities for the United States.
- These commitments are providing new opportunities, especially in service sectors.
  - **Financial Services:** Russia is now required to allow 100 percent foreign ownership of most banks, securities firms, and nonlife insurance firms.
  - **Telecommunications:** Russia is opening its telecommunication services market to all foreign suppliers and allows companies to operate as 100 percent foreign-owned enterprises.
  - **Computer Services:** Russia is now required to grant access to U.S. service providers involved in hardware and software installation, data processing and database services.
  - **Audio-visual Services:** Russia is further opening its market to U.S. motion picture distribution and projection services and to sales of television and radio programs to television and radio stations. In addition, Russia will allow wholly U.S.-owned subsidiaries of audio-visual companies.
  - **E-Commerce:** Russia has agreed to allow cross-border wholesale and retail distribution, including Internet sales.
  - **Distribution:** Russia is now required to allow U.S. retailers and other distributors to operate wholly-owned subsidiaries to distribute most products.

### **BILATERAL EFFORTS AND WORK AFTER ACCESSION**

- The United States will use WTO mechanisms, including where appropriate dispute settlement, to ensure that Russia implements fully its commitments to the benefit of U.S. exporters of goods and services.
- We will work with Russia to liberalize further Russia's licensing regime for products with encryption.
- We will work with Russia on application of its SPS regime, including negotiating export certificates and public health requirements that are consistent with international standards.
- The United States will continue to work with Russia to improve its protection and enforcement of intellectual property rights.