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

PRE-ACCESSION 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, spirits, and dairy.
- U.S. service providers were excluded from many sectors or 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 ACCESSION

Tariffs

- As part of its WTO accession, Russia will bind its tariffs on all products.
- Russia's average final bound rate for industrial goods will be approximately 7 percent, a decrease from the current applied average tariff rate of 10 almost percent.
- Approximately 38 percent of Russia's tariff lines will have their final bound rates implemented upon accession and over 80 percent will have their final bound rates implemented within 3 years.
- For <u>agriculture</u>, most tariff reductions will be implemented as of Russia's accession to the WTO; and other agricultural products are subject to short transitions. For example:
  - **Wine**: Russia has committed to a final bound tariff of 12.5 percent within 4 years; currently Russia applies a tariff of 20 percent.
  - **Select Fruit Juices**: Russia will apply a final bound tariff rate of 5 percent on key orange juice lines; currently Russia applies a tariff of 15 percent.
  - **Pears and other Fresh Fruit**: Russia has committed to a final bound tariff of 5 percent; Russia currently applies a tariff of 10 percent.
  - **Breakfast cereals:** Russia has committed to a maximum final bound tariff of 10 percent for these products; Russia currently applies a 15 percent tariff.
  - **Pork:** Russia will apply zero tariffs on pork products within the tariff rate quota. Russia's current applied tariff on these products is 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 currently applies up to a 40 percent tariff on live animals.
- Important <u>industrial</u> products that will benefit from tariff reductions include:
  - **Information Technology**: Russia has committed to join the ITA upon accession, providing duty free treatment on all ITA products within three years; current average applied tariff on ITA products is 5.2 percent.
  - **Wide Body Aircraft**: Russia committed to bind its wide body tariffs at 7.5 percent; Russia's current applied tariffs on these products range as high as 20 percent.

- **Chemical Products**: Russia has 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. Currently, Russian tariffs on chemicals average 6.7 percent and go as high as 20 percent.
- **Plastics**: Russia has committed to an average final bound tariff for plastics of 6.2 percent; Russia currently applies an average tariff of 10 percent.
- **Steel:** Russia has committed to an average final bound tariff of 6 percent on steel products; currently Russia applies an average tariff rate of 8.9 percent.
- **Combine harvesters and threshers**: Russia has committed to a final bound tariff rate of 5 percent for combine harvesters and threshers. Currently Russia applies a tariff of 15 percent.

Non-Tariff Measures

- Russia will be 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.
- Upon accession, Russia will be required to comply with WTO rules on the protection and enforcement of intellectual property rights, significantly improving the current regime.
- At the insistence of the United States, Russia has liberalized its import licensing regime for products with encryption, significantly reducing the barriers for U.S. exporters of consumer electronic products.
- Russia has committed to adopt specific transparency measures, such as publication of draft rules and providing opportunity for public comment prior to their adoption, that will increase significantly the predictability of Russia's trading system.
- The United States will have 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 will provide new opportunities, especially in service sectors.
  - **Financial Services:** Russia will allow 100 percent foreign ownership of banks, securities firms, and nonlife insurance firms.
  - **Telecommunications:** Russia will open its telecommunication services market to all foreign suppliers and allow companies to operate as 100 percent foreign-owned enterprises.
  - **Computer Services:** Russia will allow full access to U.S. service providers involved in hardware and software installation, data processing and database services.
  - **Audio-visual Services:** Russia will open 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 will allow unrestricted access for cross-border wholesale and retail distribution.
  - **Distribution:** Russia will allow U.S. 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.